

UNITED NATURAL FOODS INC  
Form DEF 14A  
November 02, 2012

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

**United Natural Foods, Inc.**

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(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**UNITED NATURAL FOODS, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON DECEMBER 12, 2012**

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of United Natural Foods, Inc., which will be held on Wednesday, December 12, 2012 at 4:00 p.m. eastern standard time on the Internet through a virtual web conference at [www.virtualshareholdermeeting.com/unfi2012](http://www.virtualshareholdermeeting.com/unfi2012), and any adjournments or postponements of the annual meeting.

We are holding the annual meeting for the following purposes:

1. To elect two nominees as directors to serve until the 2015 annual meeting of stockholders.
2. To ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending August 3, 2013.
3. To approve, on an advisory basis, our executive compensation.
4. To approve the United Natural Foods, Inc. 2012 Equity Incentive Plan.
5. To consider a stockholder proposal if properly presented at the annual meeting.
6. To transact such other business as may properly come before the annual meeting or any adjournments or postponements of the annual meeting.

These matters are more fully described in the accompanying proxy statement, which is made a part of this notice. We are not aware of any other business to be transacted at the annual meeting.

Only stockholders of record on our books at the close of business on Friday, October 19, 2012 will be entitled to vote at the annual meeting and any adjournments or postponements of the annual meeting. For 10 days prior to the annual meeting, a list of stockholders entitled to vote will be available for inspection at our principal executive offices located at 313 Iron Horse Way, Providence, RI 02908. If you would like to view the stockholder list, please call our Investor Relations Department at (401) 528-8634 to schedule an appointment. The stockholder list will also be available on the Internet through the virtual web conference at the beginning of the annual meeting.

In accordance with rules approved by the Securities and Exchange Commission, this year we are again furnishing proxy materials to our stockholders over the Internet. On or about November 2, 2012, we mailed to all stockholders of record as of the close of business on October 19, 2012 a notice containing instructions on how to access our Annual Report to Stockholders, which contains our audited consolidated financial statements for the fiscal year ended July 28, 2012, our proxy statement, proxy card and other items of interest to stockholders on the Internet website indicated in our notice, as well as instructions on how to vote. That notice also provided instructions on how you can request a paper copy of our proxy materials and Annual Report to Stockholders if you desire.



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You may vote your shares via the Internet, by telephone or by completing, dating, signing and promptly returning your proxy card to us in the envelope provided, if you received a paper copy of the proxy card by mail. The proxy materials provide you with details on how to vote by these three methods. **We encourage you to vote in the method that suits you best so that your shares will be voted at the annual meeting.** If you decide to attend the virtual annual meeting through the Internet, you may revoke your proxy and cast your vote electronically over the Internet during the meeting.

By Order of the Board of Directors,

Michael S. Funk,  
*Chair of the Board*

November 2, 2012

**PLEASE VOTE. STOCKHOLDERS MAY VOTE BY THE INTERNET, TELEPHONE OR MAIL. PLEASE REFER TO YOUR PROXY CARD OR THE NOTICE OF PROXY AVAILABILITY DISTRIBUTED TO YOU ON NOVEMBER 2, 2012 FOR INFORMATION ON HOW TO VOTE BY THE INTERNET, TELEPHONE OR MAIL.**

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UNITED NATURAL FOODS, INC.  
313 Iron Horse Way  
Providence, Rhode Island 02908

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**PROXY STATEMENT**

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**FOR THE ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON DECEMBER 12, 2012**

This proxy statement is being furnished in connection with the solicitation of proxies by the Board of Directors of United Natural Foods, Inc., for use at the Annual Meeting of Stockholders to be held on Wednesday, December 12, 2012 at 4:00 p.m. eastern standard time on the Internet through a virtual web conference at [www.virtualshareholdermeeting.com/unfi2012](http://www.virtualshareholdermeeting.com/unfi2012), and any adjournments or postponements of the annual meeting. The Board of Directors (which we sometimes refer to as the Board in this proxy statement) is soliciting proxies for the purposes set forth in the accompanying *Notice of Annual Meeting of Stockholders*. We will bear the cost of soliciting the proxies.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on December 12, 2012:**

As outlined on the notice we mailed to you on November 2, 2012 (the "*Notice of Proxy Availability*"), the proxy statement, proxy card and Annual Report to Stockholders for the fiscal year ended July 28, 2012 are available on the Internet at <http://www.proxyvote.com>.

**INFORMATION ABOUT THE MEETING**

**Record Date and Share Ownership**

Only stockholders of record on our books at the close of business on Friday, October 19, 2012 (the "*Record Date*") will be entitled to vote at the annual meeting and any adjournments or postponements of the annual meeting. As of the close of business on October 19, 2012, we had 49,141,375 shares of common stock outstanding. Each share of common stock entitles the record holder to one vote on each matter to be voted upon at the annual meeting. Copies of the Notice of Annual Meeting of Stockholders, this proxy statement, the proxy card and our Annual Report to Stockholders for the fiscal year ended July 28, 2012, are being first made available to stockholders of record on or about November 2, 2012. The Board is making these materials available to you on the Internet or, upon your request, is delivering printed versions of these materials to you without charge by mail. On or about November 2, 2012, we mailed to all stockholders of record as of the Record Date the Notice of Proxy Availability, which contains instructions on how to access these materials and vote.

We will, upon written request of any stockholder, furnish without charge a copy of our Annual Report on Form 10-K for the fiscal year ended July 28, 2012, as filed with the Securities and Exchange Commission (the "*SEC*"), without exhibits. Please address all such requests to the attention of Carrie Walker, Corporate Assistant Secretary, United Natural Foods, Inc., 313 Iron Horse Way, Providence, Rhode Island 02908. Exhibits will be provided upon written request to Ms. Walker and payment of an appropriate processing fee.

**Submitting and Revoking Your Proxy**

If you complete and submit a proxy, the persons named as proxies will vote the shares represented by your proxy in accordance with your instructions. If you submit a proxy but do not complete the

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voting instructions, the persons named as proxies will vote the shares represented by your proxy as follows:

**FOR** the election of Peter A. Roy and Richard J. Schnieders as directors to serve until our 2015 annual meeting of stockholders (Proposal 1);

**FOR** the ratification of the selection of KPMG LLP as our independent registered public accounting firm for fiscal 2013 (Proposal 2);

**FOR** the advisory approval of our executive compensation (Proposal 3);

**FOR** the approval of the United Natural Foods Inc. 2012 Equity Incentive Plan (Proposal 4); and

**AGAINST** the stockholder proposal (Proposal 5).

If other matters come before the annual meeting, the persons named as proxies will vote on such matters in accordance with their best judgment. We have not received notice of other matters that may properly be presented at the annual meeting.

You may revoke or revise your proxy at any time before it is exercised by (1) delivering to us a signed proxy card with a date later than your previously delivered proxy, (2) voting via the Internet while attending the virtual annual meeting, (3) granting a subsequent proxy through the Internet or telephone, or (4) sending a written revocation to our corporate secretary at 313 Iron Horse Way, Providence, Rhode Island 02908. Attendance at the virtual annual meeting through the Internet will not itself be deemed to revoke your proxy unless you vote via the Internet while attending the virtual annual meeting. Your most current proxy card or telephone or Internet proxy is the one that is counted.

If you hold shares of common stock in a stock brokerage account or through a bank or other nominee, you are considered to be the beneficial owner of shares held in "*street name*" and these proxy materials are being forwarded to you by your broker, bank or nominee. You may not vote directly any shares held in street name; however, as the beneficial owner of the shares, you have the right to direct your broker, bank or nominee on how to vote your shares. If you do not provide your broker, bank or nominee instructions on how to vote your shares on non-discretionary items, a "broker non-vote" will occur. Proposal 1 (election of two nominees as directors), Proposal 3 (advisory approval of our executive compensation), Proposal 4 (approval of the United Natural Foods, Inc. 2012 Equity Incentive Plan (the "2012 Equity Plan"), and Proposal 5 (the stockholder proposal) are non-discretionary items for which your broker, bank or nominee will not be able to vote your shares without your instructions. Proposal 2 (ratification of the selection of KPMG LLP) is a discretionary item, and your broker, bank or nominee may vote your shares in their discretion even without voting instructions from you. Accordingly, it is possible for there to be broker non-votes for Proposals 1 and 3 through 5, but not for Proposal 2. In the case of a broker non-vote, your shares would be included in the number of shares considered present at the meeting for the purpose of determining whether there is a quorum. A broker non-vote, being shares not entitled to vote, would not have any effect on the outcome of the vote on Proposal 1 or Proposals 3 through 5.

If you participate in our Employee Stock Ownership Plan (the "*ESOP*"), you will receive a separate voting instructions card which will serve as a voting instruction for Mr. Robert Huckins, the trustee of the ESOP. If Mr. Huckins does not receive voting instructions for your ESOP shares, he will vote your ESOP shares in the same proportion as other ESOP participants' shares for which voting instructions have been received. Mr. Huckins will vote unallocated shares of common stock in the ESOP in the same proportion as participants have directed the trustee to vote their allocated shares of common stock.

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If you participate in the United Natural Foods, Inc. Stock Fund (the "*Stock Fund*") through the United Natural Foods, Inc. Retirement Plan (the "*401(k) Plan*"), you will receive a separate voting instructions card which will serve as a voting instruction for Fidelity Management Trust Company ("*Fidelity*"), the trustee of the plan. If Fidelity does not receive voting instructions for your shares, it will vote your shares in the same proportion as other plan participants' shares for which voting instructions have been received.

In addition to solicitations by mail and the Internet, our directors, officers and employees may, without additional remuneration, solicit proxies by telephone, facsimile and personal interviews. We will request brokerage houses, banks, and nominees to forward copies of the proxy materials to those persons for whom they hold shares and request instructions for voting the proxies. We will reimburse such brokerage houses, banks and other nominees for their reasonable expenses in connection with this distribution.

**How to Vote**

For Proposal 1 (election of two nominees as directors), you may vote "FOR" or "AGAINST" each of the nominees to the Board. You may also abstain from voting "FOR" or "AGAINST" any nominee. For Proposal 2 (ratification of the selection of KPMG LLP), Proposal 3 (advisory approval of our executive compensation), Proposal 4 (approval of the 2012 Equity Plan) and Proposal 5 (the stockholder proposal), you may vote "FOR" or "AGAINST" or abstain from voting.

*Stockholders of Record:* If you are a stockholder of record, there are three ways to vote:

by completing, signing, dating and returning your proxy card by mail, if you request a paper copy of the proxy materials;

by making a toll-free telephone call within the United States or Canada using a touch-tone telephone to the toll-free number provided on your Notice of Proxy Availability; or

by voting on the Internet. To vote on the Internet, go to the website address indicated on your Notice of Proxy Availability to complete an electronic proxy card. You will be asked to provide the control number from the Notice of Proxy Availability. You may also vote on the Internet while attending the meeting virtually through the Internet.

If you plan to vote by telephone or Internet in advance of the meeting, your vote must be received by 7:00 p.m., eastern standard time, on December 11, 2012 to be counted. Internet voting during the annual meeting is also permissible through the virtual web meeting hosted at [www.virtualshareholdermeeting.com/unfi2012](http://www.virtualshareholdermeeting.com/unfi2012).

*Street Name Holders:* If you hold your shares in street name, the Notice of Proxy Availability was forwarded to you by your brokerage firm, bank or other nominee and you should follow the voting instructions provided by your broker, bank or nominee. You may complete and return a voting instruction card to your broker, bank or nominee. Please check your Notice of Proxy Availability for more information. If you hold your shares in street name and wish to vote at the annual meeting, you must have your 12 digit control number from your Notice of Proxy Availability.

*Holders Through the ESOP:* If you hold your shares through the ESOP, a voting instructions card was forwarded to you, which will serve as a voting instruction for Mr. Robert Huckins, the trustee of the ESOP. You must submit your voting instructions to Mr. Huckins by the close of business on December 10, 2012 to allow him time to receive your voting instructions. If Mr. Huckins does not receive voting instructions for your ESOP shares, he will vote your ESOP shares in the same proportion as other ESOP participants' shares for which voting instructions have been received.

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*Holders Through the 401(k) Plan:* If you hold your shares through the 401(k) Plan's Stock Fund, you will receive a separate voting instructions card which will serve as a voting instruction for Fidelity, the trustee of the 401(k) Plan. You must submit your voting instructions to Fidelity by 5:00 p.m. eastern standard time on December 10, 2012 to allow it time to receive your voting instructions. If Fidelity does not receive voting instructions for your shares, it will vote your shares in the same proportion as other plan participants' shares for which voting instructions have been received.

**We provide Internet proxy voting to allow you to vote your shares online both before and during the meeting, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.**

**Quorum**

Presence by attendance through the virtual annual meeting or by proxy of a majority of the shares of common stock outstanding at the close of business on the Record Date and entitled to vote at the annual meeting will be required for a quorum. Shares of common stock present by attendance through the virtual annual meeting or represented by proxy (including shares that abstain or do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum exists at the annual meeting.

**Votes Required**

Proposal 1 (election of two nominees as directors) is an uncontested director election. In uncontested elections, our Bylaws require that each nominee be elected by a majority of votes cast with respect to such nominee. Therefore, a director will be elected if the number of shares voted "FOR" the director exceed the number of shares voted "AGAINST" the director. Since each nominee is already a director, our Bylaws require any nominee who does not receive the affirmative vote of at least a majority of the votes cast to offer to tender his or her resignation to the Board. The Nominating and Governance Committee will make a recommendation to the Board on whether to accept or reject the director's resignation, or whether other action should be taken. The Board will act on such recommendation within 90 days from the date of the certification of the election results. Abstentions and broker non-votes will have no effect on these items because they are not considered votes cast.

For Proposal 2 (ratification of the selection of KPMG LLP), Proposal 3 (advisory approval of our executive compensation), Proposal 4 (approval of the 2012 Equity Plan) and Proposal 5 (the stockholder proposal), the affirmative vote of a majority of votes cast on the proposal is necessary for approval. Abstentions and broker non-votes will have no effect on the results of Proposals 2, 3, 4 or 5 because they are not considered votes cast.

**Attending the Annual Meeting**

We will be hosting the 2012 Annual Meeting of Stockholders live via the Internet. A summary of the information you need to attend the annual meeting online is provided below:

Any stockholder can attend the annual meeting live via the Internet at [www.virtualshareholdermeeting.com/unfi2012](http://www.virtualshareholdermeeting.com/unfi2012).

Webcast starts at 4:00 p.m. eastern standard time.

Please have your 12-digit control number to enter the annual meeting.

Stockholders may vote and submit questions while attending the annual meeting on the Internet.

Instructions on how to attend and participate via the Internet, including how to demonstrate proof of stock ownership, are posted at [www.virtualshareholdermeeting.com/unfi2012](http://www.virtualshareholdermeeting.com/unfi2012).



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Webcast replay of the annual meeting will be available at [www.virtualshareholdermeeting/unfi2012](http://www.virtualshareholdermeeting/unfi2012) until December 12, 2013.

**Householding**

We have adopted a procedure for stockholders whose shares are held in street name called "*householding*," pursuant to which stockholders of record who have the same address and the same last name will receive only one Notice of Proxy Availability each and, as applicable, one set of any additional proxy materials that are delivered, unless one or more of these stockholders notifies us that they wish to continue receiving multiple copies. This procedure provides extra convenience for stockholders and a cost savings for us. Currently, we are not providing householding to stockholders whose shares are registered in their name.

If at any time you no longer wish to participate in householding and would prefer to receive a separate Notice of Proxy Availability and, as applicable, any additional proxy materials that are delivered, or if your shares are held in street name and you are receiving multiple copies of our Notice of Proxy Availability and, as applicable, any additional proxy materials that are delivered and wish to receive only one, please notify your bank, broker, trust or other holder of record. For more information, please contact our corporate secretary at 313 Iron Horse Way, Providence, Rhode Island 02908.

Stockholders who participate in householding will continue to receive separate control numbers for use in voting their shares, and, if requested, separate proxy cards.

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This table includes information regarding the amount of our common stock beneficially owned as of October 19, 2012 by (i) each of our directors, (ii) each of our executive officers named in the *EXECUTIVE COMPENSATION TABLES Summary Compensation Table Fiscal Years 2010-2012*, (iii) all of our directors and current executive officers as a group, (iv) our Employee Stock Ownership Trust ("ESOT"), and (v) each person or entity known to us to own more than 5% of our outstanding common stock.

Name and Address of Beneficial Owner(1)	Number of Shares Beneficially Owned(2)(3)	Percentage Ownership
<b>Directors and Named Executive Officers:</b>		
Michael S. Funk	46,837	**
Gordon D. Barker	34,327	**
Steven L. Spinner(4)	122,329	**
Mary Elizabeth Burton	11,217	**
Joseph M. Cianciolo	30,241	**
Gail A. Graham	16,917	**
James P. Heffernan	50,986	**
Peter A. Roy	41,999	**
Richard J. Schnieders	3,014	**
Sean F. Griffin	9,054	**
Mark E. Shamber	77,079	**
Craig H. Smith	3,262	**
Joseph J. Traficanti	12,896	**
All directors and executive officers, as a group (19 persons)	502,621	1.0%
<b>Other Stockholders:</b>		
Employee Stock Ownership Trust(5)	2,160,558	4.4%
BlackRock, Inc.(6)	3,549,600	7.2%
TimesSquare Capital Management, LLC(7)	2,829,104	5.8%
The Vanguard Group, Inc.(8)	2,525,010	5.1%

\*\*

Less than 1%

(1)

The address for each listed director and executive officer is c/o United Natural Foods, Inc., 313 Iron Horse Way, Providence, Rhode Island 02908. The address for the ESOT is c/o Robert G. Huckins, Trustee, 19404 Camino Del Aguila, Escondido, California 92025. The address for BlackRock, Inc. is 40 East 52nd Street, New York, New York, 10022. The address for TimesSquare Capital Management, LLC is 1177 Avenue of the Americas, 39<sup>th</sup> Floor, New York, New York 10036. The address for The Vanguard Group, Inc. is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

(2)

The number of shares of common stock beneficially owned by each stockholder is determined under SEC rules, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which a person has sole or shared voting power or investment power and also any shares which a person has the right to acquire within 60 days after October 19, 2012 through the vesting and/or exercise of any equity award or other right. The inclusion herein of such shares, however, does not constitute an admission that the named stockholder is a direct or indirect beneficial owner of such shares. Unless otherwise indicated, each person named in the table has sole voting power and investment

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power (or shares such power with his or her spouse) with respect to all shares of common stock listed as owned by such person.

(3)

The shares of common stock shown in the table include the following numbers of shares that are issuable upon the exercise of stock options: Mr. Funk 26,458; Mr. Barker 3,500; Mr. Spinner 26,822; Ms. Burton 4,433; Mr. Cianciolo 5,320; Mr. Heffernan 30,590; Mr. Roy 17,743; Mr. Griffin 5,080; Mr. Shamber 39,923; Mr. Smith 3,203; Mr. Traficanti 5,964; all directors and executive officers as a group 198,992.

The shares of common stock shown in the table include the following numbers of shares issuable pursuant to restricted stock units: Mr. Smith 1,830; all directors and executive officers as a group 2,498.

The shares of common stock shown in the table include the following numbers of shares that are issuable pursuant to phantom stock in the Company's Deferred Compensation and Deferred Stock Plans (the "*Deferral Plans*"): Mr. Barker 30,827; Mr. Spinner 6,093; Mr. Cianciolo 21,148; Ms. Graham 6,384; Mr. Heffernan 17,559; Mr. Shamber 15,768; Mr. Traficanti 4,830; all directors and executive officers as a group 102,609.

The shares of common stock shown in the table include the following numbers of shares held in trust by the ESOT and allocated to the individuals under the ESOP: Mr. Funk 1,790; Mr. Spinner 549; Mr. Griffin 216; Mr. Shamber 2,294; and Mr. Traficanti 292; all directors and executive officers as a group 9,208.

The shares of common stock shown in the table include the following numbers of shares that are allocated to the individual's account under our 401(k) Plan's Stock Fund: Mr. Griffin 679; Mr. Shamber 1,699; Mr. Traficanti 292; all directors and executive officers as a group 9,208.

(4)

Includes 4,500 shares of common stock held by, or by a custodian for, his minor children.

(5)

The ESOT disclaims beneficial ownership of allocated shares of common stock in the ESOP to the extent that the beneficial ownership of such shares is attributable to participants in the ESOP.

(6)

Beneficial ownership information based on information contained in a Schedule 13G/A filed with the SEC on February 10, 2012 by BlackRock, Inc.

(7)

Beneficial ownership information based on information contained in a Schedule 13G/A filed with the SEC on February 8, 2012 by TimesSquare Capital Management, LLC. In its role as an investment advisor, TimesSquare Capital Management, LLC has the sole voting power with respect to 2,383,184 shares and the sole dispositive power with respect to 2,829,104 shares.

(8)

Beneficial ownership information based on information contained in a Schedule 13G filed with the SEC on February 9, 2012 by The Vanguard Group, Inc. The Vanguard Group, Inc. has sole voting power with respect to 67,189 shares, sole dispositive power with respect to 2,457,821 shares and shared dispositive power with respect to 67,189 shares. Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of The Vanguard Group, Inc., beneficially owns 67,189 shares as a result of VFTC's serving as investment manager of collective trust accounts. VFTC directs the voting of such shares.



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**CORPORATE GOVERNANCE**

**Summary**

We are committed to maintaining strong corporate governance practices and principles. The Board actively monitors developments relating to the corporate governance of public corporations, and the Board has consulted with our legal counsel and independent registered public accounting firm to evaluate our current corporate governance and other practices in light of these developments. Our policies and practices reflect corporate governance best practices and are compliant with the requirements of the Sarbanes-Oxley Act of 2002, SEC rules and regulations and the NASDAQ Stock Market ("*NASDAQ*") listing standards. For example:

The Board has adopted clear corporate governance principles, which were most recently revised in September 2010, that outline the roles and responsibilities of the Board and its committees and establish policies regarding governance matters such as Board meetings and communications, performance evaluations of the Board and our Chief Executive Officer, stock ownership guidelines, and director orientation and continuing education;

A majority of the members of the Board are independent within the NASDAQ listing standards' definition, and the Board makes an affirmative determination regarding the independence of each director annually;

All members of the Board's standing committees the Audit Committee, the Compensation Committee and the Nominating and Governance Committee are independent within the NASDAQ listing standards' definition;

The independent members of the Board meet regularly without the presence of management;

We have designated an independent director to serve as our "Lead Independent Director" to coordinate the activities of the other independent members of the Board;

We have a clear code of business conduct and ethics that applies to our principal executive officers and all members of our finance department, including our principal financial officer and principal accounting officer;

The charters of the Board's committees clearly establish their respective roles and responsibilities; and

The Audit Committee has procedures in place for the anonymous submission of employee complaints on accounting, internal controls or auditing matters.

In addition, our corporate governance principles limit our independent directors to serving on no more than a total of four public company boards and limit our executive officers to serving on no more than a total of two public company boards, in each case, including our Board. Directors and executive officers must notify the Nominating and Governance Committee in advance of accepting an invitation to serve on another corporate board. Directors are also required to notify the Nominating and Governance Committee when their principal occupation or business association changes, at which point the committee will evaluate the propriety of continued Board service.

As discussed under *PROPOSAL 1 ELECTION OF DIRECTORS Majority Vote Standard for Election of Directors*, our Bylaws provide for a majority voting standard for uncontested elections of directors and the Board approved amendments to the Nominating and Governance Committee's charter to implement the majority voting standard for directors. The Nominating and Governance Committee's charter sets forth the procedures for the Nominating and Governance Committee's deliberations regarding whether to accept an offer by a nominee for director to resign from the Board if that nominee does not receive more votes cast "FOR" his or her election than votes cast "AGAINST" his or her election.



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We maintain a corporate governance page on our website that includes key information about our corporate governance initiatives. The corporate governance page can be found at [www.unfi.com](http://www.unfi.com), by clicking on "Investor Overview" and then on "Corporate Governance" or "Code of Conduct" as applicable. Copies of our corporate governance principles, our code of business conduct and ethics, the charters for each of the Board's committees and the charter of the Lead Independent Director can be found on the investor overview pages of our website. Information contained on our website is not incorporated by reference in this proxy statement or considered to be part of this document.

**Director Independence**

Our corporate governance principles require a majority of the members of the Board to be independent directors as such term is defined in the NASDAQ listing standards. The Board, upon the recommendation of the Nominating and Governance Committee, has determined that seven of its nine members are independent. Our seven independent directors are Gordon D. Barker, Mary E. Burton, Joseph M. Cianciolo, Gail A. Graham, James P. Heffernan, Peter A. Roy and Richard J. Schnieders. Michael S. Funk and Steven L. Spinner are our employees and therefore are not independent directors. Mr. Cianciolo has reached mandatory retirement age under our corporate governance principles, and, therefore, he is not standing for re-election at the annual meeting. In connection with Mr. Cianciolo's term expiring at the annual meeting, we will reduce the size of the Board to eight members.

Our corporate governance principles and the charter for each of the Boards' standing committees the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee require all members of the Board's standing committees to be independent. The charter of the Audit Committee also requires each of its members to meet the definition of independence under Section 10A of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), and the SEC's rules thereunder. The charter of the Compensation Committee requires each of its members to be a non-employee director within the meaning of Rule 16b-3 under the Exchange Act and an outside director within the meaning of Section 162(m) of the Internal Revenue Code, as amended (the "*Code*"). We will be revising the charter of the Compensation Committee to take into account the impact of recently proposed changes to the NASDAQ listing standards, including the changes regarding committee member independence, and will post the amended version of the charter to the corporate governance section of our website.

**Lead Independent Director**

The Board previously maintained the positions of Vice Chair and Lead Independent Director. Effective September 2012, the Board eliminated the "Vice Chair" reference and instituted a 3-year term limit for the Lead Independent Director role, effective retroactively. Mr. Barker, Chair of the Nominating and Governance Committee, currently serves as the Lead Independent Director. In accordance with our corporate governance principles and the charter of the Lead Independent Director, the Lead Independent Director must be independent, and unless the Board determines otherwise, the Chair of the Nominating and Governance Committee shall serve as the Lead Independent Director. The Lead Independent Director is responsible for coordinating the activities of the other independent directors and for performing such other duties and responsibilities as the Board may determine from time to time, including:

Serving as a liaison between the Chair of the Board, independent directors, and the President and Chief Executive Officer;

Leading the annual performance reviews of the Chair of the Board and the President and Chief Executive Officer, and leading the full Board in an annual review of the performance and effectiveness of the Board and its committees;

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Recommending to the Board the membership of the Board's committees, and recommending to the Chair of the Board the retention of advisers and consultants who report directly to the Board;

Advising the Chair of the Board as to an appropriate schedule of and agenda for the Board's meetings and ensuring the Board's input into the agenda for the Board's meetings;

Advising the President and Chief Executive Officer as to the quality, quantity, and timeliness of the information submitted by the Company's management that is necessary or appropriate for the independent directors to effectively and responsibly perform their duties;

Assisting the Board, the Nominating and Governance Committee, and our officers in better ensuring compliance with and implementation of our corporate governance principles; and

Serving as the Chair for executive sessions of the Board's independent directors and acting as Chair of the Board's regular and special meetings when the Chair is unable to preside.

A complete description of the duties of the Lead Independent Director is included in the charter of the Lead Independent Director, a copy of which can be found in the corporate governance section of our website at [www.unfi.com](http://www.unfi.com).

**Board Leadership Structure**

The Board is currently led by the Chair of the Board, Mr. Funk, and by the Lead Independent Director, Mr. Barker. The Board believes that it is in our best interests for two separate members of the Board to lead the Board. This dual leadership role combines the benefits of Mr. Barker's guidance as an independent director and Mr. Funk's prior executive management experience with the Company, and its predecessor company, from 1976 to 2008. Our corporate governance principles do not require the Chair of the Board to be independent and do not specify whether the positions of Chair of the Board and Chief Executive Officer must be separated.

The Chair and the Lead Independent Director provide overall leadership to the Board in its oversight function, whereas the Board believes that the Chief Executive Officer, Mr. Spinner, provides leadership with respect to the day-to-day management and operation of our business. We believe the separation of the offices of the Board's leadership from our day-to-day management and operations allows Mr. Funk and Mr. Barker to focus on managing the Board's matters and allows Mr. Spinner to focus on managing our business. The Board believes this leadership structure has enhanced the Board's oversight of, and independence from, management, the ability of the Board to carry out its roles and responsibilities on behalf of our stockholders, and our overall corporate governance. Furthermore, the Board believes that having a Lead Independent Director vested with key duties and responsibilities (as discussed above) and the Board's standing committees comprised of and chaired by independent directors (as discussed below) provides a formal structure for strong independent oversight of our management team.

**Risk Oversight**

The Board has overall responsibility for risk oversight. The Board exercises its oversight responsibilities with respect to strategic, operational and competitive risks, as well as risks related to the planning for succession of our Chief Executive Officer and other members of senior management. The Board has delegated responsibility for the oversight of specific risks to the Board's committees as follows: the Audit Committee discusses with management and the independent auditor significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures; and the Compensation Committee is responsible for ensuring that compensation policies and programs do not encourage our executives to take unnecessary and excessive risks that could threaten our long-term value. All committees report to the full Board as appropriate, including when a matter

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rises to the level of a material or enterprise level risk. We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing our company.

**Compensation Risk**

In fiscal 2012, we performed a comprehensive assessment for the Compensation and Audit Committees to determine whether the risks arising from any of our compensation policies or practices are reasonably likely to have a material adverse effect on us. Our assessment covered each material element of executive and non-executive employee compensation and any risk mitigating factors as discussed below. We believe that our policies and practices do not create risks that are reasonably likely to have a material adverse effect on us. In addition, the structure of our compensation program for executive officers does not incentivize unnecessary or excessive risk taking. The base salary component of compensation does not encourage risk-taking because it is a fixed amount. In addition, performance-based cash incentive awards and long-term equity-based incentive awards made in fiscal 2012 have the following risk-limiting characteristics:

Time-based vesting equity awards for Messrs. Spinner, Shamber, Traficanti and Griffin were granted with a grant date fair value equal to the sum of 115% of base salary and 57.5% of the performance-based annual cash incentive award earned in fiscal 2011. Time-based vesting equity awards for Mr. Smith were granted with a grant date fair value equal to the sum of 100% of base salary and 50% of the performance-based annual cash incentive award earned in fiscal 2011.

Equity awards in the form of stock options were limited to approximately 20% of the time-based vesting award value, which reduces the incentive to take unnecessary or excessive risks to increase our stock price. The remaining approximately 80% of the time-based vesting award value was delivered in the form of time-based vesting restricted stock units, which aligns the interests of our executive officers to long-term stockholder interests.

Time-based vesting equity awards to employees generally have graded vesting with 25% of the grant vesting on each anniversary of the grant date.

Performance-based vesting restricted stock units with performance criteria tied to our performance in the fiscal year after the fiscal year in which the award is granted were granted with a grant date fair value equal to 33.34% of the sum of 125% of base salary and 50% of the amount of the performance-based annual cash incentive award at the target level of performance for fiscal 2012. These awards can vest at a value of up to 200% of the grant date value if the maximum performance targets are achieved.

Executive officers are subject to our executive stock ownership guidelines as described in *EXECUTIVE COMPENSATION Compensation Discussion and Analysis Other Programs, Policies and Considerations* and all non-employee directors are subject to stock ownership requirements as described in *DIRECTOR COMPENSATION Stock Ownership Requirement*.

Members of the Compensation Committee approve the final incentive compensation pool based on the minimum performance hurdle and the performance multiplier as described in *Components of our Executive Compensation Program Minimum Performance Hurdle and Components of our Executive Compensation Program Performance Multiplier* after reviewing corporate performance.

Equity awards and cash-based incentive plan awards are subject to our Recoupment Policy as described in *EXECUTIVE COMPENSATION Compensation Discussion and Analysis Other Programs, Policies and Considerations*.

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**Committees of the Board of Directors**

The Board currently has three standing committees: the Compensation Committee, the Audit Committee and the Nominating and Governance Committee. Upon recommendation of the Nominating and Governance Committee, the full Board appoints members of each committee. Each committee is responsible for appointing its chair. In addition to the individuals identified as committee members below, the Lead Independent Director is an ex-officio member of each of the committees described below.

*Compensation Committee.* The Compensation Committee establishes or approves all policies and procedures related to our human resources function, including employee compensation, incentive programs, and our 401(k) plan, and administers our stock incentive plans, including the United Natural Foods, Inc. 2002 Stock Incentive Plan (the "2002 Equity Plan"), the United Natural Foods, Inc. Amended and Restated 2004 Equity Incentive Plan (the "2004 Equity Plan"), and the United Natural Foods, Inc. Amended and Restated 1996 Stock Option Plan (the "1996 Equity Plan"). Additionally, this committee evaluates and establishes the compensation of our executive officers whose compensation is described below in *EXECUTIVE COMPENSATION TABLES Summary Compensation Table Fiscal Years 2010-2012*, including our Chief Executive Officer and Chief Financial Officer. The Compensation Committee also reviews the compensation of the other members of our senior management team and recommends to the Board the compensation for our non-employee directors. For a description of the role of the Compensation Committee, its consultants and management in setting executive compensation, please see *EXECUTIVE COMPENSATION Compensation Discussion and Analysis How We Make Decisions Regarding Executive Pay*. The Compensation Committee also approves our annual compensation discussion and analysis included in our annual proxy statements.

The agenda for meetings of the Compensation Committee is determined by its Chair with the assistance of our Chief Executive Officer, Chief Financial Officer, Chief Human Resources and Sustainability Officer and Secretary and General Counsel. Compensation Committee meetings are regularly attended by the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the General Counsel and the Chief Human Resources and Sustainability Officer. At certain meetings during fiscal 2012, the Compensation Committee met in executive session. The Compensation Committee's Chair reports the committee's recommendations on executive compensation to the Board. Independent advisors and the Company's finance, human resources, benefits and legal departments support the Compensation Committee in its duties and may be delegated authority to fulfill certain administrative duties regarding the compensation programs. The Compensation Committee has authority under its charter to retain, approve fees for and terminate advisors, consultants and agents as it deems necessary to assist in the fulfillment of its responsibilities.

The Compensation Committee's charter is available on our website, [www.unfi.com](http://www.unfi.com). The Compensation Committee held three meetings during fiscal 2012. The current members of the Compensation Committee are Mr. Heffernan (chair), Ms. Graham and Messrs. Cianciolo and Roy, each of whom is an independent director.

*Audit Committee.* The Board has an Audit Committee that is a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee is responsible for monitoring the integrity of our financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance; monitoring the independence of our independent registered public accounting firm; and monitoring the performance of our independent registered public accounting firm, management and our internal audit department. Among the Audit Committee's duties are to review the results and scope of the audit and other services provided by our independent registered public accounting firm.

The Audit Committee's charter is available on our website, [www.unfi.com](http://www.unfi.com). The Audit Committee held four meetings during fiscal 2012. The current members of the Audit Committee are Ms. Burton

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(chair) and Messrs. Barker, Cianciolo and Heffernan, each of whom is an independent director. The Board has determined that Ms. Burton and Messrs. Barker, Cianciolo and Heffernan are audit committee financial experts, as defined by the rules and regulations of the SEC.

*Nominating and Governance Committee.* The Nominating and Governance Committee is responsible for developing, reviewing and recommending to the Board for adoption our corporate governance principles; identifying and nominating candidates for election to the Board; assessing and making recommendations to the Board regarding the size and composition of the Board and the size, composition, scope of authority, responsibilities and reporting obligations of each of the Board's committees; and assisting the Board in conducting performance reviews of the Board and its committees and members. For additional information regarding the director nomination process undertaken by the Nominating and Governance Committee, please refer to *PROPOSAL 1 ELECTION OF DIRECTORS Nomination of Directors*.

The Nominating and Governance Committee's charter is available on our website, [www.unfi.com](http://www.unfi.com). The Nominating and Governance Committee held three meetings during fiscal 2012. The current members of the Nominating and Governance Committee are Mr. Barker (chair), Ms. Burton and Mr. Roy, each of whom is an independent director.

**Board Meetings**

During the fiscal year ended July 28, 2012, the Board met five times and following each of the Board's meetings, the independent directors met in executive session without the presence of management (in each case, including by telephone conference). All directors attended at least 75% of the meetings of the Board and of the committees on which they served. We encourage each member of the Board to attend our annual meetings of stockholders. All of our directors attended last year's virtual annual meeting, with the exception of Ms. Burton (and Mr. Schnieders, who was not a member of the Board at the time).

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**PROPOSAL 1 ELECTION OF DIRECTORS**

**Directors and Nominees for Director**

Currently, the Board is comprised of nine directors. The directors are divided into three classes, each serving until the date of the third annual meeting following the annual meeting at which such director was elected. The Board consists of three Class I directors (Messrs. Cianciolo, Roy and Schnieders), three Class II directors (Mes. Burton and Graham and Mr. Barker) and three Class III director (Messrs. Funk, Heffernan and Spinner).

The term of each Class I director will expire at the 2012 Annual Meeting of Stockholders, unless elected to a new term by our stockholders. Mr. Cianciolo has reached mandatory retirement age under our corporate governance principles, and, therefore, he is not standing for re-election at the annual meeting. In connection with Mr. Cianciolo's term expiring at the annual meeting, we will be reducing the size of the Board to eight members.

Messrs. Roy and Schnieders have been nominated to stand for re-election as a director at the 2012 Annual Meeting of Stockholders to hold office until the annual meeting of stockholders to be held in 2015 and until their successors are elected and qualified. Each nominee has indicated his or her willingness to serve, if elected. If any nominee should be unable to serve, the person acting under the proxy may vote the proxy for a substitute nominee. We have no reason to believe any of the nominees will be unable to serve if elected.

We have described below information concerning the business experience and qualification of each of our Class I directors and incumbent directors.

***The Board unanimously recommends that stockholders vote "FOR" each of the director nominees. Proxies received by the Board will be voted "FOR" each of the nominees unless a contrary choice is specified in the proxy.***

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**NOMINEES FOR ELECTION TO TERM EXPIRING 2015 (CLASS I)**

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**Peter A. Roy**, age 56, has served as a member of the Board since June 2007. Mr. Roy is a member of the Nominating and Governance Committee and the Compensation Committee. Mr. Roy is an entrepreneur and since 1999 has been a strategic advisor to North Castle Partners. In connection with his role as a strategic advisor to North Castle Partners, Mr. Roy served on the boards of Avalon Natural Products, Inc. and Naked Juice Company. From 1993 to 1998, Mr. Roy served as President of Whole Foods Market, Inc. and, for five years prior to that, served as President of that company's West Coast Region.

Mr. Roy's experience as the President of Whole Foods Market, Inc. allows him to provide the Board essential insight and guidance into the day-to-day operations of natural and organic products retailers, including a key customer of ours. In addition, his experience in the healthy lifestyle industry helps the Board maintain its focus on our core values, including our sustainability goals.

**Richard J. Schnieders**, age 63, has served as a member of the Board since February 2012. Mr. Schnieders served as a director of Sysco Corporation ("Sysco") from July 1997 through June 2009, including as executive Chairman of the Board from January 2003 through June 2009. Mr. Schnieders also previously served as Sysco's Chief Executive Officer from January 2003 through March 2009. Prior to that role, Mr. Schnieders served as Sysco's Chief Operating Officer beginning in January 2000 and as President beginning in July 2000, each through December 2002. Mr. Schnieders also served as President from July 2005 until he stepped down from that position on July 1, 2007. Since 2009, Mr. Schnieders



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has focused on sustainable solutions that increase access to fresh food, provide nutritional education, and empower local communities and recently co-founded a new venture to provide healthy, affordable food to underserved communities.

Mr. Schnieders experience including as Chief Executive Officer of Sysco allows him to provide the Board essential insight and guidance into the operations of another wholesale food distributor. In addition, his recent work on sustainability and food quality help the Board maintain its focus on our core values, including our sustainability goals.

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**INCUMBENT DIRECTORS TERMS EXPIRING 2013 (CLASS II)**

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**Gordon D. Barker**, age 66, has served as Lead Independent Director since January 2010 and as a member of the Board since September 1999. Mr. Barker serves as Chair of the Nominating and Governance Committee and as a member of the Audit Committee. Mr. Barker served on the Board of Directors of The Sports Authority, Inc. from April 1998 to May 2006. Mr. Barker served as a contract Chief Executive Officer for QVL Pharmacy Holdings, Inc., a privately-held entity, from October 2004 until February 2007. Mr. Barker served as Chief Executive Officer of Snyder's Drug Stores, Inc. from October 1999 to March 2004. Snyder's Drug Stores, Inc. filed for Chapter 11 bankruptcy in September 2003 and emerged from this filing in March 2004. Mr. Barker has served as President of Barker Holdings, LLC since January 2004. Mr. Barker has served as the principal of Barker Enterprises, an investment and consultant firm, since January 1997.

Mr. Barker's extensive business experience within the retail sector, including his having served as a chief executive officer of three retail drug store chains, coupled with his past experience as a public company director and deep understanding of corporate governance matters contribute to his qualifications to serve on the Board.

**Mary E. Burton**, age 60, has served as a member of the Board since August 2010. Ms. Burton serves as Chair of the Audit Committee and as a member of the Nominating and Governance Committee. Ms. Burton served as Interim Chief Executive Officer of Zale Corporation, a specialty jewelry retailer, from January 2006 to July 2006 and as President and Chief Executive Officer from July 2006 to December 2007. Ms. Burton also has been the Chief Executive Officer of BB Capital, Inc., a retail advisory and management services company, since 1992. Prior directorships include The Sports Authority, Inc. from 1999 to 2006, Aeropostale, Inc. from 2000 to 2006, Rent-a-Center, Inc from 2002 to 2007 and Zale Corporation from 2003 to 2007. Ms. Burton served on the board of directors of Staples, Inc., from June 1993 to June 2012.

Ms. Burton is an experienced business leader whose extensive executive level experience within the retail industry, including insight into marketing, merchandising and operational management adds experience to the Board in these important areas. Her past experience as the chief executive officer of large retailers like Zale Corporation adds to her qualifications.

**Gail A. Graham**, age 61, has served as a member of the Board since October 2002. Ms. Graham serves as a member of the Compensation Committee. Ms. Graham has served as the General Manager of Mississippi Market Natural Foods Cooperative, a consumer owned and controlled cooperative in St. Paul, Minnesota, since October 1999. Ms. Graham served as Vice Chair of the Board of Directors of Blooming Prairie Cooperative Warehouse from November 1994 until October 1998 and from November 2000 until October 2002. Ms. Graham served as the Chair of the Board of Directors of Blooming Prairie Cooperative Warehouse from November 1998 until October 2000. Ms. Graham resigned from the Board of Directors of Blooming Prairie Cooperative Warehouse in October 2002, concurrent with our purchase of the cooperative and her appointment to the Board.

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Ms. Graham's active involvement in the natural products industry for over 30 years, including her experience in managing natural food cooperatives and her deep understanding of the issues facing our industry bring to the Board a unique perspective on the issues facing our company and industry generally.

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**INCUMBENT DIRECTORS TERMS EXPIRING 2014 (CLASS III)**

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**Michael S. Funk**, age 58, has served as Chair of the Board since September 2008, a position which he also held from January 2003 to December 2003, and has been a member of the Board since February 1996. Mr. Funk served as our President and Chief Executive Officer from October 2005 to September 2008. Mr. Funk also served as Vice Chair of the Board from February 1996 until December 2002, as our Chief Executive Officer from December 1999 until December 2002 and as our President from October 1996 until December 1999. From its inception in July 1976 until April 2001, Mr. Funk served as President of Mountain People's Warehouse, Inc., now known as United Natural Foods West, Inc., one of our wholly-owned subsidiaries.

Mr. Funk's extensive knowledge of our industry and our historical operations as well as his past service as our Chief Executive Officer brings to the Board valuable insight into the day-to-day operations of our company and a deep understanding of the natural and organic products distribution business. His institutional knowledge of all operational aspects of our business resulting from his long-time involvement with our Company is also valuable to the Board.

**James P. Heffernan**, age 66, has served as a member of the Board since March 2000. Mr. Heffernan serves as Chair of the Compensation Committee and as a member of the Audit Committee. Mr. Heffernan has served as a Director for the New York Racing Association since November 1998. Mr. Heffernan has served as a Director of Command Security Corp. since October 2010 and as a Director of Solutia, Inc. from February 2008 to July 2012. Mr. Heffernan has previously served as a member of the Board of Directors of Columbia Gas System, Inc. from January 1993 until November 2000.

The totality of Mr. Heffernan's professional experience, together with his other board service has provided him with the background and experience of board processes, function, compensation practices and oversight of management which is valuable to the Board.

**Steven L. Spinner**, age 52, has served as our President and Chief Executive Officer and as a member of the Board since September 2008. Mr. Spinner also served as our Interim President of the Eastern Region from September 2010 to December 2010. Prior to joining the Company in September 2008, Mr. Spinner served as a director and as Chief Executive Officer of Performance Food Group Company ("PFG") from October 2006 to May 2008, when PFG was acquired by affiliates of The Blackstone Group and Wellspring Capital Management. Mr. Spinner previously had served as PFG's President and Chief Operating Officer beginning in May 2005. Mr. Spinner served as PFG's Senior Vice President and Chief Executive Officer - Broadline Division from February 2002 to May 2005 and as PFG's Broadline Division President from August 2001 to February 2002. Mr. Spinner has served as a Director of Arkansas Best Corporation since July 2011.

Mr. Spinner's extensive experience in the wholesale food distribution business, including most recently having served as the president and chief executive officer of one of the largest publicly traded foodservice distribution businesses in the United States, brings valuable insight to the Board beyond the knowledge and insight he brings from being our president and chief executive officer.

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**Majority Vote Standard for Election of Directors**

We adopted a majority voting standard for the election of directors as an amendment to our bylaws in 2007. If the number of nominees exceeds the number of directors to be elected in an election (a contested election), directors will be elected by a plurality standard. However, when the number of nominees does not exceed the number of directors to be elected (an uncontested election) as is the case at this year's annual meeting, our bylaws require each of the directors to be elected by a majority of the votes cast (that is, the number of shares voted "for" a director must exceed the number of shares voted "against" that director). If a nominee who is serving as a director is not elected at the annual meeting, under Delaware law the director would continue to serve on the Board as a "holdover director." However, under our bylaws, any director who fails to be elected must offer to tender his or her resignation to the Board. The Nominating and Governance Committee would then make a recommendation to the Board whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Nominating and Governance Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. The director who offers to tender his or her resignation will not participate in the Board's decision or the Nominating and Governance Committee's deliberations (if the director is a member of that committee). If a nominee who was not already serving as a director is not elected at the annual meeting, under Delaware law that nominee would not become a director and would not serve on the Board as a "holdover director." All nominees for election as directors at the Annual Meeting of Stockholders are currently serving on the Board.

**Nomination of Directors**

The Nominating and Governance Committee reviews the qualifications of every person recommended as a nominee to the Board to determine whether the recommended nominees are qualified to serve on the Board. The Nominating and Governance Committee has adopted qualitative standards by which it determines if nominees are qualified to serve on the Board. The Nominating and Governance Committee evaluates recommended nominees in accordance with the following criteria:

*Personal characteristics.* The Nominating and Governance Committee considers the personal characteristics of each nominee, including the nominee's integrity, accountability, ability to make informed judgments, financial literacy, professionalism and willingness to meaningfully contribute to the Board (including by possessing the ability to communicate persuasively and address difficult issues). In addition, the Committee evaluates whether the nominee's previous experience reflects a willingness to establish and meet high standards of performance, both for him or herself and for others.

*Core Competencies.* The Nominating and Governance Committee considers whether the nominee's knowledge and experience would contribute to the Board's achievement of certain core competencies. The Committee believes that the Board, as a whole, should possess competencies in accounting and finance, business judgment, management best practices, crisis response, industry knowledge, leadership, strategy and vision.

*Board Independence.* The Nominating and Governance Committee considers whether the nominee would qualify as "independent" under SEC rules and NASDAQ listing standards.

*Director Commitment.* The Nominating and Governance Committee expects that each of our directors will prepare for and actively participate in meetings of the Board and its committees, provide advice and counsel to our management, develop a broad knowledge of our business and industry and, with respect to an incumbent director, maintain the expertise that led the Nominating and Governance Committee to initially select the director as a nominee. The Nominating and Governance Committee evaluates each nominee on his or her ability to provide this level of commitment if elected to the Board.

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*Additional Considerations.* Each nominee also is evaluated based on the overall needs of the Board and the diversity of experience he or she can bring to the Board, whether in terms of specialized knowledge, skills or expertise. Although we do not have a formal policy with regard to the consideration of diversity in identifying director nominees, the Nominating and Governance Committee strives to nominate directors with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills and expertise to oversee our businesses.

Following this evaluation, the Nominating and Governance Committee will make recommendations for membership on the Board and review such recommendations with the Board, which will decide whether to invite the candidate to be a nominee for election to the Board.

**Director Nominees Recommended by Stockholders**

The Nominating and Governance Committee evaluates nominees recommended by stockholders on the same basis as nominees recommended by any other sources, including making a determination whether the candidate is qualified to serve on the Board based on the qualitative standards described above. To be considered by the Nominating and Governance Committee, a stockholder who wishes to recommend a director nominee must deliver or send by first class U.S. mail a written notice addressed to Joseph J. Traficanti, Corporate Secretary, United Natural Foods, Inc., 313 Iron Horse Way, Providence, RI 02908. The written notice must be received by our Corporate Secretary not less than 60 days nor more than 90 days prior to the date of the annual meeting; provided that in the event that less than 70 days' notice or prior public disclosure of the date of the annual meeting is given or made, notice by the stockholder must be received not later than the close of business on the 10th day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever occurs first. The notice to our Corporate Secretary must include the information specified in our bylaws, including the following: (a) as to each proposed nominee (i) the name, age, business address and, if known, residence address of each such nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of our shares which are beneficially owned by each such nominee, and (iv) any other information concerning the nominee that must be disclosed as to nominees in proxy solicitations pursuant to Regulation 14A under the Exchange Act (including such person's written consent to be named as a nominee and to serve as a director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on our books, of such stockholder and (ii) the class and number of our shares which are beneficially owned by such stockholder. We may require any proposed nominee to furnish such other information as may be reasonably required by the Nominating and Governance Committee to determine the eligibility of such proposed nominee to serve as a member of the Board.

**Communication with the Board of Directors**

Our stockholders may communicate directly with the Board. All communications should be in written form and directed to Joseph J. Traficanti, Corporate Secretary, United Natural Foods, Inc., 313 Iron Horse Way, Providence, RI 02908. Communications should be enclosed in a sealed envelope that prominently indicates that it is intended for the Board. Each communication intended for the Board and received by the corporate secretary that is related to our operation and is relevant to a specific director's service on the Board will be forwarded to the specified party following its clearance through normal review and appropriate security procedures.

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**DIRECTOR COMPENSATION**

The Board and the Compensation Committee review and determine compensation for our non-employee directors, in part, based on a review of the annual Director Compensation Survey prepared by the National Association of Corporate Directors. The Compensation Committee and the Board believe that we should fairly compensate non-employee directors for work required in a company of our size and scope and that compensation should align the non-employee directors' interests with the long-term interest of our stockholders. Our non-employee director stock ownership guidelines, which are discussed in greater detail below, are also designed to align the interests of our non-employee directors with those of our stockholders. Mr. Spinner, our President and Chief Executive Officer, does not receive compensation for his service on the Board. Mr. Funk does not receive cash compensation for his service as a director and our Chair of the Board. He receives equity-based compensation for his service as Chair of the Board and cash compensation for his service as an executive advisor.

**Compensation of our Non-Employee Directors**

The components of our non-employee director compensation are cash fees and awards of stock options and restricted stock units. Each non-employee director is also reimbursed for direct expenses incurred in connection with his or her attendance at meetings of the Board and its committees.

During fiscal 2012, each non-employee director received the following compensation (as applicable):

Annual cash retainer of:

\$75,000 for serving as the Vice Chair and Lead Independent Director;

\$30,000 for serving as a director;

\$15,000 for serving as the chair of the Audit Committee; and

\$8,000 for serving as chair of the Compensation Committee or Nominating and Governance Committee.

Meeting attendance fees of:

\$2,200 for each in-person meeting of the Board;

\$1,100 for each telephonic meeting of the Board;

\$1,700 for each meeting of the Audit Committee; and

\$1,100 for each meeting of the Compensation Committee and Nominating and Governance Committee

Annual equity grants consisting of:

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Options to purchase 2,660 shares of common stock and 3,192 restricted stock units for serving as a director;

Options to purchase 2,660 shares of common stock and 3,592 restricted stock units for serving as chair of the Compensation Committee or Chair of the Audit Committee; and

Options to purchase 3,500 shares of common stock and 6,000 restricted stock units for serving as Vice Chair and Lead Independent Director (and therefore chair of the Nominating and Governance Committee).

With respect to all equity awards to non-employee directors in fiscal 2012, one-third of the annual grants vested immediately, and the remaining two-thirds vest in equal annual installments beginning on

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the first anniversary of the date of grant. The stock options have an exercise price equal to the closing price of our common stock on the NASDAQ Global Select Market on the date of grant and expire ten years from the date of grant.

**Fiscal 2013 Changes to Compensation of Our Non-Employee Directors**

In September 2012, the Board modified the compensation to be received by non-employee directors effective for fiscal 2013. These modifications include the reduction of the cash retainer for serving as the Lead Independent Director from \$75,000 to \$60,000 and the elimination of the \$8,000 cash retainer for serving as the Chair of the Nominating and Governance Committee. In addition, all non-employee directors, as well as Mr. Funk, will no longer receive stock options as a portion of their compensation. Furthermore, the Lead Independent Director will now receive a grant of 5,000 restricted stock units rather than 6,000 restricted stock units, and the Compensation Committee Chair will now receive a grant of 3,192 restricted stock units rather than 3,592 restricted stock units.

**Compensation of Mr. Funk**

Mr. Funk, our current Chair of the Board and our former President and Chief Executive Officer, serves as an executive advisor to us and makes himself generally available to our executive officers. We pay him a base salary and provide him with the health and welfare benefits and other employee benefits generally available to our executives. Mr. Funk's base salary during fiscal 2012 was \$125,000. Mr. Funk does not receive fees for attending meetings of the Board or its committees. During fiscal 2012, Mr. Funk received an award of options to purchase 3,500 shares of common stock and 6,000 restricted stock units, each of which vested immediately with respect to one-third of the awards and the remainder of which will vest in two equal annual installments beginning on the first anniversary of the date of grant. The stock options have an exercise price equal to the closing price of our common stock on the NASDAQ Global Select Market on the date of grant and expire ten years from the date of grant.

We are currently a party to a severance agreement with Mr. Funk. The severance agreement includes confidentiality, non-competition and intellectual property assignment provisions. For a period of one year following either his termination for a reason other than Cause, death or disability, or his resignation for Good Reason, the agreement requires us to pay to Mr. Funk his base salary in effect as of the termination date of his employment and provide certain medical benefits. In the event of either Mr. Funk's termination for a reason other than Cause, death or disability or his resignation for Good Reason within one year of a Change in Control, he will be entitled to the severance payments and medical benefits provided in the previous sentence, acceleration and full vesting of all unvested stock options, restricted stock units, and the full vesting of his account under the ESOP. When used in regard to Mr. Funk's severance arrangement, the terms "Cause", "Good Reason" and "Change in Control" have the meanings described below in *EXECUTIVE COMPENSATION Compensation Discussion and Analysis Other Programs, Policies and Considerations Severance Agreements and Change in Control Agreements*.

**Deferred Compensation**

Our non-employee directors are eligible to participate in the United Natural Foods, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan") and the United Natural Foods, Inc. Deferred Stock Plan (the "Deferred Stock Plan", collectively, the "Deferral Plans"). For a description of the Deferral Plans, please see *EXECUTIVE COMPENSATION TABLES Nonqualified Deferred Compensation Fiscal 2012*.

Table of Contents**Director Compensation Table Fiscal 2012**

The following table summarizes compensation provided to our Chair of the Board and each individual who served as a non-employee director during fiscal 2012.

**DIRECTOR COMPENSATION**

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Option Awards \$(3)	Change in Pension Value and Nonqualified Deferred	All Other Compensation \$(5)	Total (\$)
				Earnings \$(4)		
Gordon D. Barker	104,700	226,920	35,953			367,573
Mary E. Burton	65,600	135,849	27,324			228,773
Joseph M. Cianciolo	51,700	120,721	27,324			199,745
Michael Funk		226,920	35,953		125,000	387,873
Gail A. Graham	43,200	120,721	27,324			191,245
James P. Heffernan	59,700	135,849	27,324			222,873
Peter Roy	45,400	120,721	27,324			193,445
Richard J. Schnieders	19,500	149,290	27,665			196,455

(1) This column shows the amount of cash compensation earned in fiscal 2012 for service on the Board and its committees.

(2) The amounts contained in this column represent the grant date fair value for the restricted stock units (including those which are not yet vested) granted in fiscal 2012 calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification 718, *Stock Compensation* ("ASC 718"). The grant date fair value for restricted stock units is calculated using the intrinsic value method based on the closing price of our common stock on the NASDAQ Global Select Market on the date of grant. At July 28, 2012, the directors had restricted stock units representing the right to acquire the following number of shares of common stock: Mr. Barker 6,000 shares; Ms. Burton 3,459 shares; Mr. Cianciolo 3,192 shares; Mr. Funk 12,750 shares; Ms. Graham 3,192 shares; Mr. Heffernan 3,593 shares; Mr. Roy 3,192 shares; and Mr. Schnieders 2,128 shares.

(3) The amounts contained in this column represent the grant date fair value of awards of stock options granted in fiscal 2012 calculated in accordance with ASC 718. Refer to footnote 3 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended July 28, 2012 for a discussion of the relevant assumptions used to determine the grant date fair value of these awards. At July 28, 2012, the directors had options (including those which are not yet vested) to purchase the following number of shares of common stock: Mr. Barker 4,667 shares; Ms. Burton 5,320 shares; Mr. Cianciolo 7,980 shares; Mr. Funk 27,625 shares; Ms. Graham 3,547 shares; Mr. Heffernan 33,250 shares; Mr. Roy 18,630 shares; and Mr. Schnieders 2,660 shares.

(4) As of July 28, 2012, four of our non-employee directors have elected to defer restricted stock units under the Deferred Compensation Plan. Deferred shares are valued at the current market price of our common stock, and therefore have no above market or preferential earnings. As of July 28, 2012, there are no directors who defer a portion of their director fees paid in cash under the Deferred Compensation Plan.



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(5)

The amount in this column represents the amount of cash compensation that Mr. Funk earned in fiscal 2012 in his capacity as our executive advisor. Mr. Funk does not receive fees for attending meetings of the Board or its committees.

**Stock Ownership Requirement**

All non-employee directors are required to hold shares of our stock in an amount that is determined in accordance with a formula based upon the compensation expense recorded by us in connection with annual equity grants to our non-employee directors. The minimum share ownership level for each non-employee director is equal to 50% of the number of shares that would have been covered by a stock option grant having an equal compensation expense to that of the director's combined equity grants for the prior fiscal year. Our corporate governance principles recommend that non-employee directors who are elected or appointed to the Board are required to attain this level of stock ownership within four years following their election or appointment to the Board. Once attained, each non-employee director is required to maintain this level of stock ownership for as long as the director serves on the Board. All our directors with more than one full year of service own our stock.

**Compensation Committee Interlocks and Insider Participation**

The current members of the Compensation Committee are Ms. Graham and Messrs. Cianciolo, Heffernan and Roy. All members of the Compensation Committee are independent within the meaning of the NASDAQ listing standards and no member is an employee or former employee of the Company. During fiscal 2012, no member of the Compensation Committee had any relationship requiring disclosure under *Certain Relationships and Related Party Transactions*. During fiscal 2012, none of our executive officers served as a director or a member of the compensation committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served as a director on the Board or as a member of the Compensation Committee.

**Certain Relationships and Related Transactions**

*Review and Approval of Related Person Transactions*

We review all relationships and transactions in which the Company and our directors, nominees for director, executive officers, greater than 5% beneficial owners or any of their immediate family members are participants (or any entity in which they have an interest is a participant), to determine whether such persons have a direct or indirect material interest in the relationships or transactions. Our legal department, in conjunction with the corporate finance department and outside legal counsel, is primarily responsible for the development and implementation of processes and controls to obtain information from these "*related persons*" regarding such transactions and relationships and for determining, based on the facts and circumstances and SEC regulations, whether we or a related person has a direct or indirect material interest in the transaction. The Nominating and Governance Committee also reviews this information. Our policies and procedures for the review, approval or ratification of transactions that are required by SEC rules to be reported under *Transactions with Related Persons* are not in writing, rather, they fall under the general responsibilities of our corporate finance department and Nominating and Governance Committee. We require any related party transactions to be on terms no less favorable to the Company than could be obtained from unaffiliated third parties. As required under SEC regulations, transactions between us and any related person in which the amount involved exceeds \$120,000 and a related person has a direct or indirect material interest are disclosed in this proxy statement.

Each of our executive officers, directors and nominees for director is required to complete and deliver to us an annual questionnaire that includes, among other things, a request for information relating to any transactions in which both the executive officer, director, nominee, beneficial owner or

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any of their respective immediate family members, on the one hand, and the Company, on the other hand, participates, and in which the executive officer, director, nominee, beneficial owner or immediate family member, has a material interest. We review the responses to these questionnaires as part of our process for determining whether disclosure is required to be made under the SEC's related person disclosure rules.

*Transactions with Related Persons*

One of our non-employee directors, Ms. Graham, has been the General Manager of one of our customers, Mississippi Market Natural Foods Cooperative, a consumer owned and controlled cooperative in St. Paul, Minnesota since October 1999. Mississippi Market Natural Foods Cooperative purchased approximately \$6.6 million of products from us during fiscal 2012. Ms. Graham had no financial interest in those transactions. Terms provided to this customer are the same as other customers with similar volumes and purchasing patterns.

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**AUDIT COMMITTEE REPORT**

The Audit Committee of the Board is comprised solely of independent directors, as defined by NASDAQ listing standards and Section 10A of the Exchange Act and SEC rules thereunder, and it operates under a written charter adopted by the Board. The composition of the Audit Committee, the attributes of its members and its responsibilities, as reflected in its charter, are intended to be in accordance with applicable requirements for corporate audit committees. The Audit Committee reviews and assesses the adequacy of its charter on an annual basis. A copy of the Audit Committee's current charter can be found in the Investor Overview section of our website, [www.unfi.com](http://www.unfi.com). The Board has made a determination that the Audit Committee has at least one member, Ms. Burton, the Chair of the Audit Committee, who qualifies as an "audit committee financial expert" within the meaning of SEC regulations, and that she has accounting and related financial management expertise in accordance with NASDAQ listing standards. All members of the Audit Committee are financially literate.

The Audit Committee has prepared the following report on its activities with respect to our audited consolidated financial statements for the fiscal year ended July 28, 2012 (for purposes of this report, the "*audited financial statements*").

As part of its specific duties, the Audit Committee reviews our financial reporting process on behalf of the Board; reviews the financial information issued to stockholders and others, including a discussion of the quality, and not only the acceptability, of our accounting principles, the reasonableness of significant judgments, and the clarity of discussions in the financial statements; and monitors our systems of internal control over financial reporting and the audit process. Management is responsible for the preparation, presentation and integrity of our financial statements, accounting and financial reporting principles, and disclosure controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. Management also is responsible for objectively reviewing and evaluating the adequacy, effectiveness and quality of our own systems of internal control over financial reporting. Our independent registered public accounting firm, KPMG LLP, is responsible for performing an independent integrated audit of the consolidated financial statements and the effectiveness of internal control over financial reporting and expressing an opinion as to whether the consolidated financial statements conform with accounting principles generally accepted in the United States of America and as to whether we maintained effective internal control over financial reporting.

The Audit Committee has met and held discussions with management and our independent registered public accounting firm. In our discussions, management has represented to the Audit Committee that the audited financial statements were prepared in conformity with accounting principles generally accepted in the United States. The Audit Committee has reviewed and discussed the consolidated financial statements with management and KPMG LLP, our independent registered public accounting firm. The Audit Committee meets with our internal auditors and independent registered public accounting firm, with and without management present, to discuss the results of their examinations, the evaluations of our internal controls and the overall quality of our financial reporting.

The Audit Committee held four formal meetings in fiscal 2012. These meetings included quarterly pre-earnings release telephone conference calls. The Audit Committee discussed with the independent registered public accounting firm all matters required to be discussed in accordance with auditing standards, including the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1 AU section 380) as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

Our independent registered public accounting firm has also provided to the Audit Committee the written disclosures and the letter required by the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and the Audit Committee has considered and discussed with KPMG LLP the firm's

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independence and the compatibility of any non-audit services provided by the firm with its independence.

Based on the Audit Committee's review of the audited financial statements and the review and discussions noted above, the Audit Committee recommended that the Board include the audited financial statements in our Annual Report on Form 10-K for the fiscal year ended July 28, 2012, for filing with the SEC. The Board has approved this recommendation.

Mary E. Burton, Chair  
Gordon D. Barker  
Joseph M. Cianciolo  
James P. Heffernan

The foregoing Audit Committee Report shall not be deemed "filed" for any purpose, including for the purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that Section. The Audit Committee Report does not constitute soliciting material and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "*Securities Act*"), or under the Exchange Act, regardless of any general incorporation language in such filing.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

Overview

In this section, we describe the principles, policies and practices that formed the basis for our executive compensation program in fiscal 2012 and explain how they were applied to the Named Executive Officers. This Compensation Discussion and Analysis presents historical and current information and analysis related to the compensation programs for the Named Executive Officers and is not necessarily indicative of the compensation that the Named Executive Officers will receive from us in the future. For purposes of this Compensation Discussion and Analysis, the following individuals were our Named Executive Officers for fiscal 2012:

President and Chief Executive Officer (Steven L. Spinner);

Senior Vice President, Chief Financial Officer and Treasurer (Mark E. Shamber);

Senior Vice President, General Counsel and Chief Compliance Officer (Joseph J. Traficanti);

Senior Vice President, Group President (Sean F. Griffin); and

President of East Region (Craig H. Smith).

Executive Compensation Program Highlights

Our executive compensation program incorporates the following best practices:

Approximately 75% of total target compensation for our President and Chief Executive Officer and approximately 30-40% of total target compensation for the other Named Executive Officers is performance-based and can be earned only upon the achievement of challenging corporate and divisional or individual goals selected to motivate executives to achieve our corporate objectives and enhance stockholder value.

The compensation of our executives differs based on individual experience, role and responsibility and performance.

Portions of Named Executive Officers' incentive compensation are earned over different and overlapping time periods, ensuring that performance is not maximized during one period at the expense of other periods.

A significant portion of each Named Executive Officer's compensation is at risk of forfeiture in the event of conduct detrimental to us, termination of employment prior to vesting or a material negative restatement of our financial condition or operating results.

We have a recoupment (clawback) policy applicable to our executive officers, including the Named Executive Officers, which provides that if we restate all or a portion of our financial statements within two years of filing the financial statements all or a portion of any bonus or incentive compensation paid or granted after May 28, 2009 may be recouped by us in the sole discretion of the Board.

We have stock ownership guidelines for Named Executive Officers and our other executive officers.

Our Named Executive Officers participate in the same retirement, health, welfare and other benefits programs as all of our other executive officers. There are no supplemental executive retirement plans or other special benefits or material perquisites established exclusively for the benefit of the Named Executive Officers.

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We conduct periodic reviews and assessments of potential compensation-related risks in our programs. Based on these assessments, we have concluded that our executive compensation program as it is currently designed does not encourage behaviors that would create risks reasonably likely to have a material adverse effect on us.

We have not repriced equity awards.

The Compensation Committee is comprised solely of independent directors.

The Compensation Committee was advised by Steven Hall & Partners, an independent compensation consultant in fiscal 2012. The consultant was retained directly by the Compensation Committee and performed no other consulting or other services for us.

2012 Developments

Our executive compensation program for fiscal 2012 was modified from fiscal 2011, principally to add a two-year performance-based vesting restricted stock unit award to our long-term equity-based incentive program. We also instituted company-level threshold conditions to the payout of our annual performance-based cash incentive compensation as described in *Components of our Executive Compensation Program Minimum Performance Hurdle* and *Components of our Executive Compensation Program Performance Multiplier*.

Fiscal 2011 Stockholder Advisory Votes on Executive Compensation

At our fiscal 2011 annual meeting of stockholders, we submitted two proposals to our stockholders regarding our executive compensation program. The first proposal was an advisory vote on the compensation of our fiscal 2011 named executive officers. Our stockholders approved, on a non-binding advisory basis, the fiscal 2011 compensation of our named executive officers with approximately 91% of the votes cast in favor of the proposal.

The second proposal was a vote on the frequency of future advisory votes on the compensation of our named executive officers. In light of an annual frequency receiving approximately 88% of the votes cast, the Board has determined to hold an advisory vote on the compensation of our named executive officers every year, until the next required advisory vote on the frequency of future advisory votes on the compensation of our named executive officers.

When discussing our executive compensation program, the Compensation Committee considered the positive outcome of the advisory vote on compensation of our fiscal 2011 named executive officers and viewed the stockholders' vote as a signal that our stockholders are generally supportive of our compensation approach. As a result of these discussions, the Compensation Committee reaffirmed for the most part our executive compensation program philosophy described below with the above-described modifications. We value the opinions of our stockholders and will continue to consider the outcome of future advisory votes on the compensation of our named executive officers when making compensation decisions for our named executive officers.

Executive Compensation Program Philosophy

Our executive compensation program is designed to:

Attract individuals with the skills necessary for us to achieve our business plan;

Motivate our executive talent;

Reward our executives fairly over time for performance that enhances stockholder value; and

Retain those individuals who continue to perform at or above the levels that are deemed necessary to ensure our success.



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Our executive compensation program is also designed to reinforce a sense of ownership in the Company, urgency with respect to meeting deadlines and overall entrepreneurial spirit. The program links rewards, including both short- and long-term awards, as well as cash and non-cash awards, to measurable corporate and individual performance metrics established by the Compensation Committee.

In applying these principles, we seek to integrate compensation with our short- and long-term strategic plans and to align the interests of our executives with the long-term interests of our stockholders through equity-based opportunities.

The program is designed to provide executives with financial and strategic goals which seek to drive performance in specific areas of concentration. These goals meet the requirements of our short- and long-term business strategies and are aligned with the interests of our stockholders. In addition, our executive compensation program is designed to balance our growth strategies with a managed approach to risk.

How We Make Decisions Regarding Executive Pay

The Compensation Committee, management and the Compensation Committee's independent compensation consultant each play a role in designing our executive compensation program and determining performance levels and associated payouts. The roles of the Compensation Committee, management and the independent compensation consultant are carefully determined to reflect best corporate governance practices.

*Role of the Compensation Committee*

The Compensation Committee is responsible for establishing, implementing and monitoring our executive compensation program and its adherence to the compensation philosophy. The Compensation Committee approves the minimum performance thresholds as well as the targets included within the performance multiplier as described in *Components of our Executive Compensation Program Minimum Performance Hurdle* and *Components of our Executive Compensation Program Performance Multiplier*. The Compensation Committee also evaluates actual corporate and individual performance against the established goals and determines appropriate levels of compensation for our executives. The Compensation Committee makes all decisions with respect to the compensation of our Chief Executive Officer and other executive officers.

As part of the compensation approval process for our executive officers, other than our Chief Executive Officer, the Compensation Committee considers the views and recommendations of management, and in setting the compensation for all of our executive officers the Compensation Committee considered the recommendation of its independent compensation consultant as described in greater detail below.

*Role of Management*

Our President and Chief Executive Officer, Chief Human Resources and Sustainability Officer and Chief Financial Officer provide the Compensation Committee with an assessment of our corporate performance and the performance of other executive officers, and make recommendations for the compensation of other executive officers based on this assessment. Additionally, our President and Chief Executive Officer, Chief Human Resources and Sustainability Officer, and Chief Financial Officer discuss with the Compensation Committee management's internal projections with respect to a variety of performance metrics and operations goals for future fiscal years on which performance-based compensation will be based. Other members of management assist the Compensation Committee on an as needed basis.

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No executive officer makes any decision on any element of his or her own compensation, and our Chief Executive Officer does not participate in deliberations regarding his compensation.

*Role of Independent Compensation Consultant*

The Compensation Committee retained Steven Hall & Partners ("*Steven Hall*") as its compensation consultant during fiscal 2012 to provide independent, third-party advice and expertise on all aspects of executive compensation and related corporate governance matters, including designing and establishing our executive compensation program for fiscal 2012 and fiscal 2013. Steven Hall provided the Compensation Committee with an overview of comparative market data and also provided the Compensation Committee with advice throughout fiscal 2012 on new issues and developments regarding executive compensation and related disclosures. The Compensation Committee recently retained Semler Brossy Consulting Group ("*Semler Brossy*") as its compensation consultant for the remainder of fiscal 2013. Neither Steven Hall nor Semler Brossy provides any other services to us. In the future, the Compensation Committee may retain other similar consultants.

*Competitive Marketplace Assessment*

In making compensation decisions, the Compensation Committee periodically reviews the compensation packages for officers in like positions with similar responsibilities at organizations similar to ours. In setting the Named Executive Officers' compensation for fiscal 2012, at the request of the Compensation Committee, Steven Hall conducted a review of the comparator group referenced by the Compensation Committee when evaluating pay levels. In selecting appropriate comparators, the Compensation Committee considered a number of factors, including similarities in industry, size, and operating margins.

Following an extensive review, the following thirteen companies were selected by the Compensation Committee as appropriate comparators: Core-Mark Holding Company, Inc., Dean Foods Company, Del Monte Foods Company, Green Mountain Coffee Roasters, Inc., The Hain Celestial Group, Inc., Nash Finch Company, Perrigo Company, Ruddick Corporation, The J.M. Smucker Company, Spartan Stores, Inc., United Stationers, Inc., Watsco, Inc. and Whole Foods Market, Inc. In addition to compensation levels, the Compensation Committee also reviewed program designs for these companies, including an assessment of pay vehicles and performance metrics.

We do not benchmark compensation in the traditional manner, although base salaries for our Named Executive Officers are generally targeted in the second quartile (26<sup>th</sup> to 50<sup>th</sup> percentiles) of our comparator group identified above. In general, the Compensation Committee references the median of the competitive compensation marketplace, but market data is only one factor among many considered by the Compensation Committee when making determinations regarding executive compensation. Other factors considered include individual performance, scope of responsibilities, tenure, criticality of the position, retention concerns and the need to recruit new officers.

Components of our Executive Compensation Program

Our executive compensation philosophy is reflected in the principal elements of our executive compensation program. The four key components of our executive compensation program in fiscal 2012 were:

Base salary;

Performance-based annual cash incentives;

Long-term equity-based incentive awards in the form of stock options, time-based vesting restricted stock units, performance-based vesting restricted stock units, which we sometimes refer

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to as performance units, and performance-based vesting shares of restricted stock, which we sometimes refer to as performance shares; and

Other compensation and benefits including minimal perquisites and participation in the Deferral Plans (as described in EXECUTIVE COMPENSATION TABLES Nonqualified Deferred Compensation Fiscal 2012 below) as well as participation in benefit plans generally available to all of our employees, such as participation in the 401(k) Plan and ESOP.

### *Pay Mix*

When setting targeted total compensation for fiscal 2012, the Compensation Committee determined that target cash compensation should comprise approximately 50% of each Named Executive Officer's total target compensation, with base salary contributing approximately 60-65% and performance-based cash incentives contributing approximately 35-40% to targeted cash compensation. The Compensation Committee believes that equity-based compensation should also comprise a significant portion of the Named Executive Officers' compensation to more closely align our Named Executive Officers' interests with those of our stockholders.

### *Base Salary*

As described above, the Compensation Committee is responsible for setting base salaries for our Named Executive Officers. Base salaries provide a fixed rate of pay designed to compensate executives for day-to-day responsibilities and are established based on the scope of their respective responsibilities, competitive market conditions, individual performance and tenure.

Base salaries are generally reviewed annually in the first quarter of each fiscal year, but may be adjusted from time to time to realign salaries with market levels, taking into account the Named Executive Officers' responsibilities, performance, experience and proven capability. Base salaries are generally targeted in the second quartile (26<sup>th</sup> to 50<sup>th</sup> percentile) of our comparator group identified above, which all of our Named Executive Officers were within for fiscal 2012.

The table below reflects the fiscal 2011 and fiscal 2012 base salaries for the Named Executive Officers, and the percentage change in base salaries between those two periods:

Named Executive Officer	Fiscal 2011 Base Salary(1)	Fiscal 2012 Base Salary(2)	Percentage Change
Steven L. Spinner	\$ 798,250	\$ 822,200	3.0%
Mark E. Shamber	\$ 360,500	\$ 371,315	3.0%
Joseph J. Traficanti	\$ 336,000	\$ 346,080	3.0%
Sean F. Griffin	\$ 345,050	\$ 415,000	20.0%(3)
Craig H. Smith	\$ 335,000	\$ 345,050	3.0%

(1) For each Named Executive Officer, fiscal 2011 base salaries were effective as of August 1, 2010.

(2) For each Named Executive Officer, fiscal 2012 Base Salaries were effective as of July 31, 2011.

(3) Mr. Griffin's base salary was increased 20% over his fiscal 2011 base salary in response to the Compensation Committee determining, based on the findings of Steven Hall, that his base salary was below our targeted second quartile levels in light of his unique role.

*Performance-Based Annual Cash Incentive Compensation*

The Compensation Committee is responsible for setting the minimum thresholds and targets for the performance multiplier of our performance-based annual cash incentive compensation discussed

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below. Receipt of this compensation is contingent upon satisfaction of these Company-wide metrics established by the Compensation Committee together with specific Company-wide, division-level or individual financial or operational performance goals as determined by the Compensation Committee in the case of our President and Chief Executive Officer and as recommended by our President and Chief Executive Officer, Chief Human Resources and Sustainability Officer and Chief Financial Officer and approved by the Compensation Committee in the case of the other Named Executive Officers. The factors considered in setting this target compensation vary depending on the individual executive, but generally relate to strategic projects or financial factors such as net sales, gross margin, operating income, return on invested capital and other measures of our profitability.

**Minimum Performance Hurdle.** For fiscal 2012, as a condition for paying out annual cash incentive compensation to any of the Named Executive Officers, we required that we maintain a ratio of total debt to earnings before interest, taxes and depreciation not to exceed 3.0x and compliance with our debt covenants under our credit facilities. If these thresholds were not met, our employees and executive officers, including the Named Executive Officers, would not have been eligible to receive annual performance-based cash incentive payouts, regardless of their individual respective achievements.

**Performance Multiplier.** In addition, for fiscal 2012, we required three Company-level metrics to be met as a condition to paying out a weighted percentage of the annual cash incentive compensation to our employees and executive officers, including the Named Executive Officers. The three metrics – consolidated net sales, consolidated earnings per diluted share, and working capital as a percentage of consolidated net sales – were weighted 45%, 45%, and 10%, respectively. For each metric achieved, the weighted percentages are summed together to create the performance multiplier. The amount of the Named Executive Officer's annual cash incentive compensation would be equal to the amount payable based on his individual respective achievements multiplied by the performance multiplier. Therefore, if our actual performance did not meet the threshold for a particular metric, the amount of the annual performance-based cash incentive compensation to be paid to a Named Executive Officer would be reduced by an amount equal to the amount payable based on that officer's individual respective achievements multiplied by the performance multiplier equal to that metric's weighting. Our actual performance exceeded the threshold level of each Company-level metric for fiscal 2012. The three Company-level metrics utilized for fiscal 2012, their weighting percentage, and the threshold and actual performance are set forth below:

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Minimum Performance Measures	Weighting Percentage	Threshold	Actual Performance
Consolidated net sales	45%	\$ 4,824,465,000	\$ 5,236,021,000
Consolidated earnings per diluted share	45%	\$ 1.79	\$ 1.92(1)
Working capital as a percent of consolidated net sales(2)	10%	10.95%	10.71%(3)

(1) Adjusted to exclude approximately \$5.1 million, pre-tax, or \$3.1 million, net of taxes, related to the divestiture of our general merchandise and conventional non-food lines of business.

(2) Represents working capital (excluding cash and cash equivalents) as a percent of consolidated net sales assuming that our credit facility is not included within our current liabilities. If our credit facility was included within our current liabilities, the threshold was 8.55%.

(3) Adjusted to exclude approximately \$2.4 million in working capital acquired in a business combination during fiscal 2012.

**Annual Incentive Targets.** As discussed in more detail below, for the Named Executive Officers, the targeted annual cash award for the 2012 fiscal year ranged from 20-35% of the executive's base

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salary for "standard" performance, to 50-75% of the executive's base salary for "superior" performance and 100-150% of the executive's base salary for "outstanding" performance.

In setting the performance targets, the Compensation Committee considered historic levels of performance for those categories and based the performance metric on results that were improvements over the prior year's results. Furthermore, in establishing the intended degree of difficulty of the payout levels for each performance metric, the Compensation Committee set the performance targets at levels that required successful implementation of corporate operating objectives for meaningful payouts to occur. The Compensation Committee believed that the targets related to "standard" performance were highly achievable in light of budgeted expectations, but the payouts for "superior" performance and "outstanding" performance each required significant improvement over the prior year's comparable performance. We believe that one of the best indicators of how difficult a particular performance metric was to achieve is reflected in what level of payout the executive actually received with respect to the metric. The performance targets selected by the Committee for the named executive officers during fiscal 2012 included, among others, the following:

Performance Measures	Applicable Targets			Actual Performance
	Standard	Superior	Outstanding	
Consolidated net sales	\$ 4,900,000,000	\$ 5,050,000,000	\$ 5,120,000,000	\$ 5,236,021,000
Consolidated earnings before interest and taxes	\$ 141,500,000	\$ 152,500,000	\$ 161,300,000	\$ 160,259,000(1)
Consolidated earnings per diluted share	\$ 1.83	\$ 1.87	\$ 1.91	\$ 1.92(1)
Return on invested capital	10.70%	10.74%	10.79%	10.75%(1)
Free cash flow from operations(2)	\$ 35,000,000	\$ 45,000,000	\$ 55,000,000	\$ 35,161,000
Annualized net sales revenue from business combinations	\$ 0	\$ 50,000,000	\$ 75,000,000	\$ 50,000,000(3)
Manage legal expenses	\$ 3,408,000	\$ 3,336,000	\$ 3,264,000	\$ 3,270,000
Manage workers compensation expenses	\$ 9,017,841	\$ 8,797,841	\$ 8,357,999	\$ 10,047,487
National service to inventory metric, which is a combined measurement of inventory levels as measured in days on hand and out-of-stock levels	0.0	5.0	10.0	4.4
Eastern Region service to inventory metric	0.0	5.0	10.0	4.8

(1) See discussion of adjustments related to the actual performance of these metrics in *Determination of Annual Incentive Plan Payouts* below.

(2) Free cash flow from operations represents net cash provided by operations less capital expenditures.

(3) Adjusted to include a business combination which we elected to execute in fiscal 2013 rather than fiscal 2012.

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In addition to the above-listed performance targets, certain of the Named Executive Officers had other performance goals that were specific to the individual for fiscal 2012 that are described in more detail below.

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*Determination of Annual Incentive Plan Payouts.* The Compensation Committee reviews the performance of each Named Executive Officer during the performance period and determines the level of performance-based compensation, if any, to be awarded to each Named Executive Officer. This amount may not exceed the amount of payouts for "outstanding" performance. However, the Compensation Committee may, in its discretion, award an amount less than the amount attributable to a certain level of performance that was attained.

The actual amount to be earned by the Named Executive Officer is determined and paid in a single lump sum in the first quarter of the fiscal year following the fiscal year in which the award is earned by the Named Executive Officer, unless the executive has previously elected to defer such compensation into the Deferred Compensation Plan.

While no targets were modified for the fiscal 2012 performance-based cash incentive payments when measuring our performance against these targets, the Compensation Committee approved the adjustment of our actual results for the approximately \$5.1 million of pre-tax expenses we incurred in fiscal 2012 related to the divestiture of our general merchandise and conventional non-food lines of business. The Compensation Committee believed it was appropriate to adjust for the impact of these expenses in light of their non-recurring nature. As a result, our earnings before interest and taxes of \$154.8 million and earnings per diluted share of \$1.86 based on our fiscal 2012 consolidated financial statements were adjusted to \$160.3 million and \$1.92, respectively. In addition to the \$5.1 million pre-tax operating expenses adjustment, our return on invested capital was adjusted for \$1.9 million of pre-tax expenses we incurred in fiscal 2012 primarily related to depreciation expense and lease expense for two former distribution facilities, and our current liabilities were adjusted to disregard the debt repayment from the proceeds of our secondary public offering in October 2010 as well as the reclassification of our term loan from long-term to short-term. As a result, our return on invested capital of 9.53% based on our fiscal 2012 consolidated financial statements was adjusted to 10.75%.

The following table sets forth for each Named Executive Officer the total amount of performance-based annual incentive awards targeted for the Named Executive Officer (which represents the "superior" level) and the actual amount of performance-based annual incentive awards earned by the Named Executive Officer expressed in dollars, as a percentage of the Named Executive Officer's base salary, and as a percentage of the such targeted amount:

Named Executive Officer	Performance-Based Annual Incentive Payment		Actual Performance-Based Annual Incentive Payment	
	Target	Actual	As a Percentage of Base Salary	As a Percentage of Target
Steven L. Spinner	\$ 616,650	\$ 917,283	111.56%	148.75%
Mark E. Shamber	\$ 278,486	\$ 343,945	92.63%	123.51%
Joseph J. Traficanti	\$ 173,040	\$ 274,156	79.22%	158.43%
Sean F. Griffin	\$ 311,250	\$ 470,941	113.48%	151.31%
Craig H. Smith	\$ 172,525	\$ 277,582	80.45%	160.89%



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Details regarding the performance targets and the associated levels of performance payout percentage for fiscal 2012 for each of our Named Executive Officers are included below. Generally, company-level financial goals, including consolidated net sales, consolidated earnings per diluted share, consolidated earnings before interest and taxes, free cash flow from operations, return on invested capital, and consolidated or regional net sales made up 80% of the Named Executive Officer's targeted performance-based annual incentive compensation. One or more strategic goals tailored for each Named Executive Officer based on his responsibilities made up the remaining 20% of the Named Executive Officer's targeted performance-based annual incentive compensation. Set forth below is the amount of annual incentive compensation, expressed as a percentage of base salary, that each Named Executive Officer could earn based on "standard", "superior" and "outstanding" fiscal 2012 performance:

**Steven L. Spinner**

Individual Goals	Annual Incentive Payout as % of Base Salary		
	Standard	Superior	Outstanding
Return on invested capital	7.0%	15.0%	30.0%
Consolidated earnings per diluted share	14.0%	30.0%	60.0%
Free cash flow from operations	3.5%	7.5%	15.0%
Consolidated net sales	3.5%	7.5%	15.0%
Annualized net sales revenue from business combinations	3.5%	7.5%	15.0%
Succession planning(1)	3.5%	7.5%	15.0%
Total:	35%	75%	150%

- (1) In setting the performance metric applicable to Mr. Spinner based on succession planning, we based the performance metric on results that were improvements over existing strategies and included specific identification of potential internal candidates to replace our Chief Executive Officer as well as certain other executive officers, the initiation of programs designed to further the development of these individuals and the hiring of an internal resource to further these individuals and others at all levels within the Company. We believe that one of the best indicators of how difficult a particular performance metric was to achieve is reflected in what level of payout the executive actually received with respect to the metric. For the performance metric that we have not disclosed specifics, Mr. Spinner achieved the "superior" performance level.

Table of Contents**Mark E. Shamber**


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**Annual Incentive Payout as % of Base  
Salary**

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Individual Goals	Standard	Superior	Outstanding
Return on invested capital	7.0%	15.0%	30.0%
Consolidated earnings per diluted share	14.0%	30.0%	60.0%
Free cash flow from operations	7.0%	15.0%	30.0%
Annualized net sales revenue from business combinations	3.5%	7.5%	15.0%
Gross margin excluding fuel surcharges(1)	3.5%	7.5%	15.0%
Total:	35%	75%	150%

(1)

In setting the performance metric applicable to Mr. Shamber based on gross margin excluding fuel surcharges, we considered historic levels of performance for this measure and based the performance metric on results that were improvements over the prior year's results. We believe that one of the best indicators of how difficult a particular performance metric was to achieve is reflected in what level of payout the executive actually received with respect to the metric. For the performance metric that we have not disclosed specifics, Mr. Shamber did not reach the "standard" performance level.

**Joseph J. Traficanti**


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**Annual Incentive Payout as % of Base  
Salary**

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Individual Goals	Standard	Superior	Outstanding
Consolidated earnings before interest and taxes	8.0%	20.0%	40.0%
Return on invested capital	4.0%	10.0%	20.0%
Consolidated net sales	4.0%	10.0%	20.0%
Manage legal expenses	2.0%	5.0%	10.0%
Manage workers compensation expenses	2.0%	5.0%	10.0%
Total:	20%	50%	100%

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Table of Contents**Sean F. Griffin**

Individual Goals	Annual Incentive Payout as % of Base Salary		
	Standard	Superior	Outstanding
Consolidated earnings before interest and taxes	14.0%	30.0%	60.0%
Return on invested capital	7.0%	15.0%	30.0%
Consolidated net sales	3.5%	7.5%	15.0%
UNFI Canada earnings before interest and taxes(1)	3.5%	7.5%	15.0%
National service to inventory metric, which is a combined measurement of inventory levels as measured in days on hand and out-of-stock levels	3.5%	7.5%	15.0%
National operations expense as a % of net sales(1)	3.5%	7.5%	15.0%
Total	35%	75%	150%

(1)

In setting the performance metrics applicable to Mr. Griffin based on the performance of our UNFI Canada division and our national operations expense as a percentage of net sales, we considered historical levels of performance for those categories and based the performance metric on results that were improvements over the prior year's results. We believe that one of the best indicators of how difficult a particular performance metric was to achieve is reflected in what level of payout the executive actually received with respect to the metric. Of the two performance metrics for which we have not disclosed targets, Mr. Griffin achieved slightly higher than the "standard" performance level for the metric tied to our UNFI Canada division's earnings before interest and taxes and achieved between the "superior" and "outstanding" performance levels for the metric tied to national operations expense as a percentage of net sales.

**Craig H. Smith**

Individual Goals	Annual Incentive Payout as % of Base Salary		
	Standard	Superior	Outstanding
Consolidated earnings before interest and taxes	4.0%	10.0%	20.0%
Return on invested capital	2.0%	5.0%	10.0%
Eastern Region earnings before interest and taxes(1)	8.0%	20.0%	40.0%
Eastern Region net sales(1)	2.0%	5.0%	10.0%
Eastern Region service to inventory metric, which is a combined measurement of inventory levels as measured in days on hand and out-of-stock levels	2.0%	5.0%	10.0%
Restructuring of Sales team(s)(2)	2.0%	5.0%	10.0%
Total:	20%	50%	100%

(1)

In setting the performance metrics applicable to Mr. Smith based on the performance of our Eastern Region, we considered historic levels of performance for those categories and based the performance metric on results that were improvements over the prior year's results. We believe that one of the best indicators of how difficult a particular performance metric was to achieve is reflected in what level of payout the executive actually received with respect to the metric. Of the two performance metrics for which we have not disclosed targets, Mr. Smith achieved the



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"outstanding" performance level for the metric tied to our Eastern Region's earnings before interest and taxes and achieved slightly above the "superior" performance level for the metric tied to Eastern Region net sales.

(2)

In setting the performance metric applicable to Mr. Smith based on the restructuring of the Eastern Region and national sales teams, we based the performance metric on the development of a sales structure that refined our go-to-market strategy and further aligned our sales teams both with our customers and other elements of our organization. We believe that one of the best indicators of how difficult a particular performance metric was to achieve is reflected in what level of payout the executive actually received with respect to the metric. For the performance metric for which we have not disclosed specific targets, Mr. Smith achieved the "superior" performance level.

*Long-term Equity-Based Incentive Program*

Our core long-term equity-based incentive program in fiscal 2012 consisted of time-based vesting stock options and restricted stock units and performance-based vesting restricted stock units. In fiscal 2012, these long-term equity-based incentives were generally delivered to our Named Executive Officers as follows:

Time-based vesting awards for Messrs. Spinner, Shamber, Traficanti and Griffin were granted with a grant date fair value equal to the sum of 115% of the Named Executive Officer's fiscal 2012 base salary and 57.5% of the performance-based annual cash incentive award earned in fiscal 2011. Time-based vesting awards for Mr. Smith were granted with a grant date fair value equal to the sum of 100% of Mr. Smith's fiscal 2012 base salary and 50% of Mr. Smith's performance-based annual cash incentive award earned in fiscal 2011. For each Named Executive Officer, approximately 20% of the foregoing value was delivered in the form of stock options, and the remaining approximately 80% of such value was delivered in the form of time-based vesting restricted stock units.

Performance-based vesting restricted stock units were granted with a grant date fair value equal to approximately 33.34% of the sum of 125% of the Named Executive Officer's fiscal 2012 salary and 50% of the amount of the performance-based annual cash incentive award at the target level of performance for fiscal 2012.

As a result, approximately 10-15%, 50-60% and 30-35% of the aggregate grant date fair value of the Named Executive Officer's long-term equity-based incentive awards granted under our core program in fiscal 2012 were delivered in the form of stock options, time-based vesting restricted stock units, and performance-based vesting restricted stock units, respectively. Where each Named Executive Officer fell within the ranges of potential values was driven primarily by what percentage of their annual salary they were able to earn within the performance-based annual cash incentive program. We believe that stock options and a mix of time- and performance-based vesting restricted stock units and, in the case of our President and Chief Executive Officer, performance-based restricted shares, provide a Named Executive Officer with an incentive to improve our stock price performance and a direct alignment with stockholders' interests, as well as a continuing stake in our long-term success. In addition, because these equity awards vest ratably over four years, or one or two years from the date of grant in the case of the performance-based vesting restricted stock units, we believe these awards provide strong incentives for the executives to remain employees of ours.

In addition to the grants made under our core long-term equity-based incentive program described above, we granted Mr. Spinner a target award of 25,000 performance shares and 12,500 performance units with performance metrics tied to our fiscal 2012 performance as described below.

All of our equity awards are made pursuant to plans that have been approved by stockholders.

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*Timing of Awards.* The Compensation Committee generally makes equity-based grants in September of each year when the Compensation Committee also approves changes to our executive officers' annual base salaries, if any, but after we have publicly released our preliminary results of operations for the recently completed fiscal year.

*Determinations of Awards.* The Compensation Committee reviews and approves annual equity-based awards for all of our eligible employees, including our Named Executive Officers. The Compensation Committee has previously adopted a method of determining calculations for time-based vesting awards based on percentages of base salary and performance-based cash compensation during the prior fiscal year dependent on the eligible employee's position within the company. The Compensation Committee may disregard these guideline ranges for an employee, including a Named Executive Officer, upon a determination that other factors should result in an equity award that exceeds or is less than the specified range based on the executive's position with us. These factors may include consideration of competitive compensation data, a recent change in assigned duties, retention considerations or the historical performance of the executive, although it has not done so for any of our Named Executive Officers. The Compensation Committee also considers the recommendations of members of senior management with respect to the mix of stock options and restricted stock units.

*Options.* For fiscal 2012, the Compensation Committee awarded approximately 10-15% of the value of the Named Executive Officers' long-term, equity-based incentive compensation under our core program in the form of stock options to the Named Executive Officers pursuant to the 2002 Equity Plan. The grants were approved on September 12, 2011, following the September 8, 2011 release of our fiscal 2011 results of operations. These stock options have exercise prices equal to the closing price of our common stock on the NASDAQ Global Select Market on the date of grant. The stock options vest in four equal annual installments beginning on the first anniversary of the date of grant and are shown in the table in *EXECUTIVE COMPENSATION TABLES Grants of Plan-Based Awards in Fiscal 2012*.

*Time-Based Vesting Restricted Stock Units.* We also awarded approximately 50-60% of the value of the Named Executive Officer's long-term, equity-based incentive compensation under our core program in the form of time-based vesting restricted stock units to the Named Executive Officers pursuant to the 2004 Equity Plan on September 12, 2011. The time-based vesting restricted stock units vest in four equal annual installments beginning on the first anniversary of the date of grant and are shown in the table in *EXECUTIVE COMPENSATION TABLES Grants of Plan-Based Awards in Fiscal 2012*.

*Performance-Based Vesting Restricted Stock Units.* On September 12, 2011, the Compensation Committee granted approximately 30-35% of the value of Named Executive Officers' long-term, equity-based incentive compensation under our core program in the form of performance-based vesting restricted stock units pursuant to the 2004 Equity Plan, which are shown in the table in *EXECUTIVE COMPENSATION TABLES Grants of Plan-Based Awards in Fiscal 2012*. The number of performance-based vesting restricted stock units awarded on the grant date reflects a grant date fair value equal to approximately 33.34% of the sum of 125% of the Named Executive Officer's fiscal 2012 salary and 50% of the amount of the Named Executive Officer's performance-based annual cash incentive award at the target level of performance for fiscal 2012. The actual number of performance-based restricted stock units that are subject to the award for each Named Executive Officer were adjusted pursuant to the terms of the award agreements at the conclusion of fiscal 2012 to reflect 50% of the actual amount of the performance-based annual cash incentive award earned by the executive for fiscal 2012. The performance-based restricted stock units have performance criteria tied to our performance in fiscal 2013, the fiscal year after the fiscal year in which the award was granted, and each performance-based restricted stock unit that vests is payable in one share of common stock. At the conclusion of the performance period, the performance units may vest based equally on how our actual performance compares to two performance metrics our return on invested capital ("ROIC") and our total shareholder return relative to total shareholder return of five peer companies within the comparator

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group that focus primarily on distribution ("*Relative TSR*"). These five companies are Core-Mark Holding Company, Inc., Nash Finch Company, Spartan Stores, Inc., Watsco, Inc., and United Stationers, Inc. Named Executive Officers are eligible to earn between 25% and 200% of their targeted award, depending on our actual performance in fiscal 2013 relative to five levels of performance for ROIC and four levels of performance for Relative TSR.

*Performance Shares and Performance Units Granted to CEO.* On September 12, 2011, the Compensation Committee granted Mr. Spinner a target award of 25,000 performance shares and 12,500 performance units under the 2004 Equity Plan, which would vest upon our achieving certain levels of earnings before interest and taxes and return on invested capital for fiscal 2012. To the extent that our performance exceeded the targets for the performance period, up to an additional 25,000 performance shares and an additional 12,500 performance units with immediate vesting could be awarded. The targets to achieve vesting of 25,000 of the performance shares and 12,500 of the performance units were earnings before interest and taxes of \$152.5 million and return on invested capital of 10.74%. For Mr. Spinner to achieve vesting on 50,000 performance shares and 25,000 performance units, the maximum possible under the grant, we needed to earn at least \$161.3 million in earnings before interest and taxes and a return on invested capital of at least 10.79%. In the event that our earnings before interest and taxes or return on invested capital for the performance period were less than the targeted amounts of \$152.5 million and 10.74%, respectively, Mr. Spinner could earn a lesser percentage of the award than the targeted amounts. The minimum earnings before interest and taxes required for the performance period for Mr. Spinner to have the opportunity to earn a portion of the award was \$141.5 million. The minimum return on invested capital required for Mr. Spinner to have an opportunity to earn a portion of the award was 10.70%.

On September 7, 2012, the Compensation Committee determined that our fiscal 2012 earnings before interest and taxes was \$154.8 million and return on invested capital for the same period was 9.53%. These results were adjusted to exclude \$5.1 million of the pre-tax expenses associated with the restructuring of our general merchandise and conventional non-food lines of business. In addition, our return on invested capital was adjusted for \$1.9 million of pre-tax expenses we incurred in fiscal 2012 primarily related to depreciation expense and lease expense for two former distribution facilities, and our current liabilities were adjusted to disregard the debt repayment from the proceeds of our secondary public offering in October 2010 as well as the reclassification of our term loan from long-term to short-term. As adjusted, our earnings before interest and taxes and return on invested capital for fiscal 2012 was \$159.9 million and 10.75%, respectively. Upon comparing actual performance, adjusted as noted above, against the performance targets previously established by the Compensation Committee as discussed above, the Compensation Committee approved the vesting of 29,407 of the performance shares and 14,703 performance units for Mr. Spinner, both effective as of the last day of the fiscal 2012 performance period, and the resulting issuance of 44,110 shares of common stock to Mr. Spinner effective as of the last day of the Performance Period.

*Other Compensation and Benefits*

The Named Executive Officers are eligible for the same level and offering of benefits that we make available to other employees, including our ESOP, 401(k) plan, health care plan, life insurance plans, and other welfare benefit programs. In addition to the standard benefits offered to all employees, the Named Executive Officers are eligible to participate in the Deferral Plans. We provide the Named Executive Officers with the ability to defer compensation as a competitive pay practice so they may save amounts in a non-qualified retirement plan that are greater than the amount permitted to be deferred under the 401(k) Plan. For a description of the Deferral Plans, see *EXECUTIVE COMPENSATION TABLES Nonqualified Deferred Compensation Fiscal 2012* below. We do not have any defined benefit pension plans available to our Named Executive Officers.

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*Perquisites and Other Benefits.* We provide certain Named Executive Officers with perquisites and other benefits that we believe are reasonable and consistent with our overall executive compensation program. The costs of these benefits constitute only a small portion of each Named Executive Officer's total compensation and includes, for certain Named Executive Officers, contributions to our defined contribution plan, the payment of premiums for life insurance, automobile allowances, corporate housing and commuting air travel reimbursement. We offer perquisites and other benefits that we believe to be competitive with benefits offered by companies with whom we compete for talent for purposes of recruitment and retention.

Fiscal 2013 Compensation Changes

For fiscal 2013, the compensation program for the Named Executive Officers is structured substantially the same as our fiscal 2012 program.

*Base salary.* Base salary remains an important component of a Named Executive Officer's total compensation and for fiscal 2013, base salaries are still generally targeted in the second quartile (25<sup>th</sup> to 50<sup>th</sup> percentiles) of our comparator group identified above. For fiscal 2013, the base salary for each of the Named Executive Officers has been increased 3% over fiscal 2012 levels. Set out below are the fiscal 2012 and fiscal 2013 base salaries for the Named Executive Officers and the percentage change between the periods:

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<b>Named Executive Officer</b>	<b>Fiscal 2012 Base Salary</b>	<b>Fiscal 2013 Base Salary</b>	<b>Percentage Change</b>
Steven L. Spinner	\$ 822,200	\$ 846,866	3%
Mark E. Shamber	\$ 371,315	\$ 382,454	3%
Joseph J. Traficanti	\$ 346,080	\$ 356,462	3%
Sean F. Griffin	\$ 415,000	\$ 427,450	3%
Craig H. Smith	\$ 345,050	\$ 355,401	3%

*Performance-based Annual Cash Incentive Compensation.* For fiscal 2013, the Compensation Committee determined to establish a targeted annual cash award ranging from 25-35% of the executive's base salary for "standard" performance, 50-75% of the executive's base salary for "superior" performance and 100-150% of the executive's base salary for "outstanding" performance. The annual cash incentive compensation is subject to minimum performance hurdles and multipliers similar in nature to those applicable to the fiscal 2012 annual cash incentive plan.

*Long-Term Equity-Based Incentive Compensation.* For fiscal 2012, the Compensation Committee determined to add the performance-based vesting restricted stock unit component to our long-term, equity-based compensation for all of our executive officers, not just the Chief Executive Officer. Accordingly, during fiscal 2013, the Named Executive Officers have been awarded a mixture of stock options, time-based vesting restricted stock units and performance-based vesting restricted stock units. Each Named Executive Officer will be able to earn a targeted award equal to the sum of 125% of the executive's base salary for fiscal 2012 and 50% of the actual performance-based annual cash incentive paid to the executive for fiscal 2013 performance. The stock options, time-based vesting restricted stock units and performance-based vesting restricted stock units will account for approximately 30.33%, 36.33% and 33.34% of the total targeted dollar value of the award, respectively. The stock options and time-based vesting restricted stock units will vest in four equal annual installments beginning on the first anniversary of the date of grant, and, in the case of the stock options, will have an exercise price equal to the fair market value of our common stock on the date of grant. The performance-based vesting restricted stock units have performance criteria tied to our performance in fiscal 2014, the fiscal



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year after the fiscal year in which the award is granted, and will vest only upon the achievement in fiscal 2014 of ROIC and Relative TSR at, or above, pre-determined levels. The actual number of shares of common stock that a Named Executive Officer may receive on account of the performance-based vesting restricted stock units ranges from 0% of the targeted award to 200% of the targeted award.

Other Programs, Policies and Considerations

*Potential Impact on Compensation from Executive Misconduct*

If the Board determines that a Named Executive Officer has engaged in fraudulent or intentional misconduct, the Board will take action to remedy the misconduct, prevent its recurrence, and impose such discipline on the wrongdoers as appropriate. Discipline would vary depending on the facts and circumstances, and may include, without limitation, (1) termination of employment, (2) initiating an action for breach of fiduciary duty, and (3) if the misconduct resulted in a significant restatement of the our financial results, seeking reimbursement of any portion of performance-based or incentive compensation paid or awarded to the Named Executive Officer that is greater than would have been paid or awarded if calculated based on the restated financial results. These remedies would be in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

*Recoupment (Clawback) Policy*

We have adopted a recoupment policy applicable to our executive officers, including our Named Executive Officers, which provides that if we restate all or a portion of our financial statements within two years of filing the financial statements with the SEC, the Board or the Compensation Committee will, to the extent permitted by law, as it deems appropriate in its sole discretion require reimbursement of all or a portion of any bonus or incentive compensation paid or granted after May 28, 2009 to any executive officer or other officer covered by this policy. The Board, or the Compensation Committee, also has the right in the event of such a restatement to cause the cancellation of equity-based incentive or bonus awards that had been granted to these individuals and to, in certain circumstances, seek reimbursement of any gains realized on the exercise of stock options or sales of shares of stock or payments received on account of restricted stock units or other awards payable in cash, in either case attributable to any awards that formed all or a portion of such bonus or incentive award.

*Policy on Gross Up Payments in Connection with a Change in Control*

On December 8, 2010, the Compensation Committee adopted a formal policy under which we may not enter into new or amended agreements which provide for "gross ups" for excise tax obligations payable by our executives upon termination of employment following a change in control. On the same date, we entered into amendments to the change in control agreement with each of Messrs. Spinner, Traficanti and Shamber to eliminate such "gross up" payments. As a result, none of our executives is a party to an agreement providing for "gross up" payments for excise taxes imposed upon termination following a change in control.

*Stock Ownership Guidelines*

The Compensation Committee believes stock ownership guidelines are a key vehicle for aligning the interests of management and our stockholders. A meaningful ownership stake by our Named Executive Officers demonstrates to our stockholders a strong commitment to our success. Accordingly, the Compensation Committee maintains a policy consistent with our corporate governance principles that requires our Named Executive Officers and other senior officers to hold shares of common stock in an amount that is determined in accordance with the same formula described above under

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*DIRECTOR COMPENSATION Stock Ownership Requirement*, except that each Named Executive Officer's minimum share ownership level is based on equity grants made to such Named Executive Officer. The policy recommends that executive officers attain this level of stock ownership within four years following their appointment as an executive officer. Once attained, each executive officer is required to maintain this level of stock ownership for as long as they are employed by us and serving as an executive officer.

*Tax Deductibility of Compensation*

When it reviews compensation matters, the Compensation Committee considers the anticipated tax and accounting treatment of payments and benefits with respect to us and, when relevant, to the executive. Section 162(m) of the Code limits to \$1 million the annual tax deduction for compensation paid to each of the chief executive officer and the three other highest paid executive officers employed at the end of the year (other than the chief financial officer). However, compensation that does not exceed \$1 million during any fiscal year or that qualifies as "performance-based compensation" (as defined in Section 162(m)) is deductible. The Compensation Committee considers these requirements and attempts to ensure that both cash and equity components of the Named Executive Officers' total compensation are tax deductible by us, to the maximum extent possible, by the use of stockholder-approved plans that are intended to comply, to the extent practicable, with Section 162(m). However, our performance-based cash incentive plans have not historically been considered stockholder approved, and therefore, an award made under those plans to our Chief Executive Officer or any of our other three highest paid executive officers has not in the past been deducted by us to the extent that the officer's total compensation not exempt from the Section 162(m) limitation for the fiscal year in which the award was made exceeded \$1,000,000. The Compensation Committee will continue to review and evaluate, as necessary, the impact of Section 162(m) on our executive compensation programs and the possibility of structuring a cash-based incentive program that would qualify as performance-based for purposes of Section 162(m).

In connection with its review of the impact of Section 162(m) and the structure of our cash-based incentive programs, the Compensation Committee has determined to include specific performance goals for which performance targets will relate in the United Natural Foods, Inc. 2012 Equity Incentive Plan, which is being submitted to stockholders for approval at the annual meeting. Stockholder approval of the plan will allow us to take tax deductions under Section 162(m) for performance-based awards granted under the plan that constitute "performance-based compensation" as contemplated by Section 162(m). For more information, see *PROPOSAL 4 APPROVAL OF THE UNITED NATURAL FOODS, INC. 2012 EQUITY INCENTIVE PLAN*.

*Employment Agreements*

We are not a party to any currently effective employment agreement with any of our Named Executive Officers. We believe that, generally, employment agreements are not currently necessary to attract and retain talented personnel. However, due to the ever-changing marketplace in which we compete for talent, this practice is regularly reviewed by the Compensation Committee to help ensure that we remain competitive in our industry. We did, however, enter into an offer letter with Steven L. Spinner, our current President and Chief Executive Officer, that sets forth certain terms of Mr. Spinner's employment with us, and the Compensation Committee and the Board have approved our entering into severance agreements and change in control agreements with our executive officers. We may enter into employment agreements with executive officers in the future if the Compensation Committee determines that such arrangements are in our best interest at that time.

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*Severance Agreements and Change in Control Agreements*

We are currently a party to a severance agreement and change in control agreement with each of Messrs. Spinner, Shamber and Traficanti and a change in control agreement with Mr. Griffin. Given the fact that we do not have employment agreements with our Named Executive Officers, the Compensation Committee believes that the protections afforded in the severance agreements and change in control agreements, as applicable, are reasonable and are an important element in retaining our executive officers.

Each of the severance agreements includes confidentiality, non-competition and intellectual property assignment provisions. Outside the context of a Change in Control, if we terminate any of Messrs. Spinner, Shamber or Traficanti for any reason other than Cause, death, or disability or such executive resigns for Good Reason, we would be required to pay to the executive (i) his base salary, as in effect as of the termination date of his employment, and (ii) provide certain medical benefits in each case for a period of one year following such termination. If we terminate Mr. Spinner without Cause, his agreement also requires us to pay (i) a pro rata portion of the bonus to which he would have been entitled for the year in which he was terminated, and (ii) an amount equal to the pro rata portion of his unvested balance in the ESOP, which would vest on the first anniversary of the date of Mr. Spinner's termination. If we terminate Mr. Spinner without Cause, a pro rata portion of the stock options awarded to Mr. Spinner and not vested and exercisable on or prior to the date of Mr. Spinner's termination that would otherwise become vested and exercisable on or prior to the first anniversary of the date of Mr. Spinner's termination, and any shares of restricted stock or restricted stock units granted to Mr. Spinner that would have had any restrictions thereon removed or vested on or prior to the first anniversary of the date of Mr. Spinner's termination, will, in either case, have any restrictions thereon removed or become vested, as the case may be. All such payments and vesting will be prorated based on the number of full calendar months that Mr. Spinner was employed as our President and Chief Executive Officer during the fiscal year in which he resigned or was terminated. In addition, if any of these severance payments cause Mr. Spinner to be subject to an excise tax under Section 4999 of the Code, we would be required under the terms of our severance agreement with him to reimburse to Mr. Spinner an amount equal to such excise taxes.

Under the terms of the change in control agreements, benefits to be paid upon a change in control are "double trigger," which requires both a Change in Control and a termination of Messrs. Spinner, Shamber, Traficanti, or Griffin by us for a reason other than Cause, death or disability or a resignation by the executive for Good Reason within one year of the date of the Change in Control. In the event of either a termination of the executive for a reason other than Cause, death or disability or his resignation for Good Reason within one year of the date of a Change in Control, the executive would be entitled to receive a lump sum payment equal to (i) a multiple of his base salary (multiple of 3, 2.99, 2.99, and 1.5 for Messrs. Spinner, Shamber, Traficanti and Griffin, respectively), as in effect at that time of his termination of employment, (ii) the average annual bonus paid to the executive for the three fiscal years prior to the date of his termination or resignation (or the average of the bonuses he has received if he will not have been employed by us for three years as of such date, or, if he has not yet been awarded an annual bonus for the previously completed year as of such termination date, then his target bonus for such year shall be included in the average), (iii) the pro rata portion of the target bonus for the fiscal year in which such termination or resignation occurred, and (iv) an amount equal to his unvested account balance in the ESOP. In addition, all of the executive's then outstanding but unvested equity awards, including performance shares and performance units, will vest and, if applicable, become exercisable as of the date of termination or resignation. We will also be required to continue to provide each executive with medical benefits in effect as of the date of such termination or resignation for a period of three years following the termination or resignation. The provision of all such benefits will be subject to any restrictions under applicable law, including under Section 409A of the Code. In establishing the multiples of base salary and bonus that a terminated executive would be

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entitled to receive following his termination without Cause or for Good Reason, either before or within one year following a Change in Control, the Compensation Committee considered the need to be able to competitively recruit and retain talented executive officers who often-times seek protection against the possibility that they might be terminated without cause or be forced to resign for Good Reason following a Change in Control.

For purposes of the severance agreements and change in control agreements described above, the terms "Cause", "Good Reason" and "Change in Control" shall have the meanings set forth below.

"Cause" means (1) conviction of the executive under applicable law of any felony or any misdemeanor involving moral turpitude, (2) unauthorized acts intended to result in the executive's personal enrichment at the material expense of the Company or its reputation, or (3) any violation of the executive's duties or responsibilities to the Company which constitutes willful misconduct or dereliction of duty, or material breach of the confidentiality and non-competition restrictions contained in the severance agreements and change in control agreements.

"Good Reason" means, without the executive's express written consent, the occurrence of any one or more of the following: (1) the assignment of the executive to duties materially adversely inconsistent with his current duties, and failure to rescind such assignment within thirty (30) days of receipt of notice from the executive; (2) a material reduction in the executive's title, executive authority or reporting status; (3) a relocation more than 50 miles from the Company's offices in Providence, Rhode Island; (4) a reduction by the Company in the executive's base salary, or the failure of the Company to pay or cause to be paid any compensation or benefits under the severance or change in control agreement when due or under the terms of any plan established by the Company, and failure to restore such base salary or make such payments within five days of receipt of notice from the executive; (5) failure to include the Named Executive Officer in any new employee benefit plans proposed by the Company or a material reduction in the executive's level of participation in any existing plans of any type; provided that a Company-wide reduction or elimination of such plans shall not give rise to a "Good Reason" termination; or (6) the failure of the Company to obtain a satisfactory agreement from any successor to the Company with respect to the ownership of substantially all the stock or assets of the Company to assume and agree to perform the severance agreement or change in control agreement, as the case may be.

"Change in Control" means the happening of any of the following:

any "person", including a "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, but excluding the Company, any of its affiliates, or any employee benefit plan of the Company or any of its affiliates) is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Exchange Act), directly or indirectly, of securities of the Company representing the greater of 30% or more of the combined voting power of the Company's then outstanding securities;

approval by the stockholders of the Company of a definitive agreement (1) for the merger or other business combination of the Company with or into another corporation if (A) a majority of the directors of the surviving corporation were not directors of the Company immediately prior to the effective date of such merger or (B) the stockholders of the Company immediately prior to the effective date of such merger own less than 60% of the combined voting power in the then outstanding securities in such surviving corporation or (2) for the sale or other disposition of all or substantially all of the assets of the Company; or

the purchase of 30% or more of the Company's stock pursuant to any tender or exchange offer made by any "person", including a "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company, any of its affiliates, or any employee benefit plan of the Company or any of its affiliates.

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**COMPENSATION COMMITTEE REPORT**

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and our Annual Report on Form 10-K for the fiscal year ended July 28, 2012.

James P. Heffernan, Chair  
Joseph M. Cianciolo  
Gail A. Graham  
Peter Roy

The foregoing Compensation Committee Report shall not be deemed "filed" for any purpose, including for the purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that Section. The Compensation Committee Report does not contain soliciting material and shall not be deemed to be incorporated by reference into any filing under the Securities Act or under the Exchange Act, regardless of any general incorporation language in such filing.

Table of Contents**EXECUTIVE COMPENSATION TABLES****Summary Compensation Table Fiscal Years 2010-2012**

The following table sets forth for each of the Named Executive Officers: (i) the dollar value of base salary and non-equity incentive compensation earned during the fiscal year indicated; (ii) the aggregate grant date fair value related to all equity-based awards made to the Named Executive Officer for the fiscal year; (iii) the change in pension value and non-qualified deferred compensation earnings during the fiscal year; (iv) all other compensation for the year; and (v) the dollar value of total compensation for the fiscal year.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary	Stock Bonus Awards(1)	Option Awards(2)	Non-Equity Nonqualified Incentive Plan Compensation(3)		Deferred Compensation Earnings(4)	All Other Compensation	Total
<b>Steven L. Spinner</b> <i>President and Chief Executive Officer</i>	2012	\$ 822,200	\$ 2,728,262	\$ 176,170	\$ 917,282			\$77,559(5)	\$ 4,721,474
	2011	797,803	2,378,538	187,380	283,219	\$ 1,526		86,634	3,735,100
	2010	775,000	789,774	189,634	456,320		211	80,095	2,291,034
<b>Mark E. Shamber</b> <i>Senior Vice President, Chief Financial Officer and Treasurer</i>	2012	371,315	579,369	77,042	343,945		1,885	10,653(6)	1,384,209
	2011	360,298	363,069	84,722	100,868		698	16,739	926,394
	2010	343,885	300,810	72,227	207,305		247	9,014	933,488
<b>Joseph J. Traficanti</b> <i>Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary</i>	2012	346,080	519,506	70,571	274,156		1,354	16,732(7)	1,228,398
	2011	335,096	327,474	76,387	80,909			24,363	844,229
<b>Sean F. Griffin</b> <i>Senior Vice President, Group President</i>	2012	415,000	579,589	72,317	470,941		494	22,169(8)	1,560,510
	2011	344,857	300,015	70,057	81,466		769	12,863	810,027
<b>Craig H. Smith</b> <i>President, Eastern Region</i>	2012	345,050	475,120	61,634	277,582		3,257	16,347(9)	1,178,990

(1) Amounts shown represent the grant date fair value of awards of restricted stock units, and, with respect to Mr. Spinner in fiscal 2011 and 2012, performance shares and performance units at the target level, and, with respect to Messrs. Shamber, Traficanti, Griffin, and Smith in fiscal 2012, performance units at the target level, as computed under ASC 718 granted during the fiscal year indicated. For performance shares and performance units, grant date fair value is calculated based on the probable outcome of the performance result (i.e., superior) for each of the performance periods, excluding the effect of estimated forfeitures. These amounts do not necessarily reflect the actual amounts that were paid to, or may be realized by, the Named Executive Officer for any of the fiscal years reflected. Refer to footnote 3 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended July 28, 2012 for a discussion of the relevant assumptions used to determine the grant date fair value of these awards. The grant date fair value of awards of performance shares and performance units to Mr. Spinner in fiscal 2012 and fiscal 2011, assuming maximum performance, were \$3,727,395 and \$3,152,250, respectively. The grant date fair value of awards of performance units to Messrs. Shamber, Traficanti, Griffin and Smith in fiscal 2012, assuming maximum performance, were \$402,338, \$346,149, \$449,673 and \$345,119, respectively.

(2) Amounts shown represent the grant date fair value of awards of stock options, as computed under ASC 718, granted to the Named Executive Officers during the fiscal year indicated. These amounts do not reflect the actual amounts that were paid to, or may be realized by, the Named Executive Officer for any of the fiscal years reflected. Refer to footnote 3 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended July 28, 2012 for a discussion of the relevant assumptions used to determine the grant date fair value of these awards.

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- (3) Amounts shown for fiscal 2012 reflect payments made in fiscal 2013 under our 2012 Senior Management Cash Incentive Plan related to fiscal 2012 performance. For a discussion regarding the 2012 Senior Management Cash Incentive Plan, see *EXECUTIVE COMPENSATION Compensation Discussion and Analysis Components of our Executive Compensation Program Performance-Based Annual Cash Incentive Compensation*.
- (4) Amounts reported in this column represent earnings on deferred compensation that exceed 120% of the federal applicable long-term rate, which was 2.30%. These amounts as well as all other earnings on deferred compensation of the Named Executive Officers in fiscal 2012 are included in the table included under *Nonqualified Deferred Compensation Fiscal 2012* under the column "Aggregate Earnings in Last Fiscal Year".
- (5) Represents an automobile allowance (\$4,787), an allowance for living expenses while in the area of our Corporate Headquarters in Providence, Rhode Island (\$37,098), an amount received to "gross up" the two preceding benefits to offset the related tax obligations (\$20,534), an allocation of shares under the ESOP (\$4,583), our contributions to a 401(k) account (\$6,052) and the provision of air travel from Mr. Spinner's home in Virginia to our Corporate Headquarters (\$4,505).
- (6) Represents an allocation of shares under the ESOP (\$4,583) and our contributions to a 401(k) account (\$6,070).
- (7) Represents an allocation of shares under the ESOP (\$4,583), our contributions to a 401(k) account (\$6,117) and the provision of air travel from Mr. Traficanti's home in Virginia to our Corporate Headquarters (\$6,032).
- (8) Represents an allocation of shares under the ESOP (\$4,583), our contributions to a 401(k) account (\$7,196) and the payment of premiums for life insurance (\$10,390).
- (9) Represents an allocation of shares under the ESOP (\$3,227) and our contributions to a 401(k) account (\$13,120).

Table of Contents**Grants of Plan-Based Awards in Fiscal 2012**

The following table provides information about plan-based awards granted to the Named Executive Officers during the fiscal year ended July 28, 2012. Grants of stock options were made under the 2002 Equity Plan. Grants of restricted stock units, performance shares and performance units were made under the 2004 Equity Plan.

**GRANTS OF PLAN-BASED AWARDS**

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards (#)(3)	All Other Option Awards (#)(4)	Exercise Price of Option Awards (\$/sh)(5)	Grant Date Fair Value of Stock and Option Awards (\$)(6)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Steven L. Spinner	9/12/2011								17,150	\$ 37.82	176,170
	9/12/2011							22,860			864,565
	9/12/2011					37,500	75,000				1,418,250
	9/12/2011				2,945	11,779	23,558				445,447
	N/A	287,770	616,650	1,233,300							
Mark E. Shamber	9/12/2011								7,500	\$ 37.82	77,042
	9/12/2011							10,000			378,200
	9/12/2011				1,330	5,320	10,640				201,169
	9/12/2011										
	N/A	129,960	278,486	556,973							
Joseph J. Traficanti	9/12/2011								6,870	\$ 37.82	70,571
	9/12/2011							9,160			346,431
	9/12/2011				1,144	4,577	9,154				173,075
	9/12/2011										
	N/A	69,216	173,040	346,080							
Sean F. Griffin	9/12/2011								7,040	\$ 37.82	72,317
	9/12/2011							9,380			354,752
	9/12/2011				1,486	5,945	11,890				224,837
	9/12/2011										
	N/A	145,250	311,250	622,500							
Craig H. Smith	9/12/2011								6,000	\$ 37.82	61,634
	9/12/2011							8,000			302,560
	9/12/2011				1,141	4,563	9,126				172,560
	9/12/2011										
	N/A	69,010	172,525	345,050							

(1)

This column shows separately the possible payouts to the Named Executive Officers under our 2012 Senior Management Cash Incentive Plan for the fiscal year ended July 28, 2012 for "standard", "superior" and "outstanding" performance. Actual amounts paid in September 2012 for these incentives are reflected in the table included under *Summary Compensation Table Fiscal Years 2010-2012* under the column "Non-Equity Incentive Plan Compensation".

(2)

For Mr. Spinner's first shown award, this column shows the number of performance shares and performance units granted in fiscal 2012. Vesting of Mr. Spinner's performance shares and performance units was linked to our attaining certain levels of earnings before interest and taxes and return on invested capital for fiscal 2012. At the conclusion of the performance period, and based on our actual results measured against the performance measures, a total of 29,407 performance shares and 14,703 performance units vested.



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For each of the Named Executive Officers, including Mr. Spinner's second shown award, this column shows the number of performance units awarded on the grant date in fiscal 2012, which is based on the Named Executive Officer's base salary for fiscal 2012 and the amount of the Named Executive Officer's performance-based annual cash incentive award at the target level of performance for fiscal 2012. The performance units have performance criteria tied to our performance in fiscal 2013. At the conclusion of the performance period, the performance units may vest based on how our actual ROIC and our Relative TSR compared to established levels. The performance units and their related performance-based vesting are described in more detail in *EXECUTIVE COMPENSATION Compensation Discussion and Analysis Components of Our Executive Compensation Program Long-term, Equity-Based Incentive Program Performance-Based Vesting Restricted Stock Units*.

(3) This column shows the number of time-based vesting restricted stock units granted in fiscal 2012 to the Named Executive Officers. All of the time-based vesting restricted stock units vest in four equal annual installments beginning on the first anniversary of the date of grant.

(4) This column shows the number of stock options granted in fiscal 2012 to the Named Executive Officers. These stock options vest and become exercisable on a one-for-one basis for our common stock in four equal annual installments beginning on the first anniversary of the date of grant and expire ten years from the date of grant.

(5) This column shows the exercise price of stock option awards, which was the closing price of our common stock on the date of grant.

(6) The amount shown with respect to each award represents the grant date fair value of the award calculated using the assumptions described in footnotes (1) and (2) of the table included under *Summary Compensation Table Fiscal Years 2010-2012*. The grant date fair value of performance shares and performance units was calculated based on the probable outcome of the performance result (i.e., superior target) for each of the performance periods, excluding the effect of estimated forfeitures.

Table of Contents**Outstanding Equity Awards at Fiscal 2012 Year-End**

The following table summarizes information with respect to holdings of stock options and stock awards by the Named Executive Officers as of July 28, 2012. This table includes unexercised and unvested stock options, unvested time-based restricted stock units and unvested performance units. Each equity grant is shown separately for each Named Executive Officer, except that incentive stock options and non-qualified stock options granted on the same date with the same material terms, including exercise price, vesting period and expiration date, are combined.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

Name	Grant Date(1)	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(4)
Steven L. Spinner	9/16/2008					9,000	491,580		
	9/16/2008		7,500	24.54	9/16/2018				
	9/11/2009					16,251	887,630		
	9/11/2009		12,311	24.30	9/11/2019				
	9/10/2010					17,753	969,669		
	9/10/2010	4,440	13,320	33.90	9/10/2020				
	9/12/2011					22,860	1,248,613	3,276	178,935
	9/12/2011		17,150	37.82	9/12/2021				
Mark E. Shamber	12/8/2005	3,000		25.37	12/8/2015				
	1/27/2006	3,000		31.67	1/27/2016				
	12/7/2006	6,000		36.60	12/7/2016				
	12/6/2007	6,000		28.32	12/6/2017				
	9/16/2008					2,700	147,474		
	9/16/2008	6,750	2,250	24.54	9/16/2018				
	9/11/2009					6,190	338,098		
	9/11/2009	4,689	4,689	24.30	9/11/2019				
	9/10/2010					8,033	438,762		
	9/10/2010	2,007	6,023	33.90	9/10/2020				
	9/12/2011					10,000	546,200	1,402	76,577
	9/12/2011		7,500	37.82	9/12/2021				
Joseph J. Traficanti	4/20/2009					2,888	157,743		
	6/19/2009	2,437	2,438	25.45	6/19/2019				
	9/10/2010					7,245	395,722		
	9/10/2010		5,430	33.90	9/10/2020				
	9/12/2011					9,160	500,319	1,256	68,575
	9/12/2011		6,870	37.82	9/12/2021				

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Sean F. Griffin	1/4/2010					4,925	269,004		
	1/4/2010		3,695	27.20	1/4/2020				
	9/10/2010					6,638	362,568		
	9/10/2010	1,660	4,980	33.90	9/10/2020				
	9/12/2011					9,380	512,336	1,662	90,792
	9/12/2011		7,040	37.82	9/12/2021				
Craig H. Smith	12/14/2010					5,490	299,864		
	12/14/2010	1,372	4,118	36.61	12/14/2020				
	9/12/2011					8,000	436,960	1,257	68,630
	9/12/2011		6,000	37.82	9/12/2021				

- (1) All awards included in the table above vested or will vest in four equal annual installments beginning on the first anniversary of the date of grant.
- (2) Market value reflects the number of unvested shares of restricted stock or restricted stock units multiplied by \$54.62 per share, the closing price of our common stock on the NASDAQ Global Select Market on July 27, 2012, the last business day of fiscal 2012.
- (3) Represents the number of shares that may be issued pursuant to performance units at the standard (i.e., threshold) level of performance. The performance units have performance criteria tied to our performance in fiscal 2013, and the number of performance units shown is based on the Named Executive Officer's base salary for fiscal 2012 and the actual amount of the performance-based annual cash incentive award earned by the Named Executive Officer for fiscal 2012, which is described in more detail in *EXECUTIVE COMPENSATION Compensation Discussion and Analysis Components of Our Executive Compensation Program Long-term Equity-Based Incentive Program Performance-Based Vesting Restricted Stock Units*.
- (4) Market value reflects the number of shares that may be issued pursuant to performance units at the standard (i.e. threshold) level of performance, multiplied by \$54.62 per share, the closing price of our common stock on the NASDAQ Global Select Market on July 27, 2012, the last business day of fiscal 2012.

Table of Contents**Option Exercises and Stock Vested Fiscal 2012**

The following table summarizes information for the Named Executive Officers concerning exercise of stock options and vesting of restricted stock units, performance shares, and performance units during the fiscal year ended July 28, 2012, including (i) the number of shares of stock underlying options exercised in fiscal 2012; (ii) the aggregate dollar value realized upon such exercises of stock options utilizing the actual sales price for same-day sale transactions and the closing price for any exercise and hold transactions; (iii) the number of shares of stock received from the vesting of restricted stock units, performance shares and performance units during fiscal 2012; and (iv) the aggregate dollar value realized upon the vesting of such restricted stock units, performance shares and performance units.

**OPTION EXERCISES AND STOCK VESTED**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting #(1)	Value Realized on Vesting \$(2)
Steven L. Spinner	34,811	437,859	67,152(3)	\$ 3,297,120(3)
Mark E. Shamber	12,500	400,645	10,272(4)	\$ 392,567(4)
Joseph J. Traficanti	6,685	162,192	5,302(5)	\$ 230,947(5)
Sean F. Griffin	3,695	92,006	4,675	\$ 181,973
Craig H. Smith			1,830	\$ 67,728

- (1) In connection with the vesting of restricted stock and restricted stock units (including Mr. Spinner's vested performance shares and units), our Named Executive Officers surrendered shares of stock to cover withholding taxes, which reduced the actual value received upon vesting. The number of shares surrendered during fiscal 2012 but included in this table was: Mr. Spinner 27,512; Mr. Traficanti 930; Mr. Griffin 1,639; and Mr. Smith 594.
- (2) Represents the product of the number of shares or shares underlying units vested and the closing price of our common stock on the NASDAQ Global Select Market on the vesting date.
- (3) Mr. Spinner was awarded performance shares and performance units during fiscal 2012, of which 29,407 performance shares and 14,703 performance units vested effective July 28, 2012 and are included herein. Mr. Spinner has elected to defer 25% of the shares issued upon vesting of his September 11, 2009 restricted stock unit award. One-quarter of such restricted stock units vested during fiscal 2012, and the value herein excludes the impact of the resulting deferral of 2,031 shares (\$77,076). For each portion of these stock awards that vests but is deferred, the proportionate number of shares are allocated to Mr. Spinner's balance in the Deferred Stock Plan. See the *Nonqualified Deferred Compensation Table*.
- (4) Mr. Shamber has elected to defer 50% of the shares issued upon vesting of his December 6, 2007, September 11, 2009 and September 10, 2010 restricted stock unit awards. One-quarter of such restricted stock units vested during fiscal 2012, and the value herein excludes the resulting deferral of 3,785 shares (\$143,002). For each portion of these stock awards that vests but is deferred, the proportionate number of shares are allocated to Mr. Shamber's balance in the Deferred Stock Plan. See the *Nonqualified Deferred Compensation Table*.
- (5) Mr. Traficanti has elected to defer 100% of the shares issued upon vesting of his September 10, 2010 restricted stock unit award. One-quarter of such restricted stock units vested during fiscal 2012, and the value herein excludes the impact of the resulting deferral of 2,380 shares (\$90,321). For each portion of these stock awards that vests but is deferred, the proportionate number of shares are allocated to Mr. Traficanti's balance in the Deferred Stock Plan. See the *Nonqualified Deferred Compensation Table*.

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**Pension Benefits**

We do not maintain any defined benefit pension plans.

**Nonqualified Deferred Compensation Fiscal 2012**

Our executive officers and directors are eligible to participate in the Deferred Compensation Plan and the Deferred Stock Plan.

The Deferral Plans were established to provide participants with the opportunity to defer the receipt of all or a portion of their compensation. The purpose of the Deferral Plans is to allow executives and non-employee directors to defer compensation to a non-qualified retirement plan in amounts greater than the amount permitted to be deferred under our 401(k) Plan. Under the Deferral Plans, only the payment of the compensation earned by the participant is deferred and there is no deferral of the expense in our financial statements related to the participants' earnings. We record the related compensation expense in the year in which the compensation is earned by the participants.

Under the Deferred Compensation Plan, participants may elect to defer a minimum of \$1,000 and a maximum of 90% of base salary and 100% of bonuses, commissions, and effective January 1, 2007, share unit awards, earned by the participants for the calendar year. Under the Deferred Stock Plan, which was frozen effective January 1, 2007, participants could elect to defer between 0% and 100% of their restricted stock awards. From January 1, 2009 to December 31, 2010, participants' cash-derived deferrals under the Deferred Compensation Plan earned interest at the 5-year certificate of deposit annual yield taken from the Wall Street Journal Market Data Center (as captured on the first and last business date of each calendar quarter and averaged) plus 3% credited and compounded quarterly. Effective January 1, 2011, participants may elect to allocate their cash-derived deferrals to certain measurement funds which track the performance of actual mutual funds and are treated as deemed investments. The earnings that would have been received if such actual investment had been made are credited to the participants' accounts in proportion to their hypothetical investments. The value of equity-based awards deferred under the Deferred Compensation and Deferred Stock Plans are based upon the performance of our common stock.

A participant in our Deferral Plans who terminates his or her employment with us due to retirement will be paid his or her Deferral Plan balances in a lump sum or in installments over a pre-determined period of time. A participant who terminates his or her employment with us due to disability (as defined in each of the Deferral Plans) will be paid his or her balances in a lump sum within 60 days after such participant is determined to have become disabled. Beneficiaries of a participant who dies before a complete payout of his or her Deferral Plan balances will receive a lump sum payment within 60 days after the Compensation Committee is provided with proof of death of such participant. A participant who terminates his or her employment with us for any other reason will receive payment of his or her Deferral Plan balances in a lump sum, within 60 days after either (a) the six-month anniversary of the date on which such participant's employment with us terminates, if such participant is a "key employee" under the Deferral Plans or (b) the date on which such participant's employment with us terminates, for all other participants.

The following table summarizes information regarding the non-qualified deferred compensation of the Named Executive Officers in fiscal 2012, including deferrals of salaries, performance-based cash incentive compensation, and restricted stock unit compensation earned.

Table of Contents**NONQUALIFIED DEFERRED COMPENSATION**

Name	Plan	Executive Contributions in Last Fiscal Year (1)	Registrant Contributions in Last Fiscal Year	Aggregate Earnings in Last Fiscal Year (2)(3)	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year End (4)
Steven L. Spinner	Deferred Compensation	\$ 134,856		\$ 7,141		\$ 457,033
	Deferred Stock	77,076		59,996		221,866
	Deferred Compensation	30,689		5,856		162,140
Mark E. Shamber	Deferred Stock	142,983		164,718		635,313
	Deferred Compensation	54,599		4,738		152,285
Joseph J. Traficanti	Deferred Stock	91,649		40,258		131,907
	Deferred Compensation	44,573		2,630		100,994
Sean F. Griffin	Deferred Stock					
	Deferred Compensation	23,880		3,637		27,516
Craig H. Smith	Deferred Stock					

- (1) Amounts reported in this column are reported as compensation in the "Salary" and "Non-Equity Incentive Compensation" columns for fiscal 2012 of the table under *Summary Compensation Table Fiscal Years 2010-2012*.
- (2) Participants' non-equity deferrals under the Deferred Compensation Plan earned investment returns based on the performance of certain measurement funds as allocated by the participants. Any amounts reflected in the "Aggregate Earnings in Last Fiscal Year" column for non-equity awards that had preferential earnings (in excess of 120% of the July 2011 "compounded annually" federal long-term rate) have been reported as compensation in the "Nonqualified Deferred Compensation Earnings" column in the *Summary Compensable Table Fiscal Years 2010-2012*.
- (3) The value of equity-based awards deferred under the Deferral Plans is based upon the performance of our common stock. For restricted stock and restricted stock units, earnings are calculated as follows: (i) number of vested shares deferred in fiscal 2012 valued at the change in the closing stock price from the date of vesting to the end of fiscal 2012 plus, (ii) the number of vested shares that were deferred prior to fiscal 2012, valued by the change in the closing stock price on the first day of fiscal 2012 to the last day of fiscal 2012. None of the amounts reflected in the "Aggregate Earnings in Last Fiscal Year" column for equity awards have been reported as compensation in table under *Summary Compensable Table Fiscal Years 2010-2012* as a result of the fact that above-market or preferential earnings are not possible in connection with these items.
- (4) This column includes the following amounts that previously have been reported as non-equity compensation in fiscal 2011 and fiscal 2010 in the table under *Summary Compensation Table Fiscal Years 2010-2012* and summary compensation tables for prior fiscal years, combined: Mr. Spinner \$299,963; Mr. Shamber \$148,612; Mr. Traficanti \$53,018 and Mr. Griffin \$35,255.

**Potential Payments Upon Termination or Change-in-Control**

The information below describes and quantifies the compensation that would become payable to each of our Named Executive Officers under existing plans and arrangements if the Named Executive Officer's employment had terminated on July 28, 2012, given the Named Executive Officer's compensation and service levels as of such date and, if applicable, based on our closing stock price on that date. These benefits are in addition to benefits generally available to salaried employees. Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be different. Factors that could affect these amounts include the timing during the year of any such event and our stock price at the time of such event.



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As discussed under *EXECUTIVE COMPENSATION Compensation Discussion and Analysis Other Programs, Policies and Considerations Severance Agreements and Change in Control Agreements*, we are currently a party to a severance agreement and change in control agreement with each of Messrs. Spinner, Shamber, and Traficanti, and are a party to a change in control agreement with Mr. Griffin.

If one of the Named Executive Officers were to die or become disabled, any unvested restricted stock units would become immediately vested, and any unexercisable stock options would be cancelled and forfeited. Any vested stock options exercisable at the time of death or disability would be exercisable for a period of time which ranges between one and three years, depending on the date of the grant, or until the grants' expiration date, if earlier.

For a description of termination provisions in the severance and change in control agreements, see *EXECUTIVE COMPENSATION Compensation Discussion and Analysis Other Programs, Policies and Considerations Severance Agreements and Change in Control Agreements*. In addition, the award agreements for long-term equity-based incentives also address some of these circumstances. The following table describes the potential payments as of July 28, 2012 upon termination of the Named Executive Officers. This table excludes potential payments related to our Deferral Plans, which are described in more detail in *Nonqualified Deferred Compensation Fiscal 2012*.



Table of Contents**BENEFITS UPON TERMINATION OF EMPLOYMENT**

	Employee Resignation for Good Reason	Termination Without Cause	Termination following Change in Control(1)	Termination as a result of Death or Disability	Termination for Cause or Resignation for Other Than Good Reason
<b>Payments Upon Termination</b>					
<b>Steven L. Spinner</b>					
Cash Severance Pay	\$ 822,200(2)	\$ 822,200(2)	\$ 2,854,576(3)	\$	\$
Medical Benefits	12,470(4)	12,470(4)	37,411(4)		
Unvested ESOP			30,012(5)		
Acceleration of Stock Options		576,262(6)	1,162,980(6)		
Acceleration of Stock Awards		1,570,771(6)	4,313,232(6)	3,597,492(7)	
<b>Total</b>	<b>\$ 834,670</b>	<b>\$ 2,981,703</b>	<b>\$ 8,398,211</b>	<b>\$ 3,597,492</b>	
<b>Mark E. Shamber</b>					
Cash Severance Pay	\$ 371,315(2)	\$ 371,315(2)	\$ 1,265,614(8)	\$	\$
Medical Benefits	9,930(4)	9,930(4)	29,790(4)		
Unvested ESOP			(9)		
Acceleration of Stock Options			460,647(6)		
Acceleration of Stock Awards			1,776,843(6)	1,470,534(7)	
<b>Total</b>	<b>\$ 381,245</b>	<b>\$ 381,245</b>	<b>\$ 3,532,894</b>	<b>\$ 1,470,534</b>	
<b>Joseph J. Trafficanti</b>					
Cash Severance Pay	\$ 346,080(2)	\$ 346,080(2)	\$ 1,169,545(8)	\$	\$
Medical Benefits	413(4)	413(4)	1,239(4)		
Unvested ESOP			15,931(5)		
Acceleration of Stock Options			299,042(6)		
Acceleration of Stock Awards			1,328,085(6)	1,053,784(7)	
<b>Total</b>	<b>\$ 346,493</b>	<b>\$ 346,493</b>	<b>\$ 2,813,842</b>	<b>\$ 1,053,784</b>	
<b>Sean F. Griffin</b>					
Cash Severance Pay	\$	\$	\$ 713,233(10)	\$	\$
Medical Benefits			37,760(4)		
Unvested ESOP			11,774(5)		
Acceleration of Stock Options			322,775(6)		
Acceleration of Stock Awards			1,507,075(6)	1,143,907(7)	
<b>Total</b>			<b>\$ 2,592,617</b>	<b>\$ 1,143,907</b>	
<b>Craig H. Smith</b>					
Cash Severance Pay	\$	\$	\$	\$	\$
Medical Benefits					
Unvested ESOP					
Acceleration of Stock Options			174,965(6)		
Acceleration of Stock Awards			1,011,344(6)	736,824(7)	
<b>Total</b>			<b>1,186,309</b>	<b>\$ 736,824</b>	

(1)

Amounts presented in this column assume that the Named Executive Officer is terminated without Cause or resigns for Good Reason following a Change in Control. If the Named Executive Officer's employment were terminated for any reason other than termination without Cause or resignation for Good Reason following an Change in Control, the Named Executive would be entitled only to the amounts set forth in the Acceleration of Stock Options and Acceleration of Stock Awards rows.

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- (2) Amount represents continuation of the Named Executive Officer's base salary for one year following the assumed date of termination, but does not include any earned but unpaid cash incentive payment as of the assumed termination date.
- (3) Amount represents the sum of (i) three times Mr. Spinner's base salary and (ii) the average of Mr. Spinner's cash incentive payments paid in up to the three years prior to the year in which his employment was assumed

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terminated, but does not include any earned but unpaid cash incentive payment as of the assumed termination date.

- (4) Amount represents the value of continuing medical benefits for the Named Executive Officer and his dependents for a period of twelve months following a termination by us without Cause or a resignation by the Named Executive Officer for Good Reason, or in the case of termination by us without Cause or his resignation for Good Reason in either event within one year following a Change in Control, continuation of those benefits for three years following the termination date.
- (5) Amount represents the value of the Named Executive Officer's ESOP account balance as of July 28, 2012, which would become 100% vested as of the termination date.
- (6) Amount represents the intrinsic value of each unvested stock option, share of restricted stock, restricted stock unit or unearned performance unit outstanding on July 28, 2012, and which vests on an accelerated basis following the relevant termination event, with unearned performance units vesting based on the "target" level of performance. These amounts are calculated by multiplying (i) the aggregate number of equity awards which vest on an accelerated basis by (ii) the amount by which \$54.62 (the closing price of our common stock on July 27, 2012, the last business day prior to the end of fiscal 2012) exceeds the exercise price payable per award, if any.
- (7) Amount represents the intrinsic value of each restricted stock unit outstanding on July 28, 2012, which vests on an accelerated basis following the death or disability (as defined in the 2004 Equity Plan) of the Named Executive Officer. These amounts are calculated by multiplying (i) the aggregate number of equity awards which vest on an accelerated basis by (ii) the amount by which \$54.62 (the closing price of our common stock on July 27, 2012, the last business day prior to the end of fiscal 2012) exceeds the exercise price payable per award, if any.
- (8) Amount represents the sum of (i) 2.99 times the Named Executive Officer's base salary at the assumed termination date; and (ii) the average of the Named Executive Officer's cash incentive payments paid in up to the three years prior to the year in which his employment was assumed terminated, but does not include any bonus earned but not paid as of the assumed termination date.
- (9) The Named Executive Officer is already fully vested in his or her ESOP account balance as of July 28, 2012. Therefore no incremental benefit would be realized as a result of a change in control.
- (10) Amount represents the sum of (i) 1.5 times the Named Executive Officer's base salary at the assumed termination date; and (ii) the average of the officer's cash incentive payments paid in up to the three years prior to the year in which his employment was assumed terminated, but does not include any bonus earned but not paid as of the assumed termination date.

**Equity Compensation Plan Information**

Vesting requirements for time-based vesting awards made under the 2004 Equity Plan and the 2002 Equity Plan are at the discretion of the Board and are typically four years with graded vesting for employees and two years with graded vesting for non-employee directors. The maximum term of all stock options granted under the 2004 Equity Plan or 2002 Equity Plan is ten years from the date of grant. The maximum term for options under the 1996 Equity Plan is determinable by the Compensation Committee, and all options granted had a term of ten years. We typically issue new shares of common stock to satisfy equity award transactions, however during fiscal 2012 we issued shares from treasury for certain transactions. Shares that are subject to forfeited awards are returned to the pool of shares available for granting within that plan.

The 2004 Equity Plan, as amended in 2009 and 2010 with the approval of our stockholders, provides for the issuance of up to 2,500,000 shares of common stock pursuant to equity-based awards. The 2002 Equity Plan was adopted by the Board in October 2002 and approved by our stockholders in December 2002. Under the 2002 Equity Plan, 2,800,000 shares of common stock were authorized for issuance. The 1996 Equity Plan was originally adopted by the Board and approved by our stockholders in July 1996. Under the 1996 Equity Plan, as amended and restated, a total of 5,000,000 shares of



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common stock were authorized for issuance. The 2004 Equity Plan is scheduled to expire on December 2, 2013, and the 2002 Equity Plan expired on October 1, 2012.

The Board has unanimously approved and adopted the 2012 Equity Plan. We are seeking approval of the 2012 Equity Plan by our stockholders as described under *PROPOSAL 4 APPROVAL OF THE UNITED NATURAL FOODS, INC. 2012 EQUITY INCENTIVE PLAN*.

The following table provides certain information with respect to equity awards under our equity compensation plans as of July 28, 2012.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)
Plans approved by stockholders	1,184,823(1)	\$ 31.24(1)	704,621(2)
Plans not approved by stockholders	104,725(3)	(3)	
<b>Total</b>	<b>1,289,548</b>	<b>\$ 31.24</b>	<b>704,621</b>

- (1) Includes 690,602 restricted stock units under the 2004 Equity Plan, 53,389 performance-based restricted stock units outstanding under the 2004 Equity Plan, 22,960 stock options under the 2004 Equity Plan, 398,572 stock options under the 2002 Equity Plan and 19,300 stock options under the 1996 Equity Plan. Restricted stock units and performance units do not have an exercise price because their value is dependent upon continued employment over a period of time or the achievement of certain performance goals, and are to be settled for shares of common stock. Accordingly, they have been disregarded for purposes of computing the weighted-average exercise price.
- (2) Of these shares, 49,047 shares were available for issuance under the 2002 Equity Plan and 655,574 shares were available for issuance under the 2004 Equity Plan. The 2004 Equity Plan authorizes grants in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units or a combination thereof. The 2002 Equity Plan authorizes grants solely in the form of stock options. The number of shares remaining available for future issuances as of July 28, 2012 assumes that, with respect to outstanding performance-based restricted stock units, the vesting criteria will be achieved at the target level.
- (3) Consists of 104,725 phantom stock units outstanding under the Deferred Compensation Plan. Phantom stock units do not have an exercise price because the units may be settled only for shares of common stock on a one-for-one basis at a future date as outlined in the Deferred Compensation Plan.

### *Employee Stock Ownership Plan*

The ESOP was adopted by the Board and approved by our stockholders in November 1988. This plan enables us to acquire shares of our outstanding common stock for the benefit of eligible employees. In connection with the ESOP, we established the ESOT to hold the acquired shares of common stock. We originally acquired 4,400,000 shares of our outstanding common stock from certain stockholders in exchange for a promissory note, for which we guarantee payment. As this promissory note is repaid, the shares of common stock held by the ESOT are released in proportion to the amount of principal and interest paid on the promissory note. These released shares are allocated among the accounts of eligible employees. The shares of common stock in an employee's account generally vest after five years of qualified employment (as defined in the ESOP) or upon death or disability.

As of July 28, 2012, approximately 3,900,000 shares of common stock have been allocated or released for allocation to employees.

Table of Contents**PROPOSAL 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board, upon the recommendation of the Audit Committee, has selected KPMG LLP as our independent registered public accounting firm for the fiscal year ending August 3, 2013, subject to ratification by stockholders at the annual meeting. Stockholder ratification of the selection of KPMG LLP as our independent registered public accounting firm is not required by law or otherwise. However, the Board is submitting the selection of KPMG LLP to stockholders for ratification as a matter of good corporate governance. If stockholders do not ratify the selection of KPMG LLP, the Board will reconsider the matter.

Representatives of KPMG LLP, which served as our independent registered public accounting firm for the fiscal year ended July 28, 2012, will be present at the annual meeting to respond to appropriate questions and to make such statements as they may desire.

*The Board unanimously recommends that stockholders vote "FOR" ratification of the selection of KPMG LLP as our independent registered public accounting firm for fiscal 2013. Proxies received by the Board will be voted "FOR" the proposal unless a contrary choice is specified in the proxy.*

**Fees Paid to KPMG LLP**

In addition to retaining KPMG LLP to audit our financial statements for fiscal 2012, we engaged the firm from time to time during the year to perform other services. The following table sets forth the aggregate fees billed by KPMG LLP in connection with services rendered during the last two fiscal years.

Fee Category	Fiscal 2012	Fiscal 2011
Audit Fees	\$ 1,080,060	\$ 1,225,150
Audit-Related Fees	162,598	37,000
Tax Fees	196,598	121,500
All Other Fees	11,150	
	\$ 1,450,406	\$ 1,383,650

*Audit Fees* consists of fees billed for professional services rendered in connection with the audit of our annual financial statements, including fees related to KPMG LLP's assessment of internal control over financial reporting, the review of the interim financial statements included in quarterly reports and services that are normally provided by KPMG LLP in connection with statutory and regulatory filings or engagements. Fees for audit services in fiscal 2011 include fees billed for professional services related to our secondary public offering of our common stock.

*Audit-Related Fees* consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees." These services include employee benefit plan audits, accounting consultations in connection with acquisitions, attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards. The increase in these fees compared to fiscal 2011 is primarily due to an audit covering a three-year period related to the ESOP which was performed following the acceptance of our Voluntary Compliance Program filed with the IRS.

*Tax Fees* consists of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal and state tax compliance, cost segregation studies, tax audit defense and mergers and acquisitions.

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*All Other Fees* consists of fees for services other than the services reported above. In fiscal 2012, we utilized KPMG LLP for certain due diligence matters related to potential acquisitions, as well as a subscription to an online accounting research tool.

The Audit Committee has considered whether the provision of the non-audit services described above by KPMG LLP is compatible with maintaining auditor independence and determined that KPMG LLP's provision of non-audit services did not compromise its independence as our independent registered public accounting firm.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services**

In accordance with its charter, the Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by KPMG LLP. These services may include audit services, audit-related services, tax services and other related services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. KPMG LLP and management are required to periodically report to the Audit Committee regarding the extent of services provided by KPMG LLP in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis. In fiscal 2012, the Audit Committee approved revisions to its charter and adopted a written pre-approval policy pursuant to which, among other things, the Audit Committee delegated pre-approval authority (subject to certain exceptions and dollar limits) to the chairperson of the Audit Committee who shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. During fiscal 2012, all services provided to us by KPMG LLP were pre-approved either by the Audit Committee or the chairperson of the Audit Committee acting pursuant to delegated authority in accordance with the pre-approval policy and the Audit Committee's charter.

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**PROPOSAL 3 ADVISORY APPROVAL OF OUR EXECUTIVE COMPENSATION**

As described in *EXECUTIVE COMPENSATION Compensation Discussion and Analysis*, the Compensation Committee's goal in setting executive compensation is to provide a compensation program that attracts individuals with the skills necessary for us to achieve our business plan, motivates our executive talent, rewards those individuals fairly over time for performance that enhances stockholder value and retains those individuals who continue to perform at or above the levels that are deemed necessary to ensure our success. Our compensation program is also designed to reinforce a sense of ownership in our company, urgency with respect to meeting deadlines and overall entrepreneurial spirit and to link rewards, including both short-term and longer term awards, as well as cash and non-cash awards, to measurable corporate and individual performance metrics established by the Compensation Committee. In applying these principles, we seek to integrate compensation with our short- and long-term strategic plans and to align the interests of our executives with the long-term interests of our stockholders.

Our compensation programs are designed so that they maintain a pay-for-performance incentive program but do not include compensation mix overly weighted toward annual incentives, highly leveraged short-term incentives, uncapped or "all or nothing" bonus payouts or unreasonable performance goals. Our cash and equity incentive programs include several design features that reduce the likelihood of excessive risk-taking, including the use of reasonably obtainable and balanced performance metrics, maximum payouts at levels deemed appropriate, a carefully considered "peer group" to assure our compensation practices are measured and appropriately competitive, and significant weighting towards long-term incentives that promote longer-term goals and reward sustainable stock, financial and operating performance, especially when combined with our executive stock ownership guidelines. Additionally, our executive compensation recoupment policy allows us to recover bonus payments and certain equity awards under certain circumstances, and compliance and ethical behaviors are factors considered in all performance and bonus assessments.

Stockholders are urged to read the Compensation Discussion and Analysis, which discusses how our compensation policies and procedures implement our compensation objectives and philosophies, as well as the table under *EXECUTIVE COMPENSATION TABLES Summary Compensation Table Fiscal Years 2010-2012* and other related compensation tables and narrative disclosure which describe the compensation of our Named Executive Officers in fiscal 2012.

The Compensation Committee and the Board believe that the policies and procedures articulated in the Compensation Discussion and Analysis are effective in aligning the interests of our executives with those of our stockholders and incentivizing performance that supports our short- and long-term strategic objectives, and that the compensation of the Named Executive Officers in fiscal 2012 reflects and supports these compensation policies and procedures.

As required by Section 14A of the Exchange Act and as a matter of good corporate governance, stockholders will be asked at the annual meeting to approve the following advisory resolution:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby APPROVED.

This advisory vote, commonly referred to as a "say-on-pay" advisory vote, is non-binding on the Board. Although non-binding, the Board and the Compensation Committee will review the voting results and take them into consideration when making future decisions regarding our executive compensation programs.

***The Board unanimously recommends that stockholders vote "FOR" the advisory approval of our executive compensation. Proxies received by the Board will be voted "FOR" the proposal unless a contrary choice is specified in the proxy.***



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**PROPOSAL 4 APPROVAL OF THE UNITED NATURAL FOODS, INC.  
2012 EQUITY INCENTIVE PLAN**

**Background**

On October 29, 2012 the Board unanimously approved and adopted the United Natural Foods, Inc. 2012 Equity Incentive Plan (the "2012 Equity Plan"), which will become effective when it is approved by our stockholders. The 2012 Equity Plan will permit the grant of incentive and non-qualified stock options, stock appreciation rights ("SARs"), restricted shares, restricted share units, performance awards, and other stock-based awards to current or prospective officers, employees, directors and consultants.

We currently maintain the 2004 Equity Plan, which is scheduled to expire on December 2, 2014. The 2002 Equity Plan expired on October 1, 2012. As of October 19, 2012, there were 310,082 shares available for future awards under the 2004 Plan. The 2004 Plan will continue whether or not the 2012 Equity Plan is approved, and we will continue to grant awards under the 2004 Plan to the extent shares are available.

Maintaining an effective equity compensation program in which our employees, directors and consultants participate is a key component of achieving our long-term goals. The Board believes that the 2012 Equity Plan will afford us the ability to design compensatory awards that are responsive to our needs, including our ability to continue to attract and retain key employees and directors, motivate such individuals to achieve long-range goals, and allow such individuals to participate in our long-term growth and financial success.

Your approval of the 2012 Equity Plan will also allow us to take tax deductions under Section 162(m) of the Code. Section 162(m) of the Code generally disallows a public company's tax deduction for compensation paid in excess of \$1.0 million in any tax year to its chief executive officer and certain other most highly compensated executives. Section 162(m) provides an exception to this limitation for "performance-based compensation," the material terms of which have been approved by the public company's stockholders. Approval of the 2012 Equity Plan will constitute such stockholder approval for purposes of Section 162(m).

**Summary of the 2012 Equity Plan**

The following summary of the material terms of the 2012 Equity Plan is qualified in its entirety by reference to the complete text of the 2012 Equity Plan as set forth in Appendix A to this proxy statement. You should read the complete text of the 2012 Equity Plan for more details regarding the operation of the 2012 Equity Plan.

**Purpose.** The purpose of the 2012 Equity Plan is to promote our interests and those of our stockholders by attracting and retaining key officers, employees, directors and consultants; motivating such individuals by means of performance-related incentives to achieve long-range performance goals; enabling such individuals to participate in our long-term growth and financial success; encouraging ownership of our stock by such individuals; and linking their compensation to our long-term interests and those of our stockholders.

**Administration.** The 2012 Equity Plan will be administered by a committee composed of at least two "non-employee directors," within the meaning of Section 16 of the Exchange Act, and Rule 16b-3 thereunder, each of whom will be designated as an "outside director" for purposes of Section 162(m) of the Code and "independent" within the meaning of NASDAQ listing rules and the rules and regulations of the SEC. The Board has appointed the Compensation Committee to serve as the administrator of the 2012 Equity Plan. The Compensation Committee will determine eligibility for and designate participants of the 2012 Equity Plan, determine the type and amount of awards to be granted, determine the timing, terms, and conditions of any award, and make other determinations as

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provided in the 2012 Equity Plan. All decisions and interpretations made by the Compensation Committee with respect to the 2012 Equity Plan will be binding on us and participants. Subject to certain limitations under the 2012 Equity Plan, the Compensation Committee may delegate its authority to our officers or managers to grant, modify, or cancel awards, other than with respect to participants who are subject to Section 16 of the Exchange Act.

***Prohibition on Repricing without Stockholder Approval.*** The 2012 Equity Plan provides that, without the approval of our stockholders, the Compensation Committee may not reduce the option price of previously granted stock options, reduce the grant price of previously granted SARs, cancel stock options and grant substitute stock options with a lower option price than the cancelled stock options, or cancel SARs and grant substitute SARs with a lower grant price than the cancelled SARs.

***Eligible Participants.*** Any current or prospective officer, employee, director or consultant of ours or one of our subsidiaries is eligible to be designated as a participant by the Compensation Committee. However, the vesting and exercise of an award to a prospective employee, director or consultant are conditioned upon such individual attaining such status. The Board must approve awards to members of the Compensation Committee. As of October 19, 2012, approximately one hundred eighty employees, eight non-employee directors, and an indeterminate number of consultants would be eligible to participate in the 2012 Equity Plan.

***Shares Subject to the 2012 Equity Plan.*** The maximum number of shares of our common stock that may be issued pursuant to awards under the 2012 Equity Plan is 1,250,000. The maximum number of awards that we may issue as restricted shares or restricted share units (i.e., full-value awards) is 900,000. The maximum number of shares with respect to which incentive stock options may be granted under 2012 Equity Plan is 250,000. Each share issued pursuant to an award will reduce the share reserve by one share. If any award granted under the 2012 Equity Plan expires, terminates, is settled in cash (in whole or in part, including, except with respect to stock options or SARs, for tax withholding) or otherwise is forfeited or canceled for any reason before it has vested or been exercised in full, the shares no longer subject to such award will again be available for awards under the 2012 Equity Plan. Notwithstanding the foregoing, if a stock option or SAR is exercised, in whole or in part, by tender of shares or if our tax withholding obligation is satisfied by withholding shares, the number of shares deemed to have been issued under the 2012 Equity Plan will be the number of shares that were subject to the stock option or SAR or portion thereof and not the net number of shares actually issued. The number of shares subject to the 2012 Equity Plan may be adjusted in the event of certain changes in our capital structure.

***Limitations on Awards to Covered Employees.*** With respect to any individual who was in the prior year or is reasonably expected to be in the current year a "covered employee" within the meaning of Section 162(m) of the Code, the maximum number of shares in respect of which stock options and SARs (taken together) may be granted in any fiscal year under the 2012 Equity Plan is 100,000, the maximum number of shares in respect of which all performance awards may be granted in any fiscal year under the 2012 Equity Plan is 75,000, and the maximum amount of all performance awards that are settled in cash and that may be granted in any fiscal year under the 2012 Equity Plan is \$2,000,000. The individual "covered employee" limitations are cumulative; that is, to the extent that shares of common stock or cash for which awards are permitted to be granted to such participant during a fiscal year are not covered by an award to such participant in that fiscal year, the number of shares of common stock (or amount of cash, as the case may be) available for awards to such participant will automatically increase in the subsequent fiscal years during the term of the 2012 Equity Plan until used.

***Terms and Conditions of Awards.*** The 2012 Equity Plan permits the grant of stock options, SARs, restricted shares, restricted share units, performance awards, and other stock-based awards. Stock options granted under the 2012 Equity Plan may be either incentive stock options complying with Section 422 of the Code or nonqualified stock options. Incentive stock options may be granted only to

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employees. All other awards may be granted to current or prospective officers, employees, directors and consultants. All awards under the 2012 Equity Plan must be evidenced by an award agreement that may specify the terms and conditions of the award and any rules applicable thereto.

Stock Options. A stock option represents the right to purchase a specified number of shares during a specified period of up to ten years. The award agreement will set forth the number of shares subject to the stock options, the option price, and the conditions and limitations applicable to the exercise of the stock options as determined by the Compensation Committee. The option price of stock options may not be less than the fair market value on the date that such stock options are deemed to be granted under the 2012 Equity Plan. With respect to incentive stock options, the terms and conditions of such stock options will be subject to and comply with Section 422 of the Code. To the extent the aggregate fair market value (determined at the time the incentive stock option is granted) of the shares with respect to which all incentive stock options are exercisable for the first time by an employee during any calendar year exceeds \$100,000, or if stock options fail to qualify as incentive stock options for any other reason, such stock options will constitute non-qualified stock options. Incentive stock options may not be granted to any individual who, at the time of grant owns stock possessing more than 10% of the total combined voting power of all of our outstanding common stock or any of our subsidiaries, unless the exercise price is not less than 110% of the fair market value of the common stock on the date of the grant and the exercise of such option is prohibited by its terms after the expiration of five years from the date of grant of such option.

SARs. Unless otherwise set forth in the award agreement, SARs represent the right to receive an amount of cash equal, or shares of common stock having a value, to the increase in the fair market value of a specified number of shares between the grant date of the SARs and the date on which they are exercised. The award agreement will set forth the number of shares subject to the award, the grant price, and the conditions and limitations applicable to the exercise of the SARs as determined by the Compensation Committee. The grant price of SARs may not be less than the fair market value on the date that such SARs are deemed to be granted under the 2012 Equity Plan.

Restricted Shares. The award agreement for restricted shares will set forth the number of shares subject to the award, the period during which, and the conditions under which, the restricted shares may be forfeited to us, and the other terms and conditions of the award. Restricted shares may not be sold, transferred, or otherwise encumbered or disposed of until the expiration of the restricted period and the fulfillment of any other conditions to the award. The award agreement will set forth a period of time (which will be not less than one year for participants other than non-employee directors) during which the participant must remain in the continuous employment (or other service-providing capacity) for the forfeiture and transfer restrictions to lapse. If an election under Section 83(b) of the Code is made, the award agreement may also set forth performance or other conditions (including, but not limited to, performance goals based on the criteria described below) that will subject the shares to forfeiture and transfer restrictions. Unless otherwise provided in the award agreement, the participant receiving restricted shares will have the right to receive dividends and to vote such shares. At the end of the restricted period and provided that any other restrictive conditions of the award are met, a stock certificate will be delivered to the participant free of the restricted stock legend (or restrictions on book-entry shares will be removed).

Restricted Share Units. Each restricted share unit will have a value equal to the fair market value of a share on the date such restricted share units are deemed to be granted under the 2012 Equity Plan. Restricted share units may be paid in cash, shares, other securities or property (as determined by the Compensation Committee) upon the lapse of restrictions applicable to the award and otherwise in accordance with the award agreement. Restricted share units will be subject to transfer restrictions similar to those of restricted shares, except that no shares are awarded to a participant who is granted restricted share units on the date of grant, and such participant will have no rights of a stockholder

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with respect to the restricted share units until the restrictions set forth in the award agreement lapse. The award agreement for restricted share units will set forth the number of shares subject to the award, the period during which, and the conditions under which, the restricted shares units may be forfeited to us, and the other terms and conditions of the award. The award agreement will set forth a period of time (which will be not less than one year for participants other than non-employee directors) during which the participant must remain in the continuous employment (or other service-providing capacity) for the forfeiture and transfer restrictions to lapse. The award agreement may also set forth performance or other conditions (including, but not limited to, performance goals based on the criteria listed in the 2012 Equity Plan) that will subject the shares to forfeiture and transfer restrictions. The award agreement will specify whether restricted share units entitle the participant to dividend equivalent rights at the time of payment of dividends to our stockholders. Unless otherwise determined by the Compensation Committee or as provided in the award agreement, all of the restricted share units will terminate unless the participant remains in continuous employment for the entire restricted period and unless the other restrictive conditions of the award are met.

Performance Awards. The Compensation Committee may grant performance awards, which will consist of a right that is denominated in cash or shares (including but not limited to restricted shares and restricted share units), valued, as determined by the Compensation Committee, in accordance with the achievement of such performance goals during such performance periods as the Compensation Committee may establish, and payable at such time and in such form as the Compensation Committee shall determine. Subject to the terms of the 2012 Equity Plan and any applicable award agreement, the Compensation Committee will determine the performance goals to be achieved during any performance period, the length of any performance period, the amount of any performance award and the amount and kind of any payment or transfer to be made pursuant to any performance award, and may amend specific provisions of the performance award; however, any such amendment may not adversely affect existing performance awards made within a performance period commencing prior to implementation of the amendment. Performance awards may be paid in a lump sum or in installments following the close of the performance period or, in accordance with the procedures established by the Compensation Committee, on a deferred basis. Separation from service prior to the end of any performance period, other than for reasons of death or disability, will result in the forfeiture of the performance award, and no payments will be made. Notwithstanding the foregoing, the Compensation Committee may, in its discretion, waive any performance goals and/or other terms and conditions relating to a performance award.

Awards that are granted as performance-based awards to "covered employees" within the meaning of Section 162(m) of the Code will be based upon the attainment of performance targets related to one or more performance goals selected by the Compensation Committee from among the following: earnings before any one or more of the following: interest, taxes, depreciation, amortization and/or stock compensation; net sales; operating (or gross) income or profit; pretax income before allocation of corporate overhead and/or bonus; operating efficiencies; operating income as a percentage of net sales; return on equity, assets, capital, capital employed or investment; after tax operating income; net income; earnings or book value per share; financial ratios; cash flow(s); total sales or revenues or sales or revenues per employee; capital expenditures as a percentage of net sales; total operating expenses, or some component or combination of components of total operating expenses, as a percentage of net sales; stock price or total stockholder return, including any comparisons with stock market indices; appreciation in or maintenance of the price of the common stock or any of our publicly-traded securities; dividends; debt or cost reduction; comparisons with performance metrics of peer companies; comparisons of our stock price performance to the stock price performance of peer companies; strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, meeting or reducing budgeted expenditures, attaining division, group or corporate financial goals, meeting business expansion goals (including, without limitation, developmental, strategic or manufacturing milestones of products or projects in development, execution of contracts with current or

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prospective customers and development of business expansion strategies) and meeting goals relating to acquisitions, joint ventures or collaborations or divestitures; economic value-added models; or any combination thereof. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, our past performance or the past performance of any of our subsidiaries, operating units, business segments or divisions and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, stockholders' equity and/or shares outstanding, or to assets or net assets. The Compensation Committee may appropriately adjust any evaluation of performance under the foregoing criteria to exclude any of the following events that occurs during a performance period: asset impairments or write-downs; litigation or claim judgments or settlements; the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; accruals for reorganization and restructuring programs; any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in our annual report to stockholders for the applicable year; the effect of adverse federal, governmental or regulatory action, or delays in federal, governmental or regulatory action; or any other event either not directly related to our operations or not within the reasonable control of our management.

**Other Stock-Based Awards.** The Compensation Committee may grant stock-based awards other than stock options, SARs, restricted shares, restricted share units, and performance awards. Such other stock-based awards will consist of an award of shares or an award denominated or payable in, or valued in whole or part by reference to, shares, and will have terms determined by the Compensation Committee to be consistent with the purposes of the 2012 Equity Plan.

**Separation from Service.** The Compensation Committee will determine the terms and conditions that will apply to any award upon a participant's separation from service and may provide such terms and conditions in the award agreement or in such rules and regulations as it may prescribe. Unless otherwise provided in the 2012 Equity Plan, an award agreement, or by a contractual agreement between us and a participant, if a participant's employment with or service to us terminates before the restrictions imposed on the award lapse, the performance goals have been satisfied or the award otherwise vests, such award will be forfeited.

**Change in Control.** Unless otherwise provided by the Compensation Committee, in an award agreement, or by a contractual agreement between us and a participant, if, within twelve months after we obtain actual knowledge that a change in control (as defined in the 2012 Equity Plan) has occurred, a participant's employment with or service to us is terminated for any reason, all outstanding awards of such participant will vest, become immediately exercisable and payable and have all restrictions lifted. In the event of a change in control, the successor or purchasing entity may, without the consent of any participant, either assume or continue our rights and obligations under any award outstanding immediately prior to the change in control or substitute for any such outstanding award a substantially equivalent award with respect to the successor's or purchasing entity's stock. The Compensation Committee may in its discretion and without the consent of any participant, determine that, upon the occurrence of a change in control, each or any award or a portion thereof outstanding immediately prior to the change in control and not previously exercised or settled will be canceled in exchange for a payment with respect to each vested share subject to such award in cash, shares, shares of a corporation or other business entity a party to the change in control, or other property which, in any such case, will be in an amount having a fair market value equal to the fair market value of the consideration to be paid per share in the change in control, reduced by the exercise or purchase price per share, if any, under such award.

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**Transferability of Awards.** Except as otherwise permitted in an award agreement or by the Compensation Committee, awards under the 2012 Equity Plan are not transferable other than by a participant's will or the laws of descent and distribution.

**Term and Amendment.** No new awards may be granted under the 2012 Equity Plan after the tenth anniversary of its adoption by the Board, October 29, 2022. The Board may amend, alter, suspend, discontinue or terminate the 2012 Equity Plan at any time; however, no amendment, alteration, suspension, discontinuation or termination may be made without stockholder approval if approval is necessary to comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to comply.

**Certain Federal Income Tax Consequences**

The following is a brief summary of certain Federal income tax laws in effect on the date hereof with applicability to the 2012 Equity Plan. This summary is not intended to be exhaustive and the exact tax consequences to any participant will depend on his or her particular circumstances and other factors. The 2012 Equity Plan participants are encouraged to consult their own tax advisors with respect to any state tax consequences or particular federal tax implications of awards granted under the 2012 Equity Plan. The 2012 Equity Plan is not intended to be qualified under Section 401(a) of the Code.

**Stock Options.** A participant will not recognize income, and we will not be entitled to take a deduction, upon the grant of stock options. Upon exercising a non-qualified option, the participant generally will recognize ordinary income equal to the difference between the exercise price and fair market value of the shares acquired on the date of exercise, and we will be entitled to a deduction for the same amount. Any ordinary income of the participant will be subject to tax withholding by us. We generally will have no tax consequence in connection with the later disposition of shares acquired pursuant to non-qualified stock options. A participant generally will not recognize income, and we will not be entitled to take a deduction, upon the exercise of an incentive stock option (except that the alternative minimum tax may apply). If shares acquired upon the exercise of an incentive stock option are held for the longer two years from the grant date of the stock options and more than one year after the date they were exercised, the difference between the sale price and the exercise price generally will be taxed as long-term capital gain or loss, and we will not be entitled to any deduction. We generally will have no tax consequence in connection with the later disposition of shares acquired pursuant to incentive stock options if such holdings periods are met. If the participant does not satisfy these holding periods, then the participant will recognize ordinary income equal to the excess of the lesser of the amount realized upon such disposition and the fair market value of such shares on the date of exercise, over the exercise price, and we should be entitled to take a corresponding deduction.

**SARs.** A participant will not recognize income, and we will not be entitled to take a deduction, upon the grant of SARs. Upon exercising a SAR, the participant generally will recognize ordinary income in the amount by which the fair market value of the shares on the date of exercise exceeds the SAR exercise price, if any, and we will be entitled to a deduction for the same amount. Any ordinary income of the participant will be subject to tax withholding by us. Any additional gain or loss recognized upon the later disposition of the shares will be capital gain or loss, which may be long- or short-term capital gain or loss depending on the holding period. We generally will have no tax consequence in connection with the later disposition of shares acquired pursuant to a SAR.

**Restricted Shares.** The award of restricted shares will not result in taxable income to the participant, and we will not be entitled to take a deduction, at the time of grant unless the participant makes an election under Section 83(b) of the Code to be taxed at such time. If such election is not made, upon the lapse of the restrictions upon restricted shares, the participant will recognize ordinary income in the amount equal to the fair market value of the shares at the time the restricted shares vest (less any amount paid for the shares), and we will be entitled to a deduction for the same amount.

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Prior to the lapse of the restrictions on restricted shares, any dividends received on such shares will be treated as ordinary income to the participant. If an election under Section 83(b) of the Code is made within 30 days after receipt of restricted shares, the participant will recognize ordinary income in the year that the restricted shares are awarded in an amount equal to the fair market value of the shares on the date of such award determined as if the restricted shares were not subject to restrictions, and we will be entitled to a deduction for the same amount. If the election is made, the participant will not recognize income at the time that the restrictions actually lapse. Any dividends received after the election is made generally will constitute qualified dividend income. If the restricted shares subject to the election are subsequently forfeited, the participant will not be entitled to a deduction or tax refund. Any ordinary income of the participant will be subject to tax withholding by us. We generally will have no tax consequence in connection with the later disposition of shares acquired pursuant to vested restricted shares.

**Restricted Share Units.** With respect to a grant of restricted share units, the participant will recognize ordinary income on the amount of cash (for units payable in cash) or the fair market value of the common stock (for units settled in stock) at the time such payments are made available to the participant under the terms of the restricted share unit award, and we will be entitled to a deduction for the same amount. The participant also is subject to capital gains treatment on the subsequent sale of any shares acquired through the vesting of restricted share units. For this purpose, the participant's basis in the common stock is his or her fair market value at the time the restricted share units become vested (unless delivery of the shares has been validly deferred). Any ordinary income of the participant will be subject to tax withholding by us. We generally will have no tax consequence in connection with the later disposition of shares acquired pursuant to restricted share units.

**Performance Awards.** A participant will not recognize income, and we will not be entitled to take a deduction, upon the grant of performance awards unless the participant makes an election under Section 83(b) of the Code to be taxed at the time of the grant. A Section 83(b) election may not be available with respect to certain forms of performance awards. With respect to performance awards settled in shares, participants will recognize ordinary income equal to the fair market value of the shares received as the performance goals are met and such shares vest, less any amount paid by the participant for the performance shares. With respect to performance awards settled in cash, participants will recognize ordinary income in such amount at the time the performance goals are attained and the payments are made available to the participant. Any additional gain or loss recognized upon the later disposition of shares acquired upon the vesting of performance awards will be capital gain or loss, which may be long- or short-term capital gain or loss depending on the holding period. Unless a participant makes a Section 83(b) election, the participant's basis in the stock will be its fair market value at the time the performance goals are met and the performance shares become vested. We generally will have no tax consequence in connection with the later disposition of shares acquired pursuant to a performance award.

**Section 162(m).** Section 162(m) of the Code generally disallows a public company's tax deduction for compensation paid in excess of \$1.0 million in any tax year to its chief executive officer and certain other most highly compensated executives. However, compensation that qualifies as "performance-based compensation" is excluded from this \$1.0 million deduction limit and therefore remains fully deductible by the company that pays it. We generally intend that, except as otherwise determined by the Compensation Committee, performance awards and stock options granted with an exercise price at least equal to 100% of the fair market value of the underlying shares of common stock at the date of grant to employees the Compensation Committee expects to be named executive officers at the time a deduction arises in connection with such awards, will qualify as "performance-based compensation" so that these awards will not be subject to the Section 162(m) deduction limitations. The Compensation Committee will not necessarily limit executive compensation to amounts deductible under

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Section 162(m) of the Code, however, if such limitation is not in the best interests of us and our stockholders.

**Substitute Payments.** Substitute payments for dividends made to participants with respect to restricted shares or certain performance awards payable in our stock will be taxed as ordinary income to the participant until the shares vest. After vesting, dividend payments may be qualified dividend income subject to a current maximum federal tax rate of 15% provided that the stockholder meets certain other requirements with respect to those shares. If a participant makes a Section 83(b) election with respect to restricted shares or certain eligible performance awards, these payments may be qualified dividend income, provided that the other requirements are met. We recommend that participants consult with their tax advisors to determine whether such dividends are qualified dividend income.

**Section 409A.** Section 409A of the Code provides generally that nonqualified deferred compensation that does not meet certain requirements will subject the recipients of such compensation to accelerated taxation, enhanced underpayment interest and an additional twenty percent tax. Although we intend to administer the 2012 Equity Plan so that awards will be exempt from, or will comply with, the requirements of Section 409A of the Code, we do not warrant that any award under the 2012 Equity Plan will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local or foreign law. We will not be liable to any participant for any tax, interest, or penalties that such participant might owe as a result of the grant, holding, vesting, exercise, or payment of any award under the 2012 Equity Plan.

**New Plan Benefits**

Any future awards granted to eligible participants under the 2012 Equity Plan will be subject to the discretion of the Compensation Committee and, therefore, the number of awards that will be granted under the 2012 Equity Plan is not determinable at this time.

***The Board recommends a vote "FOR" Proposal 4 to approve the United Natural Foods, Inc. 2012 Equity Incentive Plan. Proxies received by the Board will be voted "FOR" the proposal unless a contrary choice is specified in the proxy.***



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**PROPOSAL 5 SHAREHOLDER PROPOSAL: ELECT EACH DIRECTOR ANNUALLY**

We have been advised that James McRitchie, 9295 Yorkship Court, Elk Grove, CA 95758, beneficial owner of no less than 300 shares of common stock, intends to present the following proposal for consideration at the annual meeting. The proponent's resolution and supporting statement are quoted verbatim below. We are not responsible for the content of the proponent's proposal or supporting statement.

**Proponent's Proposal and Supporting Statement**

**Proposal 5 Elect Each Director Annually**

RESOLVED, shareholders ask that our Company take the steps necessary to reorganize the Board of Directors into one class with each director subject to election each year and to complete this transition within one-year.

Arthur Levitt, former Chairman of the Securities and Exchange Commission said, "In my view it's best for the investor if the entire board is elected once a year. Without annual election of each director shareholders have far less control over who represents them."

In 2010 over 70% of S&P 500 companies had annual election of directors. Shareholder resolutions on this topic have won an average support of 68% in a single year.

This proposal should also be evaluated in the context of our Company's overall corporate governance as reported in 2012:

GMI Ratings, an independent research firm, rated our company "High Concern" for Takeover Defenses. Our directors had 3-year terms, which would make any attempt to gain control of a majority of the board more difficult and lengthy. In addition, our company has charter and bylaw provisions that would make it difficult or impossible for shareholders to enlarge the board or remove directors and fill the resulting vacancies. The combined effect was to reduce board accountability to shareholders. Plus shareholders had no right to call a special meeting or to act by written consent.

Key directors had served for more than 13-years, which can impact director independence at the expense of shareholders. This included our Chairman Michael Funk, Lead Director and Nomination Committee chair Gordon Barker and Compensation Committee chair James Heffernan. More than 50% of the seats on our most important board committees were held by long tenured directors.

CEO Steven Spinner received pay which included stock options and restricted stock units that simply vested after time without performance-contingent criteria. And only 64% of CEO pay was incentive based.

Please encourage our board to respond positively to this proposal: **Elect Each Director Annually Proposal 5.**

**The Company's Statement in Opposition to Proposal 5**

**The Board opposes this stockholder proposal and unanimously recommends that stockholders vote "AGAINST" it for the reasons discussed below.**

Our Company has maintained a classified board structure since 1996. Since 1996, our Board has taken several steps as part of our commitment to ensure the highest level of standards in corporate governance, including terminating our stockholders rights plan in 2004 and amending our Bylaws and the charter of the Nominating and Corporate Governance Committee in 2007 to provide for a majority-voting standard for uncontested director elections. As part of our commitment, the Board has from time to time considered arguments both in support of and in opposition to our existing classified

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board structure. After review and deliberation, the Board has determined that our classified board structure continues to promote the best interests of our Company and our stockholders.

*Stability and Continuity.* Our classified board structure is designed to promote continuity and stability of leadership. Electing directors to staggered three-year terms helps ensure that a majority of our directors have prior experience with and knowledge of our business and strategy. Directors who have experience with our Company and knowledge of our business and strategic plans are a valuable resource and are well-positioned to make fundamental decisions in the best interests of our Company and our stockholders. In addition, because a classified board structure produces more orderly change in the composition of the Board, maintaining a classified board structure strengthens our ability to recruit and retain highly qualified directors who are willing and able to make a significant long-term commitment required to understand fully our business and strategy. The Board believes that this continuity and stability facilitates our ability to maximize both short- and long-term stockholder value.

*Accountability to Stockholders.* The Board believes that electing directors to three-year terms enhances the independence of our non-management directors from management and from special interest groups who may have an agenda contrary to the long-term interests of all of our stockholders. Our independent directors are able to make decisions that are in our best interests without having to consider annual elections. In addition, the Board does not believe that annual elections of directors are necessary to promote their accountability to our stockholders since our directors are required to uphold their fiduciary duties to us and our stockholders, regardless of the length of their terms of office. The Board believes that overall accountability to our stockholders is achieved through our stockholders' election of highly qualified and responsible individuals as directors, not the length of their terms.

*Protection against Unsolicited Acquisition Offers.* The Board also believes that our classified board structure plays an important role in ensuring that the interests of all our stockholders are protected and maximized in connection with an unsolicited acquisition offer. Our classified board structure strongly encourages a person seeking to obtain control of the Company to negotiate mutually agreeable terms with the Board because at least two annual meetings will be required to effect a change in control of the Board. Our classified board structure does not preclude a person from taking control of our Company, but the delay in effecting a change in control of the Board provides the Board with greater opportunity to evaluate the adequacy and fairness of any takeover proposal, to negotiate on behalf of all stockholders and to consider alternative methods of maximizing stockholder value.

***The Board unanimously recommends that stockholders vote "AGAINST" this stockholder proposal. Proxies received by the Board will be voted "AGAINST" the proposal unless a contrary choice is specified in the proxy.***

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**OTHER MATTERS**

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors, executive officers and holders of more than 10% of our common stock ("Reporting Persons") to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities. To the Company's knowledge, based solely on review of copies of such reports furnished to the Company during the fiscal year ended July 28, 2012, all Section 16(a) filing requirements applicable to the Reporting Persons were complied with, except that Michael S. Funk inadvertently was late filing a report on Form 4 for the vesting of restricted stock units that occurred on December 6, 2011 and the related retention by the Company of shares to satisfy certain tax withholding obligations; Thomas A. Dziki inadvertently was late filing a report on Form 4 for sales of shares of our common stock that occurred on April 10, 2007 and a report on Form 4 for the vesting of restricted stock units that occurred on December 6, 2011 and the related retention by the Company of shares to satisfy certain tax withholding obligations; Gail A. Graham inadvertently was late filing a report on Form 4 for the vesting of restricted stock units and the acquisition of stock options and restricted stock units that occurred on September 12, 2011 and a report on Form 4 for sales of shares of our common stock that occurred on March 8, 2012; Sean F. Griffin inadvertently was late filing a report on Form 4 for the sale of shares of our common stock that occurred on June 28, 2012; and Steven L. Spinner inadvertently was late filing a report on Form 4 for the acquisition of performance shares and performance units on September 12, 2011.

**Stockholder Proposals for the 2013 Annual Meeting of Stockholders**

Any proposal that a stockholder wishes to be considered for inclusion in our proxy statement for the 2013 Annual Meeting of Stockholders must be submitted to our corporate secretary, Joseph J. Traficanti, at 313 Iron Horse Way, Providence, Rhode Island 02908, no later than the close of business on July 5, 2013. We strongly encourage stockholders interested in submitting a proposal to contact legal counsel with regard to the detailed requirements of applicable securities laws. Submitting a stockholder proposal does not guarantee that we will include it in our proxy statement.

Our bylaws establish an advance notice procedure with regard to stockholder proposals and director nominations. If a stockholder wishes to present a proposal before the 2013 Annual Meeting of Stockholders, but does not wish to have the proposal considered for inclusion in our proxy statement, such stockholder must give written notice to our corporate secretary at the address noted above. Our corporate secretary must receive such notice not less than 60 days nor more than 90 days prior to the 2013 Annual Meeting of Stockholders, provided that in the event that less than 70 days' notice or prior public disclosure of the date of the 2013 Annual Meeting of Stockholders is given or made, notice by the stockholder must be received not later than the close of business on the 10th day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever occurs first. The stockholder's submission must include certain specified information concerning the proposal and the stockholder, including such stockholder's ownership of our common stock. As we will not entertain any proposals at the annual meeting that do not meet these requirements, we strongly encourage stockholders to seek advice from legal counsel before submitting a proposal.

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**THE BOARD HOPES THAT STOCKHOLDERS WILL ATTEND THE ANNUAL MEETING ON THE INTERNET THROUGH A VIRTUAL WEB CONFERENCE. REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE URGED TO VOTE VIA THE INTERNET, BY TELEPHONE, OR BY COMPLETING, SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD AS SOON AS POSSIBLE TO ENSURE THAT YOUR SHARES ARE REPRESENTED AT THE MEETING. STOCKHOLDERS OF RECORD, OR BENEFICIAL STOCKHOLDERS NAMED AS PROXIES BY THEIR STOCKHOLDERS OF RECORD, WHO ATTEND THE MEETING MAY REVOKE THEIR PROXIES AND CAST THEIR VOTES ELECTRONICALLY OVER THE INTERNET DURING THE MEETING.**

By Order of the Board of Directors,

Michael S. Funk,  
*Chair of the Board*

November 2, 2012

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**APPENDIX A**

**UNITED NATURAL FOODS, INC.  
2012 EQUITY INCENTIVE PLAN**

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**UNITED NATURAL FOODS, INC.  
2012 EQUITY INCENTIVE PLAN**

**Section 1. Purpose.**

This plan shall be known as the "The United Natural Foods, Inc. 2012 Equity Incentive Plan" (the "Plan"). The purpose of the Plan is to promote the interests of United Natural Foods, Inc. (the "Company") and its stockholders by (i) attracting and retaining key officers, employees and directors of, and consultants to, the Company and its Subsidiaries and Affiliates; (ii) motivating such individuals by means of performance-related incentives to achieve long-range performance goals; (iii) enabling such individuals to participate in the long-term growth and financial success of the Company; (iv) encouraging ownership of stock in the Company by such individuals; and (v) linking their compensation to the long-term interests of the Company and its stockholders. With respect to any awards granted under the Plan that are intended to comply with the requirements of "performance-based compensation" under Section 162(m) of the Code, the Plan shall be interpreted in a manner consistent with such requirements.

**Section 2. Definitions.**

As used in the Plan, the following terms shall have the meanings set forth below:

2.1 **"Affiliate"** means (i) any entity that, directly or indirectly, is controlled by the Company, (ii) any entity in which the Company has a significant equity interest, (iii) an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act; and (iv) any entity in which the Company has at least twenty percent (20%) of the combined voting power of the entity's outstanding voting securities, in each case as designated by the Board as being a participating employer in the Plan.

2.2 **"Award"** means any Option, Stock Appreciation Right, Restricted Share Award, Restricted Share Unit, Performance Award, or Other Stock-Based Award granted under the Plan, whether singly, in combination or in tandem, to a Participant by the Committee (or the Board) pursuant to such terms, conditions, restrictions and/or limitations, if any, as the Committee (or the Board) may establish.

2.3 **"Award Agreement"** means any written agreement, contract or other instrument or document evidencing any Award, which may, but need not, be executed or acknowledged by a Participant.

2.4 **"Board"** means the Board of Directors of the Company.

2.5 **"Cause"** means, unless otherwise defined in the applicable Award Agreement, (i) conviction of the Participant under applicable law of a felony or any misdemeanor involving moral turpitude; (ii) unauthorized acts intended to result in the Participant's personal enrichment at the material expense of the Company or a Subsidiary or Affiliate; or (iii) any violation of the Participant's duties or responsibility's to the Company or a Subsidiary or Affiliate which constitutes willful misconduct or dereliction of duty. For purposes of this definition, no act, or failure to act, on the Participant's part shall be considered "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the Participant's action or omission was in the best interest of the Company.

2.6 **"Change in Control"** means, unless otherwise provided in the applicable Award Agreement, the happening of one of the following:

(a) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities of the Company under an employee benefit plan maintained by the Company or any corporation owned, directly or indirectly, by the Company's stockholders in substantially the same proportions as their ownership of the Company's stock, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly

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or indirectly, of securities of the Company representing 25% or more of the total combined voting power of the Company's then-outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders and which the Board does not recommend such stockholders to accept;

(b) a majority of directors, whose election or nomination for election is not approved by a majority of the members of the Incumbent Board then serving as members of the Board, are elected within any single 24-month period to serve on the Board; or

(c) consummation of:

(i) a merger, consolidation or reorganization involving the Company, unless:

(A) the stockholders of the Company, immediately before the merger, consolidation or reorganization, own, directly or indirectly immediately following such merger, consolidation or reorganization, at least 75% of the combined voting power of the outstanding voting securities of the corporation resulting from such merger, consolidation or reorganization in substantially the same proportion as their ownership of the voting securities immediately before such merger, consolidation or reorganization;

(B) individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least a majority of the board of directors of the surviving corporation immediately following such merger, consolidation or reorganization; and

(C) no person (other than (I) the Company or any Subsidiary thereof, (II) any employee benefit plan (or any trust forming a part thereof) maintained by the Company, any Subsidiary thereof, or the surviving corporation, or (III) any person who, immediately prior to such merger, consolidation or reorganization, had beneficial ownership of securities representing 25% or more of the combined voting power of the Company's then-outstanding securities) has beneficial ownership of securities immediately following such merger, consolidation or reorganization representing 25% or more of the combined voting power of the surviving corporation's then outstanding voting securities;

(ii) a complete liquidation or dissolution of the Company; or

(iii) an agreement for the sale or other disposition of all or substantially all of the assets of the Company to any person (other than a transfer to a Subsidiary).

For purposes of the definition of Change in Control, "Incumbent Board" means those persons who either (A) have been members of the Board since the Effective Date or (B) are new directors whose election by the Board or nomination for election by the stockholders of the Company was approved by a vote of at least three-fourths of the members of the Board then in office who either were directors described in clause (A) hereof or whose election or nomination for election was previously so approved, provided that an individual whose election or nomination for election is approved as a result of either an actual or threatened election contest or proxy contest, including by reason of any agreement intended to avoid or settle any election contest or proxy contest, will be deemed not to have been so approved for purposes of this definition.

Notwithstanding the foregoing, unless otherwise provided in the applicable Award Agreement, with respect to Awards subject to Section 409A of the Code, a Change in Control shall mean a "change in the ownership of the Company," a "change in the effective control of the Company," or a "change in the ownership of a substantial portion of the assets of the Company" as such terms are defined in Section 1.409A-3(i)(5) of the Treasury Regulations.

2.7 "Code" means the Internal Revenue Code of 1986, as amended from time to time.



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2.8 "**Committee**" means a committee of the Board composed of not less than two Non-Employee Directors, each of whom shall be (i) a "non-employee director" for purposes of Exchange Act Section 16 and Rule 16b-3 thereunder, (ii) an "outside director" for purposes of Section 162(m), and (iii) "independent" within the meaning of the listing standards of the Nasdaq Stock Market and the rules and regulations of the SEC.

2.9 "**Consultant**" means any consultant to the Company or its Subsidiaries or Affiliates.

2.10 "**Covered Officer**" means at any date (i) any individual who, with respect to the previous taxable year of the Company, was a "covered employee" of the Company within the meaning of Section 162(m); provided, however, that the term "Covered Officer" shall not include any such individual who is designated by the Committee, in its discretion, at the time of any Award or at any subsequent time, as reasonably expected not to be such a "covered employee" with respect to the current taxable year of the Company or the taxable year of the Company in which the applicable Award will be paid or vested, and (ii) any individual who is designated by the Committee, in its discretion, at the time of any Award or at any subsequent time, as reasonably expected to be such a "covered employee" with respect to the current taxable year of the Company or with respect to the taxable year of the Company in which any applicable Award will be paid or vested.

2.11 "**Director**" means a member of the Board.

2.12 "**Disability**" means, unless otherwise defined in the applicable Award Agreement, a disability that would qualify as a total and permanent disability under the Company's then current long-term disability plan. With respect to Awards subject to Section 409A of the Code, unless otherwise defined in the applicable Award Agreement, the term "Disability" shall have the meaning set forth in Section 409A of the Code.

2.13 "**Early Retirement**" means, unless otherwise provided in the applicable Award Agreement, retirement of a Participant with the express consent of the Committee at or before the time of such retirement, from active employment with the Company and any Subsidiary or Affiliate prior to age 65, in accordance with any applicable early retirement policy of the Company then in effect or as may be approved by the Committee.

2.14 "**Effective Date**" has the meaning provided in Section 16.1 of the Plan.

2.15 "**Employee**" means a current or prospective officer or employee of the Company or of any Subsidiary or Affiliate.

2.16 "**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time.

2.17 "**Fair Market Value**" with respect to the Shares, means, for purposes of a grant of an Award as of any date, (i) the reported closing sales price of the Shares on the Nasdaq Stock Market, or any other such market or exchange as is the principal trading market for the Shares, on such date, or in the absence of reported sales on such date, the closing sales price on the immediately preceding date on which sales were reported or (ii) in the event there is no public market for the Shares on such date, the fair market value as determined, in good faith and by the reasonable application of a reasonable valuation method (as applicable), by the Committee in its sole discretion, and for purposes of a sale of a Share as of any date, the actual sales price on that date.

2.18 "**Full Value Award Cap**" has the meaning provided in Section 4.1 of the Plan.

2.19 "**Good Reason**" means, unless otherwise provided in an Award Agreement, (i) the assignment of duties to a Participant following a Change in Control that are materially adversely inconsistent with the Participant's duties immediately prior to a Change in Control, and failure to rescind such assignment within thirty (30) days of receipt of notice from the Participant; (ii) a material reduction in a Participant's title, authority or reporting status following a Change in Control as

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compared to such title, authority or reporting status immediately prior to a Change in Control, (iii) a relocation of the office at which the Participant is to perform the majority of his or her duties following a Change in Control to a location more than fifty (50) miles from the location at which the Participant performed such duties prior to the Change in Control; (iv) a reduction in the Participant's base salary as in effect immediately prior to a Change in Control or the failure of the Company to pay or cause to be paid any compensation or benefits when due, and failure to restore such annual base salary or make such payments within five (5) days of receipt of notice from the Participant; or (v) failure to include the Participant in any new employee benefit plans proposed by the Company or a material reduction in the Participant's level of participation in any existing plans of any type; provided that a Company-wide reduction or elimination of such plans shall not constitute "Good Reason" for purposes of this Plan.

2.20 "**Grant Price**" means the price established at the time of grant of an SAR pursuant to Section 6 used to determine whether there is any payment due upon exercise of the SAR.

2.21 "**Incentive Stock Option**" means an option to purchase Shares from the Company that is granted under Section 6 of the Plan and that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.22 "**Non-Employee Director**" means a member of the Board who is not an officer or employee of the Company or any Subsidiary or Affiliate.

2.23 "**Non-Qualified Stock Option**" means an option to purchase Shares from the Company that is granted under Sections 6 or 10 of the Plan and is not intended to be an Incentive Stock Option.

2.24 "**Normal Retirement**" means, unless otherwise defined in the applicable Award Agreement, retirement of a Participant from active employment with the Company or any of its Subsidiaries or Affiliates on or after such Participant's 65th birthday.

2.25 "**Option**" means an Incentive Stock Option or a Non-Qualified Stock Option.

2.26 "**Option Price**" means the purchase price payable to purchase one Share upon the exercise of an Option.

2.27 "**Other Stock-Based Award**" means any Award granted under Sections 9 or 10 of the Plan. For purposes of determining the number of Awards granted hereunder in relation to the Full Value Award Cap set forth in Section 4.1 hereof, an Other Stock-Based Award that is not settled in cash shall be treated as a Restricted Share Award if the amounts payable thereunder will be determined by reference to the full value of a Share.

2.28 "**Outside Director**" means, with respect to the grant of an Award, a member of the Board then serving on the Committee.

2.29 "**Participant**" means any Employee, Director, Consultant or other person who receives an Award under the Plan.

2.30 "**Performance Award**" means any Award granted under Section 8 of the Plan. For purposes of determining the number of Awards granted hereunder in relation to the Full Value Award Cap set forth in Section 4.1 hereof, a Performance Award that is not settled in cash shall be treated as a Restricted Share Award if the amounts payable thereunder will be determined by reference to the full value of a Share.

2.31 "**Person**" means any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

2.32 "**Restricted Share**" means any Share granted under Sections 7 to 10 of the Plan.

2.33 "**Restricted Share Unit**" means any unit granted under Sections 7 to 10 of the Plan.

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2.34 "**Retirement**" means Normal or Early Retirement.

2.35 "**SEC**" means the Securities and Exchange Commission or any successor thereto.

2.36 "**Section 16**" means Section 16 of the Exchange Act and the rules promulgated thereunder and any successor provision thereto as in effect from time to time.

2.37 "**Section 162(m)**" means Section 162(m) of the Code and the regulations promulgated thereunder and any successor provision thereto as in effect from time to time.

2.38 "**Separation from Service**" or "**Separates from Service**" shall have the meaning ascribed to such term pursuant to Section 409A of the Code and the regulations promulgated thereunder.

2.39 "**Shares**" means shares of the common stock, par value \$0.01 per share, of the Company, or any security into which such shares may be converted by reason of any event of the type referred to in Sections 4.2, 13.3, and 14.3.

2.40 "**Share Reserve**" has the meaning set forth in Section 4.1 hereof.

2.41 "**Specified Employee**" has the meaning ascribed to such term pursuant to Section 409A of the Code and the regulations promulgated thereunder.

2.42 "**Stock Appreciation Right**" or "**SAR**" means a stock appreciation right granted under Sections 6, 8 or 10 of the Plan that entitles the holder to receive, with respect to each Share encompassed by the exercise of such SAR, the amount determined by the Committee and specified in an Award Agreement. In the absence of such a determination, the holder shall be entitled to receive, with respect to each Share encompassed by the exercise of such SAR, the excess of the Fair Market Value of such Share on the date of exercise over the Grant Price.

2.43 "**Subsidiary**" means any Person (other than the Company) of which 50% or more of its voting power or its equity securities or equity interest is owned directly or indirectly by the Company.

2.44 "**Substitute Awards**" means Awards granted solely in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

**Section 3. Administration.**

3.1 *Authority of Committee.* The Plan shall be administered by a Committee, which shall be appointed by and serve at the pleasure of the Board; provided, however, with respect to Awards to Outside Directors, all references in the Plan to the Committee shall be deemed to be references to the Board. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority in its discretion (and in accordance with Section 409A of the Code with respect to Awards subject thereto) to: (i) designate Participants; (ii) determine eligibility for participation in the Plan and decide all questions concerning eligibility for and the amount of Awards under the Plan; (iii) determine the type or types of Awards to be granted to a Participant; (iv) determine the number of Shares to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with Awards; (v) determine the timing, terms, and conditions of any Award; (vi) accelerate the time at which all or any part of an Award may be settled or exercised; (vii) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (viii) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee; (ix) grant Awards as an

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alternative to, or as the form of payment for grants or rights earned or payable under, other bonus or compensation plans, arrangements or policies of the Company or a Subsidiary or Affiliate; (x) grant Substitute Awards on such terms and conditions as the Committee may prescribe, subject to compliance with the Incentive Stock Option rules under Section 422 of the Code and the nonqualified deferred compensation rules under Section 409A of the Code, where applicable; (xi) make all determinations under the Plan concerning any Participant's Separation from Service with the Company or a Subsidiary or Affiliate, including whether such separation occurs by reason of Cause, Good Reason, Disability, Retirement, or in connection with a Change in Control and whether a leave constitutes a Separation from Service; (xii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (xiii) except to the extent prohibited by Section 6.2, amend or modify the terms of any Award at or after grant with the consent of the holder of the Award; (xiv) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (xv) adopt special guidelines and provisions for Persons who are residing in, employed in or subject to the taxes of any domestic or foreign jurisdiction to comply with applicable tax and securities laws of such domestic or foreign jurisdiction; and (xvi) correct any defect, supply any omission, or reconcile any inconsistency in the Plan or in any agreement related thereto or make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan, subject to the exclusive authority of the Board under Section 14 hereunder to amend or terminate the Plan.

**3.2 Committee Discretion Binding.** Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all Persons, including the Company, any Subsidiary or Affiliate, any Participant and any holder or beneficiary of any Award. A Participant or other holder of an Award may contest a decision or action by the Committee with respect to such person or Award only on the grounds that such decision or action was arbitrary or capricious or was unlawful, and any review of such decision or action shall be limited to determining whether the Committee's decision or action was arbitrary or capricious or was unlawful.

**3.3 Delegation.** Subject to the terms of the Plan and applicable law, the Committee may delegate to one or more officers or managers of the Company or of any Subsidiary or Affiliate, or to a Committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to or to cancel, modify or waive rights with respect to, or to alter, discontinue, suspend or terminate Awards held by Participants who are not officers or directors of the Company for purposes of Section 16 or who are otherwise not subject to such Section 16.

**3.4 No Liability.** No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award granted hereunder.

**Section 4. Shares Available for Awards.**

**4.1 Shares Available.** Subject to the provisions of Section 4.2 below, the maximum aggregate number of Shares which may be issued pursuant to all Awards under this Plan after the Effective Date is 1,250,000 (the "Share Reserve"). The number of Shares with respect to which Incentive Stock Options may be granted under this Plan shall be no more than 250,000. Subject to the application of the last sentence of this Section 4.1, the maximum number of Awards that the Company may issue under this Plan as Restricted Stock Awards and Restricted Stock Unit Awards shall be 900,000 (the "Full Value Award Cap") If any Award granted under this Plan (whether before or after the Effective Date of this Plan) shall expire, terminate, be settled in cash (in whole or in part, including, except with respect to Options or SARs, for tax withholding) or otherwise be forfeited or canceled for any reason before it has vested or been exercised in full, the Shares subject to such Award shall, to the extent of such expiration, cash settlement, forfeiture, or termination, again be available for Awards under the

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Plan, in accordance with this Section 4.1. The Committee may make such other determinations regarding the counting of Shares issued pursuant to this Plan as it deems necessary or advisable, provided that such determinations shall be permitted by law. Notwithstanding the foregoing, if an Option or SAR is exercised, in whole or in part, by tender of Shares or if the Company's tax withholding obligation is satisfied by withholding Shares, the number of Shares deemed to have been issued under the Plan for purposes of the limitation set forth in this Section 4.1 shall be the number of Shares that were subject to the Option or SAR or portion thereof, and not the net number of Shares actually issued and any SARs to be settled in Shares shall be counted in full against the number of Shares available for issuance under the Plan, regardless of the number of shares issued upon the settlement of the SAR. Any Shares that again become available for grant pursuant to this Section shall be added back to the Full Value Award Cap if the original Award of such Shares reduced the Full Value Award Cap.

4.2 *Adjustments.* Without limiting the Committee's discretion as provided in Section 13 hereof, if there shall occur any change in the capital structure of the Company by reason of any extraordinary dividend or other distribution (whether in the form of cash, Shares, other securities or other property, and other than a normal cash dividend), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other corporate transaction or event having an effect similar to the foregoing, affects the Shares, then the Committee shall, in an equitable and proportionate manner as determined by the Committee (and, as applicable, in such manner as is consistent with Sections 162(m), 422 and 409A of the Code and the regulations thereunder) either: (i) adjust any or all of (1) the aggregate number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan; (2) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards under the Plan, provided that the number of Shares subject to any Award shall always be a whole number; (3) the grant or exercise price with respect to any Award under the Plan, and (4) the limits on the number of Shares or Awards that may be granted to Participants under the Plan in any calendar year; (ii) provide for an equivalent award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect; or (iii) make provision for a cash payment to the holder of an outstanding Award. Any such adjustments to outstanding Awards shall be effected in a manner that precludes the material enlargement or dilution of rights and benefits under such Awards.

4.3 *Substitute Awards.* Any Shares issued by the Company as Substitute Awards in connection with the assumption or substitution of outstanding grants from any acquired corporation shall not reduce the Shares available for Awards under the Plan.

4.4 *Sources of Shares Deliverable under Awards.* Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of issued Shares which have been reacquired by the Company.

**Section 5. Eligibility.**

Any current or prospective Employee, Director or Consultant shall be eligible to be designated a Participant; provided, however, that Outside Directors shall only be eligible to receive Awards granted consistent with Section 10, provided further that the vesting and exercise of an Award to a prospective Employee, Director or Consultant are conditioned upon such individual attaining such status.

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**Section 6. Stock Options and Stock Appreciation Rights.**

6.1 *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Options and SARs shall be granted, the number of Shares subject to each Award, the Option Price or Grant Price and the conditions and limitations applicable to the exercise of each Option and SAR. An Option may be granted with or without a related SAR. An SAR may be granted with or without a related Option. The grant of an Option or SAR shall occur when the Committee by resolution, written consent or other appropriate action determines to grant such Option or SAR for a particular number of Shares to a particular Participant at a particular Option Price or Grant Price, as the case may be, or such later date as the Committee shall specify in such resolution, written consent or other appropriate action. The Committee shall have the authority to grant Incentive Stock Options and to grant Non-Qualified Stock Options. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with Section 422 of the Code, as from time to time amended, and any regulations implementing such statute. An Employee who has been granted an Option under the Plan may be granted additional Options under the Plan if the Committee shall so determine; provided, however, that to the extent the aggregate Fair Market Value (determined at the time the Incentive Stock Option is granted) of the Shares with respect to which all Incentive Stock Options are exercisable for the first time by an Employee during any calendar year (under all plans described in Section 422(d) of the Code of the Employee's employer corporation and its parent and Subsidiaries) exceeds \$100,000, or if Options fail to qualify as Incentive Stock Options for any other reason, such Options shall constitute Non-Qualified Stock Options.

6.2 *Price.* The Committee in its sole discretion shall establish the Option Price at the time each Option is granted and the Grant Price at the time each SAR is granted. Except in the case of Substitute Awards, the Option Price of an Option may not be less than the Fair Market Value of a Share on the date such Option is deemed to have been granted pursuant to Section 6.1, and the Grant Price of an SAR may not be less than the Fair Market Value of a Share on the date such SAR is deemed to have been granted pursuant to Section 6.1. In the case of Substitute Awards or Awards granted in connection with an adjustment provided for in Section 4.2 hereof in the form of Options or SARs, such grants shall have an Option Price (or Grant Price) per Share that is intended to maintain the economic value of the Award that was replaced or adjusted as determined by the Committee. Notwithstanding the foregoing and except as permitted by the provisions of Section 4.2 hereof, the Committee shall not have the power to (i) amend the terms of previously granted Options to reduce the Option Price of such Options, (ii) amend the terms of previously granted SARs to reduce the Grant Price of such SARs, (iii) cancel such Options and grant substitute Options with a lower Option Price than the cancelled Options, or (iv) cancel such SARs and grant substitute SARs with a lower Grant Price than the cancelled SARs, in each case without the approval of the Company's stockholders.

6.3 *Term.* Subject to the Committee's authority under Section 3.1 and the provisions of Section 6.6, each Option and SAR and all rights and obligations thereunder shall expire on the date determined by the Committee and specified in the Award Agreement. The Committee shall be under no duty to provide terms of like duration for Options or SARs granted under the Plan. Notwithstanding the foregoing, but subject to Section 6.4(a) hereof, no Option or SAR shall be exercisable after the expiration of ten (10) years from the date such Option or SAR was granted.

6.4 *Exercise.*

(a) Each Option and SAR shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable Award Agreement or thereafter. The Committee shall have full and complete authority to determine, subject to Section 6.6 herein, whether an Option or SAR will be exercisable in full at any time or from time to time during the term of the Option or SAR, or to provide for the exercise thereof in such

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installments, upon the occurrence of such events and at such times during the term of the Option or SAR as the Committee may determine. The Committee may provide, at or after the grant, that the period of time over which an Option, other than an Incentive Stock Option, or SAR may be exercised shall be automatically extended if on the scheduled expiration of such Award, the Participant's exercise of such Award would violate applicable securities law; provided, however, that during the extended exercise period the Option or SAR may only be exercised to the extent such Award was exercisable in accordance with its terms immediately prior to such scheduled expiration date; provided further, however, that such extended exercise period shall end not later than thirty (30) days after the exercise of such Option or SAR first would no longer violate such laws.

(b) The Committee may impose such conditions with respect to the exercise of Options or SARs, including without limitation, any relating to the application of federal, state or foreign securities laws or the Code, as it may deem necessary or advisable.

(c) An Option or SAR may be exercised in whole or in part at any time, with respect to whole Shares only, within the period permitted thereunder for the exercise thereof, and shall be exercised by written notice of intent to exercise the Option or SAR, delivered to the Company at its principal office, and payment in full to the Company at the direction of the Committee of the amount of the Option Price for the number of Shares with respect to which the Option is then being exercised.

(d) Payment of the Option Price shall be made in (i) cash or cash equivalents, (ii) at the discretion of the Committee, by transfer, either actually or by attestation, to the Company of unencumbered Shares previously acquired by the Participant, valued at the Fair Market Value of such Shares on the date of exercise (or next succeeding trading date, if the date of exercise is not a trading date), together with any applicable withholding taxes (which taxes may be satisfied in accordance with Section 15.6 of the Plan), such transfer to be upon such terms and conditions as determined by the Committee, (iii) by a combination of (i) or (ii), or (iv) by any other method approved or accepted by the Committee in its sole discretion, including, if the Committee so determines, (x) a cashless (broker-assisted) exercise that complies with applicable laws or (y) withholding Shares (net-exercise) otherwise deliverable to the Participant pursuant to the Option having an aggregate Fair Market Value at the time of exercise equal to the total Option Price together with any applicable withholding taxes (which taxes may be satisfied in accordance with Section 15.6 of the Plan). Until the optionee has been issued the Shares subject to such exercise, he or she shall possess no rights as a stockholder with respect to such Shares. The Company reserves, at any and all times in the Company's sole discretion, the right to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a method set forth in subsection (iv) above, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

(e) At the Committee's discretion, the amount payable as a result of the exercise of an SAR may be settled in cash, Shares or a combination of cash and Shares. A fractional Share shall not be deliverable upon the exercise of a SAR but a cash payment will be made in lieu thereof.

6.5 *Separation from Service.* Except as otherwise provided in the applicable Award Agreement, an Option or SAR may be exercised only to the extent that it is then exercisable, and if at all times during the period beginning with the date of granting such Award (or if later, the date on which the Participant first became an Employee, Director or Consultant) and ending on the date of exercise of such Award the Participant is an Employee, Non-Employee Director or Consultant, and shall terminate immediately upon a Separation from Service by the Participant. Notwithstanding the foregoing provisions of this Section 6.5 to the contrary, the Committee may determine in its discretion that an

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Option or SAR may be exercised following any such Separation from Service, whether or not exercisable at the time of such separation; provided, however, that in no event may an Option or SAR be exercised after the expiration date of such Award specified in the applicable Award Agreement, except as provided in Section 6.4(a).

**6.6 Ten Percent Stock Rule.** Notwithstanding any other provisions in the Plan, if at the time an Option is otherwise to be granted pursuant to the Plan, the optionee or rights holder owns directly or indirectly (within the meaning of Section 424(d) of the Code) Shares of the Company possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or its parent or Subsidiary or Affiliate corporations (within the meaning of Section 422(b)(6) of the Code), then any Incentive Stock Option to be granted to such optionee or rights holder pursuant to the Plan shall satisfy the requirement of Section 422(c)(5) of the Code, and the Option Price shall be not less than one hundred ten percent (110%) of the Fair Market Value of the Shares of the Company, and such Option by its terms shall not be exercisable after the expiration of five (5) years from the date such Option is granted.

**Section 7. Restricted Shares and Restricted Share Units.**

**7.1 Grant.**

(a) Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Restricted Shares and Restricted Share Units shall be granted, the number of Restricted Shares and/or the number of Restricted Share Units to be granted to each Participant, the duration of the period during which, and the conditions under which, the Restricted Shares and Restricted Share Units may be forfeited to the Company, and the other terms and conditions of such Awards. The Restricted Share and Restricted Share Unit Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time approve, which agreements shall comply with and be subject to the terms and conditions provided hereunder and any additional terms and conditions established by the Committee that are consistent with the terms of the Plan.

(b) Each Restricted Share and Restricted Share Unit Award made under the Plan shall be for such number of Shares as shall be determined by the Committee and set forth in the Award Agreement containing the terms of such Restricted Share or Restricted Share Unit Award. Such agreement shall set forth a period of time (which shall be not less than one year for Participants other than Non-Employee Directors and Outside Directors) during which the Participant receiving such Award must remain in the continuous employment (or other service-providing capacity) of the Company in order for the forfeiture and transfer restrictions to lapse. If the Committee so determines, the restrictions may lapse during such restricted period in installments with respect to specified portions of the Shares covered by the Restricted Share or Restricted Share Unit Award. The Award Agreement may also, in the discretion of the Committee, set forth performance or other conditions (including, but not limited to, performance goals based on the criteria listed in Section 11 of the Plan) that will subject the Shares to forfeiture and transfer restrictions. The Committee may, at its discretion, waive all or any part of the restrictions applicable to any or all outstanding Restricted Share and Restricted Share Unit Awards.

**7.2 Delivery of Shares and Transfer Restrictions.**

(a) At the time a Restricted Share Award is granted, a certificate representing the number of Shares awarded thereunder shall be registered in the name of the Participant receiving such Award. Such certificate shall be held by the Company or any custodian appointed by the Company for the account of the Participant receiving such Award subject to the terms and conditions of the Plan, and shall bear such a legend setting forth the restrictions imposed thereon as the Committee, in its discretion, may determine. The foregoing to the contrary notwithstanding, the Committee



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may, in its discretion, provide that a Participant's ownership of Restricted Shares prior to the lapse of any transfer restrictions or any other applicable restrictions shall, in lieu of such certificates, be evidenced by a "book entry" (*i.e.*, a computerized or manual entry) in the records of the Company or its designated agent in the name of the Participant who has received such Award, and confirmation and account statements sent to the Participant with respect to such book-entry Shares may bear the restrictive legend referenced in the preceding sentence. Such records of the Company or such agent shall, absent manifest error, be binding on all Participants who receive Restricted Share Awards evidenced in such manner. The holding of Restricted Shares by the Company or such an escrow holder, or the use of book entries to evidence the ownership of Restricted Shares, in accordance with this Section 7.2(a), shall not affect the rights of Participants as owners of the Restricted Shares awarded to them, nor affect the restrictions applicable to such shares under the Award Agreement or the Plan, including the transfer restrictions.

(b) Unless otherwise provided in the applicable Award Agreement, the Participant receiving an Award of Restricted Shares shall have all rights of a stockholder with respect to the Restricted Shares, including the right to receive dividends and the right to vote such Shares, subject to the following restrictions: (i) the Participant shall not be entitled to delivery of the stock certificate until the expiration of the restricted period and the fulfillment of any other restrictive conditions set forth in the Award Agreement with respect to such Shares; (ii) none of the Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of during such restricted period or until after the fulfillment of any such other restrictive conditions; and (iii) except as otherwise determined by the Committee at or after grant, all of the Shares shall be forfeited and all rights of the Participant to such Shares shall terminate, without further obligation on the part of the Company, unless the Participant remains in the continuous employment of the Company for the entire restricted period in relation to which such Shares were granted and unless any other restrictive conditions relating to the Restricted Share Award are met. Restricted Share Units shall be subject to similar transfer restrictions as Restricted Share Awards, except that no Shares are actually awarded to a Participant who is granted Restricted Share Units on the date of grant, and such Participant shall have no rights of a stockholder with respect to such Restricted Share Units until the restrictions set forth in the applicable Award Agreement have lapsed.

**7.3 Termination of Restrictions.** At the end of the restricted period and provided that any other restrictive conditions of the Restricted Share Award are met, or at such earlier time as otherwise determined by the Committee, all restrictions set forth in the Award Agreement relating to the Restricted Share Award or in the Plan shall lapse as to the Restricted Shares subject thereto, and a stock certificate for the appropriate number of Shares, free of the restrictions and restricted stock legend, shall be delivered to the Participant or the Participant's beneficiary or estate, as the case may be (or, in the case of book-entry Shares, such restrictions and restricted stock legend shall be removed from the confirmation and account statements delivered to the Participant or the Participant's beneficiary or estate, as the case may be, in book-entry form). The Company shall have the right to repurchase Restricted Shares at their original issuance price or other stated or formula price (or to require forfeiture of such Shares if issued at no cost) in the event that conditions specified in the Award Agreement with respect to such Restricted Shares are not satisfied prior to the end of the applicable restricted period.

**7.4 Payment of Restricted Share Units.** Each Restricted Share Unit shall have a value equal to the Fair Market Value of a Share. Restricted Share Units may be paid in cash, Shares, other securities or other property, as determined in the sole discretion of the Committee, upon the lapse of the restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement. The applicable Award Agreement shall specify whether a Participant will be entitled to receive dividend equivalent rights in respect of Restricted Share Units at the time of any payment of dividends to stockholders on Shares. If the applicable Award Agreement specifies that a Participant will be entitled

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to dividend equivalent rights, (i) the amount of any such dividend equivalent right shall equal the amount that would be payable to the Participant as a stockholder in respect of a number of Shares equal to the number of vested Restricted Share Units then credited to the Participant, and (ii) any such dividend equivalent right shall be paid in accordance with the Company's payment practices as may be established from time to time and as of the date on which such dividend would have been payable in respect of outstanding Shares (and in accordance with Section 409A of the Code with regard to Awards subject thereto); provided, that no dividend equivalents shall be currently paid on Restricted Share Units that are not yet vested. Except as otherwise determined by the Committee at or after grant, Restricted Share Units may not be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of, and all Restricted Share Units and all rights of the grantee to such Restricted Share Units shall terminate, without further obligation on the part of the Company, unless the Participant remains in continuous employment of the Company for the entire restricted period in relation to which such Restricted Share Units were granted and unless any other restrictive conditions relating to the Restricted Share Unit Award are met.

**Section 8. Performance Awards.**

8.1 *Grant.* The Committee shall have sole and complete authority to determine the Participants who shall receive a Performance Award, which shall consist of a right that is (i) denominated in cash or Shares (including but not limited to Restricted Shares and Restricted Share Units), (ii) valued, as determined by the Committee, in accordance with the achievement of such performance goals during such performance periods as the Committee shall establish, and (iii) payable at such time and in such form as the Committee shall determine.

8.2 *Terms and Conditions.* Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award and the amount and kind of any payment or transfer to be made pursuant to any Performance Award, and may amend specific provisions of the Performance Award; provided, however, that such amendment may not adversely affect existing Performance Awards made within a performance period commencing prior to implementation of the amendment.

8.3 *Payment of Performance Awards.* Performance Awards may be paid in a lump sum or in installments following the close of the performance period or, in accordance with the procedures established by the Committee, on a deferred basis. Separation from Service prior to the end of any performance period, other than for reasons of death or Disability, will result in the forfeiture of the Performance Award, and no payments will be made. Notwithstanding the foregoing, the Committee may in its discretion, waive any performance goals and/or other terms and conditions relating to a Performance Award. A Participant's rights to any Performance Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of in any manner, except by will or the laws of descent and distribution, and/or except as the Committee may determine at or after grant.

**Section 9. Other Stock-Based Awards.**

The Committee shall have the authority to determine the Participants who shall receive an Other Stock-Based Award, which shall consist of any right that is (i) not an Award described in Sections 6 and 7 above and (ii) an Award of Shares or an Award denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as deemed by the Committee to be consistent with the purposes of the Plan. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of any such Other Stock-Based Award.

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**Section 10. Non-Employee Director and Outside Director Awards.**

10.1 The Board may provide that all or a portion of a Non-Employee Director's annual retainer, meeting fees and/or other awards or compensation as determined by the Board, be payable (either automatically or at the election of a Non-Employee Director) in the form of Non-Qualified Stock Options, Restricted Shares, Restricted Share Units and/or Other Stock-Based Awards, including unrestricted Shares. The Board shall determine the terms and conditions of any such Awards, including the terms and conditions which shall apply upon a termination of the Non-Employee Director's service as a member of the Board, and shall have full power and authority in its discretion to administer such Awards, subject to the terms of the Plan and applicable law.

10.2 The Board may also grant Awards to Outside Directors pursuant to the terms of the Plan, including any Award described in Sections 6, 7 and 9 above. With respect to such Awards, all references in the Plan to the Committee shall be deemed to be references to the Board.

**Section 11. Provisions Applicable to Covered Officers and Performance Awards.**

11.1 Notwithstanding anything in the Plan to the contrary, unless the Committee determines that a Performance Award to be granted to a Covered Officer should not qualify as "performance-based compensation" for purposes of Section 162(m), Performance Awards granted to Covered Officers shall be subject to the terms and provisions of this Section 11.

11.2 The Committee may grant Performance Awards to Covered Officers based solely upon the attainment of performance targets related to one or more performance goals selected by the Committee from among the goals specified below. For the purposes of this Section 11, performance goals shall be limited to one or more of the following Company, Subsidiary, operating unit, business segment or division financial performance measures:

- (a) earnings before any one or more of the following: interest, taxes, depreciation, amortization and/or stock compensation;
- (b) net sales;
- (c) operating (or gross) income or profit;
- (d) pretax income before allocation of corporate overhead and/or bonus;
- (e) operating efficiencies;
- (f) operating income as a percentage of net sales;
- (g) return on equity, assets, capital, capital employed or investment;
- (h) after tax operating income;
- (i) net income;
- (j) earnings or book value per Share;
- (k)

financial ratios;

- (l) cash flow(s);
- (m) total sales or revenues or sales or revenues per employee;
- (n) capital expenditures as a percentage of net sales;
- (o) total operating expenses, or some component or combination of components of total operating expenses, as a percentage of net sales;

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- (p) stock price or total stockholder return, including any comparisons with stock market indices;
- (q) appreciation in or maintenance of the price of the common stock or any publicly-traded securities of the Company;
- (r) dividends;
- (s) debt or cost reduction;
- (t) comparisons with performance metrics of peer companies;
- (u) comparisons of Company stock price performance to the stock price performance of peer companies;
- (v) strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, meeting or reducing budgeted expenditures, attaining division, group or corporate financial goals, meeting business expansion goals (including, without limitation, developmental, strategic or manufacturing milestones of products or projects in development, execution of contracts with current or prospective customers and development of business expansion strategies) and meeting goals relating to acquisitions, joint ventures or collaborations or divestitures;
- (w) economic value-added models; or
- (x) any combination thereof.

Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company or any Subsidiary, operating unit, business segment or division of the Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, stockholders' equity and/or Shares outstanding, or to assets or net assets. The Committee may appropriately adjust any evaluation of performance under criteria set forth in this Section 11.2 to exclude any of the following events that occurs during a performance period: (i) asset impairments or write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs, (v) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, (vi) the effect of adverse federal, governmental or regulatory action, or delays in federal, governmental or regulatory action or (vii) any other event either not directly related to the operations of the Company or not within the reasonable control of the Company's management; provided that the Committee commits to make any such adjustments within the 90 day period set forth in Section 11.4.

11.3 With respect to any Covered Officer: (a) the maximum number of Shares in respect of which all Performance Awards may be granted in any fiscal year under Section 8 of the Plan is 75,000; (b) the maximum amount of all Performance Awards that are settled in cash and that may be granted in any fiscal year under Section 8 of the Plan is \$2,000,000; and (c) the maximum number of all Shares in respect of which Options or SARs (taken together) may be granted in any fiscal year under the Plan is 100,000. The individual Covered Officer limitations set forth in this Section 11.3 shall be cumulative; that is, to the extent that Shares or cash for which Awards are permitted to be granted to a Participant during a fiscal year are not covered by an Award to such Participant in that fiscal year, the number of Shares (or amount of cash, as the case may be) available for Awards to such Participant shall automatically increase in the subsequent fiscal years during the term of the Plan until used.

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11.4 In the case of grants of Performance Awards with respect to which compliance with Section 162(m) is intended, no later than 90 days following the commencement of each performance period (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (1) select the performance goal or goals applicable to the performance period, (2) establish the various targets and bonus amounts which may be earned for such performance period, and (3) specify the relationship between performance goals and targets and the amounts to be earned by each Covered Officer for such performance period. Following the completion of each performance period, the Committee shall certify in writing (which may be set forth in the minutes of the Committee) whether the applicable performance targets have been achieved and the amounts, if any, payable to Covered Officers for such performance period. In determining the amount earned by a Covered Officer for a given performance period, subject to any applicable Award Agreement, the Committee shall have the right to reduce (but not increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant in its sole discretion to the assessment of individual or corporate performance for the performance period.

11.5 Unless otherwise expressly stated in the relevant Award Agreement, each Performance Award granted to a Covered Officer under the Plan is intended to be performance-based compensation within the meaning of Section 162(m). Accordingly, unless otherwise determined by the Committee, if any provision of the Plan or any Award Agreement relating to such an Award does not comply or is inconsistent with Section 162(m), such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee discretion to increase the amount of compensation otherwise payable to a Covered Officer in connection with any such Award upon the attainment of the performance criteria established by the Committee.

**Section 12. Separation from Service.**

12.1 The Committee shall have the full power and authority to determine the terms and conditions that shall apply to any Award upon a Separation from Service with the Company, its Subsidiaries and Affiliates, including a separation from the Company with or without Cause, by a Participant voluntarily, including for Good Reason, or by reason of death, Disability, Early Retirement or Normal Retirement, and may provide such terms and conditions in the Award Agreement or in such rules and regulations as it may prescribe.

12.2 Unless otherwise provided in this Plan, an Award Agreement, or by a contractual agreement between the Company or a Subsidiary and a Participant, if a Participant's employment with or service to the Company or a Subsidiary terminates before the restrictions imposed on the Award lapse, the performance goals have been satisfied or the Award otherwise vests, such Award shall be forfeited.

**Section 13. Change in Control.**

13.1 *Certain Terminations.* Unless otherwise provided by the Committee, or in an Award Agreement or by a contractual agreement between the Company or a Subsidiary and a Participant, if, within twelve months after the Company obtains actual knowledge that a Change in Control has occurred, a Participant's employment with or service to the Company or a Subsidiary or Affiliate (or any of their successors) is terminated for any reason, all outstanding Awards of such Participant shall vest, become immediately exercisable and payable and have all restrictions lifted.

13.2 *Accelerated Vesting.* The Committee may (in accordance with Section 409A, to the extent applicable), in its discretion, provide in any Award Agreement, or, in the event of a Change in Control, may take such actions as it deems appropriate to provide, for the acceleration of the exercisability, vesting and/or settlement in connection with such Change in Control of each or any outstanding Award or portion thereof and Shares acquired pursuant thereto upon such conditions (if any), including

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termination of the Participant's service prior to, upon, or following such Change in Control, to such extent as the Committee shall determine. In the event of a Change of Control, and without the consent of any Participant, the Committee may, in its discretion, provide that for a period of at least fifteen (15) days prior to the Change in Control, any Options or Stock Appreciation Rights shall be exercisable as to all Shares subject thereto and that upon the occurrence of the Change in Control, such Stock Options or Stock Appreciation Rights shall terminate and be of no further force and effect.

13.3 *Assumption, Continuation or Substitution.* In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "Acquiror"), may (in accordance with Section 409A, to the extent applicable), without the consent of any Participant, either assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's stock, as applicable; provided, that in the event of such an assumption, the Acquiror must grant the rights set forth in Section 13.1 to the Participant in respect of such assumed Awards. For purposes of this Section, if so determined by the Committee, in its discretion, an Award denominated in Shares shall be deemed assumed if, following the Change in Control, the Award (as adjusted, if applicable, pursuant to Section 4.2 hereof) confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled; provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each Share subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Shares pursuant to the Change in Control. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

13.4 *Cash-Out of Awards.* The Committee may (in accordance with Section 409A, to the extent applicable), in its discretion at or after grant and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award or a portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested Share including pursuant to Section 13.2 subject to such Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per Share in the Change in Control, reduced by the exercise or purchase price per share, if any, under such Award (which payment may, for the avoidance of doubt, be \$0, in the event the per share exercise or purchase price of an Award is greater than the per share consideration in connection with the Change in Control). In the event such determination is made by the Committee, the amount of such payment (reduced by applicable withholding taxes, if any), if any, shall be paid to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and may be paid in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards.

13.5 *Performance Awards.* The Committee may (in accordance with Section 409A, to the extent applicable), in its discretion at or after grant, provide that in the event of a Change in Control, (i) any outstanding Performance Awards relating to performance periods ending prior to the Change in Control which have been earned but not paid shall become immediately payable, (ii) all

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then-in-progress performance periods for Performance Awards that are outstanding shall end, and either (A) any or all Participants shall be deemed to have earned an award equal to the relevant target award opportunity for the performance period in question, or (B) at the Committee's discretion, the Committee shall determine the extent to which performance criteria have been met with respect to each such Performance Award, if at all, and (iii) the Company shall cause to be paid to each Participant such partial or full Performance Awards, in cash, Shares or other property as determined by the Committee, within thirty (30) days of such Change in Control, based on the Change in Control consideration, which amount may be zero if applicable. In the absence of such a determination, any Performance Awards relating to performance periods that will not have ended as of the date of a Change in Control shall be terminated and canceled for no further consideration.

**Section 14. Amendment and Termination.**

14.1 *Amendments to the Plan.* The Board may amend, alter, suspend, discontinue or terminate the Plan or any portion thereof at any time (and in accordance with Section 409A of the Code with regard to Awards subject thereto); provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to comply.

14.2 *Amendments to Awards.* Subject to the restrictions of Section 6.2, the Committee may waive any conditions or rights under, amend any terms of or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted, prospectively or retroactively in time (and in accordance with Section 409A of the Code with regard to Awards subject thereto); provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely affect the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary.

14.3 *Adjustments of Awards upon the Occurrence of Certain Unusual or Nonrecurring Events.* The Committee is hereby authorized to make equitable and proportionate adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (and shall make such adjustments for the events described in Section 4.2 hereof) affecting the Company, any Subsidiary or Affiliate, or the financial statements of the Company or any Subsidiary or Affiliate, or of changes in applicable laws, regulations or accounting principles.

**Section 15. General Provisions.**

15.1 *Limited Transferability of Awards.* Except as otherwise provided in the Plan, an Award Agreement or by the Committee at or after grant, no Award shall be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant, except by will or the laws of descent and distribution. No transfer of an Award by will or by laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and an authenticated copy of the will and/or such other evidence as the Committee may deem necessary or appropriate to establish the validity of the transfer. No transfer of an Award for value shall be permitted under the Plan.

15.2 *Dividend Equivalents.* In the sole and complete discretion of the Committee, an Award may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities or other property on a current or deferred basis. All dividend or dividend equivalents which are not paid currently may, at the Committee's discretion, accrue interest, be reinvested into additional Shares, or, in the case of dividends or dividend equivalents credited in connection with Performance Awards, be credited as additional Performance Awards and paid to the Participant if and when, and to the



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extent that, payment is made pursuant to such Award. The total number of Shares available for grant under Section 4 shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Shares or credited as Performance Awards. Notwithstanding the foregoing, with respect to an Award subject to Section 409A of the Code, the payment, deferral or crediting of any dividends or dividend equivalents shall conform to the requirements of Section 409A of the Code and such requirements shall be specified in writing.

15.3. *Compliance with Section 409A of the Code.* No Award (or modification thereof) shall provide for deferral of compensation that does not comply with Section 409A of the Code unless the Committee, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. Notwithstanding any provision of this Plan to the contrary, if one or more of the payments or benefits received or to be received by a Participant pursuant to an Award would cause the Participant to incur any additional tax or interest under Section 409A of the Code, the Committee may reform such provision to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code. In addition, if a Participant is a Specified Employee at the time of his or her Separation from Service, any payments with respect to any Award subject to Section 409A of the Code to which the Participant would otherwise be entitled by reason of such Separation from Service shall be made on the date that is six months after the Participant's Separation from Service (or, if earlier, the date of the Participant's death). Although the Company intends to administer the Plan so that Awards will be exempt from, or will comply with, the requirements of Section 409A of the Code, the Company does not warrant that any Award under the Plan will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local or foreign law. The Company shall not be liable to any Participant for any tax, interest, or penalties that Participant might owe as a result of the grant, holding, vesting, exercise, or payment of any Award under the Plan.

15.4 *No Rights to Awards.* No Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards need not be the same with respect to each Participant.

15.5 *Share Certificates.* All certificates for Shares or other securities of the Company or any Subsidiary or Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the SEC or any state securities commission or regulatory authority, any stock exchange or other market upon which such Shares or other securities are then listed, and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

15.6 *Tax Withholding.* A Participant may be required to pay to the Company or any Subsidiary or Affiliate and the Company or any Subsidiary or Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan, or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding or other tax-related obligations in respect of an Award, its exercise or any other transaction involving an Award, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Committee may provide for additional cash payments to holders of Options to defray or offset any tax arising from the grant, vesting, exercise or payment of any Award. Without limiting the generality of the foregoing, the Committee may in its discretion permit a Participant to satisfy or arrange to satisfy, in whole or in part, the tax obligations incident to an Award by: (a) electing to have the Company withhold Shares or other property otherwise deliverable to such Participant pursuant to the Award (provided, however, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy required federal, state local and foreign withholding obligations using the minimum statutory

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withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income) and/or (b) tendering to the Company Shares owned by such Participant (or by such Participant and his or her spouse jointly) and purchased or held for the requisite period of time as may be required to avoid the Company's or the Affiliates' or Subsidiaries' incurring an adverse accounting charge, based, in each case, on the Fair Market Value of the Shares on the payment date as determined by the Committee. All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

15.7 *Award Agreements.* Each Award hereunder shall be evidenced by an Award Agreement that shall be delivered (including, but not limited to, through an online equity incentive plan management portal) to the Participant and may specify the terms and conditions of the Award and any rules applicable thereto. In the event of a conflict between the terms of the Plan and any Award Agreement, the terms of the Plan shall prevail. The Committee shall, subject to applicable law, determine the date an Award is deemed to be granted. The Committee or, except to the extent prohibited under applicable law, its delegate(s) may establish the terms of agreements or other documents evidencing Awards under this Plan and may, but need not, require as a condition to any such agreement's or document's effectiveness that such agreement or document be executed by the Participant, including by electronic signature or other electronic indication of acceptance, and that such Participant agree to such further terms and conditions as specified in such agreement or document. The grant of an Award under this Plan shall not confer any rights upon the Participant holding such Award other than such terms, and subject to such conditions, as are specified in this Plan as being applicable to such type of Award (or to all Awards) or as are expressly set forth in the agreement or other document evidencing such Award.

15.8 *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Subsidiary or Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of Options, Restricted Shares, Restricted Share Units, Other Stock-Based Awards or other types of Awards provided for hereunder.

15.9 *No Right to Employment.* The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Subsidiary or Affiliate. Further, the Company or a Subsidiary or Affiliate may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in an Award Agreement.

15.10 *No Rights as Stockholder.* Subject to the provisions of the Plan and the applicable Award Agreement, no Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be distributed under the Plan until such person has become a holder of such Shares. Notwithstanding the foregoing, in connection with each grant of Restricted Shares hereunder, the applicable Award Agreement shall specify if and to what extent the Participant shall not be entitled to the rights of a stockholder in respect of such Restricted Shares.

15.11 *Governing Law.* The validity, construction and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware without giving effect to conflicts of laws principles.

15.12 *Severability.* If any provision of the Plan or any Award is, or becomes, or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

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15.13 *Other Laws.* The Company will not be obligated to issue, deliver or transfer any Shares pursuant to the Plan or to remove restrictions from Shares previously delivered pursuant to the Plan until: (a) all conditions of the applicable Award Agreement have been met or removed to the satisfaction of the Committee; (b) all other legal matters, including receipt of consent or approval of any regulatory body and compliance with any state or federal securities or other law, in connection with the issuance and delivery of such Shares have been satisfied; (c) the Participant or holder or beneficiary of the Shares or Award has executed and delivered to the Company such representations or agreements as the Committee may consider appropriate to satisfy the requirements of any state or federal securities or other law; and (d) such issuance would not entitle the Company to recover amounts under Section 16(b) of the Exchange Act from such Participant or holder or beneficiary of the Shares or Award. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel necessary to the lawful issuance of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue the Shares as to which such requisite authority shall not have been obtained.

15.14 *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Subsidiary or Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Subsidiary or Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Subsidiary or Affiliate.

15.15 *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

15.16 *Headings.* Headings are given to the sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

**Section 16. Term of The Plan.**

16.1 *Effective Date.* The Plan shall be effective upon the date that it is adopted by the Board (the "Effective Date"). The Plan shall be approved by the Company's stockholders at a meeting duly held in accordance with applicable law within twelve (12) months before or after the Effective Date. Upon such approval of the Plan, all Awards granted under the Plan on or after the Effective Date shall be fully effective as if such approval had occurred on the Effective Date. If the Plan is not approved as set forth in this section, any Awards granted under the Plan shall be null and void and of no effect.

16.2 *Expiration Date.* No new Awards shall be granted under the Plan after the tenth (10<sup>th</sup>) anniversary of the Effective Date. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue or terminate any such Award or to waive any conditions or rights under any such Award shall, continue after the tenth (10<sup>th</sup>) anniversary of the Effective Date.













