

UNITED NATURAL FOODS INC  
Form 10-K/A  
March 12, 2015

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

FORM 10-K/A  
(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the fiscal year ended August 2, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-21531

UNITED NATURAL FOODS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

313 Iron Horse Way, Providence, RI 02908

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (401) 528-8634

05-0376157

(I.R.S. Employer  
Identification No.)

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

Title of each class

Common Stock, par value \$0.01 per share

Name of each exchange on which registered

NASDAQ Global Select Market

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer  (Do not check if a smaller reporting company)

Smaller Reporting Company

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

The aggregate market value of the common stock held by non-affiliates of the registrant was \$3,353,003,204 based upon the closing price of the registrant's common stock on the Nasdaq Global Select Market® on January 31, 2014.

The number of shares of the registrant's common stock, par value \$0.01 per share, outstanding as of September 8, 2014 was 49,775,851.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on December 17, 2014 are incorporated herein by reference into Part III of this Annual Report on Form 10-K.

---

UNITED NATURAL FOODS, INC.

FORM 10-K/A

TABLE OF CONTENTS

Section

Page

Part II

Item 8. Financial Statements and Supplementary Data

4

Item 9A. Controls and Procedures

32

Part IV

Item 15. Exhibits and Financial Statement Schedules

37

Signatures

38

---

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A amends our original Annual Report on Form 10-K for the year ended August 2, 2014 (the “Original Filing”). The sole purpose of this Amendment No. 1 is to (i) revise the “REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM” of KPMG LLP appearing under Item 8 of the Original Filing regarding the effectiveness of our internal control over financial reporting and (ii) revise the disclosure on the effectiveness of our disclosure controls and procedures and the disclosure on our internal control over financial reporting in Item 9A to reflect management’s conclusion that our disclosure controls and procedures were not effective at August 2, 2014 due to a material weakness in our internal control over financial reporting identified subsequent to the issuance of our Original Filing. Other than the inclusion with this Amendment No. 1 of new certifications required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended, and a new consent of our independent registered public accounting firm (and related amendment to the Exhibit Index that is incorporated by reference into Item 15 of the Original Filing to reflect the addition of such certifications and consent and related changes to the footnotes to that Exhibit Index), this Amendment No. 1 does not modify or update any other disclosures contained in our Original Filing.

---

Table of Contents

PART II.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements listed below are filed as part of this Annual Report on Form 10-K.

INDEX TO FINANCIAL STATEMENTS

United Natural Foods, Inc. and Subsidiaries:

<u>Report of Independent Registered Public Accounting Firm</u>	Page <u>5</u>
<u>Consolidated Balance Sheets</u>	<u>6</u>
<u>Consolidated Statements of Income</u>	<u>7</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>8</u>
<u>Consolidated Statements of Stockholders' Equity</u>	<u>9</u>
<u>Consolidated Statements of Cash Flows</u>	<u>10</u>
<u>Notes to Consolidated Financial Statements</u>	<u>11</u>

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders  
United Natural Foods, Inc:

We have audited the accompanying consolidated balance sheets of United Natural Foods, Inc. and subsidiaries as of August 2, 2014 and August 3, 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended August 2, 2014. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Natural Foods, Inc. and subsidiaries as of August 2, 2014 and August 3, 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended August 2, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), United Natural Foods, Inc.'s internal control over financial reporting as of August 2, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 30, 2014, except as to the restatement of the effectiveness of internal control over financial reporting for the material weakness, which is as of March 12, 2015, expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Providence, Rhode Island

September 30, 2014, except as to the restatement of the effectiveness of internal control over financial reporting for the material weakness, which is as of March 12, 2015

Table of ContentsUNITED NATURAL FOODS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	August 2, 2014	August 3, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$16,116	\$11,111
Accounts receivable, net of allowance of \$7,589 and \$9,271, respectively	449,870	339,590
Inventories	834,722	702,161
Deferred income taxes	32,518	23,822
Prepaid expenses and other current assets	45,064	38,534
Total current assets	1,378,290	1,115,218
Property and equipment, net	483,960	338,594
Goodwill	274,548	201,874
Intangible assets, net of accumulated amortization of \$19,002 and \$14,214, respectively	134,989	49,540
Other assets	25,446	24,682
Total assets	\$2,297,233	\$1,729,908
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$385,890	\$283,851
Accrued expenses and other current liabilities	136,959	113,397
Current portion of long-term debt	990	1,019
Total current liabilities	523,839	398,267
Notes payable	415,660	130,594
Deferred income taxes	50,995	41,474
Other long-term liabilities	30,865	27,336
Long-term debt, excluding current portion	32,510	33,091
Total liabilities	1,053,869	630,762
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 5,000 shares; none issued or outstanding	—	—
Common stock, \$0.01 par value, authorized 100,000 shares; 49,771 issued and outstanding shares at August 2, 2014; 49,330 issued and outstanding shares at August 3, 2013		493
Additional paid-in capital	402,875	380,109
Unallocated shares of Employee Stock Ownership Plan	(14	) (39
Accumulated other comprehensive loss	(5,152	) (1,092
Retained earnings	845,157	719,675
Total stockholders' equity	1,243,364	1,099,146
Total liabilities and stockholders' equity	\$2,297,233	\$1,729,908

See accompanying notes to consolidated financial statements.

Table of Contents

UNITED NATURAL FOODS, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF INCOME  
 (In thousands, except per share data)

	Fiscal year ended		
	August 2, 2014	August 3, 2013	July 28, 2012
Net sales	\$6,794,447	\$6,064,355	\$5,236,021
Cost of sales	5,666,802	5,039,279	4,320,018
Gross profit	1,127,645	1,025,076	916,003
Operating expenses	916,857	837,953	755,744
Restructuring and asset impairment expenses	—	1,629	5,101
Total operating expenses	916,857	839,582	760,845
Operating income	210,788	185,494	155,158
Other expense (income):			
Interest expense	7,753	5,897	4,734
Interest income	(508	) (632	) (715
Other, net	(3,865	) 6,113	356
Total other expense, net	3,380	11,378	4,375
Income before income taxes	207,408	174,116	150,783
Provision for income taxes	81,926	66,262	59,441
Net income	\$125,482	\$107,854	\$91,342
Basic per share data:			
Net income	\$2.53	\$2.19	\$1.87
Weighted average basic shares of common stock	49,602	49,217	48,766
Diluted per share data:			
Net income	\$2.52	\$2.18	\$1.86
Weighted average diluted shares of common stock	49,888	49,509	49,100

See accompanying notes to consolidated financial statements.



Table of ContentsUNITED NATURAL FOODS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Fiscal year ended		
	August 2, 2014	August 3, 2013	July 28, 2012
Net income	\$ 125,482	\$ 107,854	\$ 91,342
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	\$ (4,060	) \$ (2,988	) \$ (3,729
Change in fair value of swap agreements	—	—	763
Total other comprehensive loss, net of tax	\$ (4,060	) \$ (2,988	) \$ (2,966
Total comprehensive income	\$ 121,422	\$ 104,866	\$ 88,376

See accompanying notes to consolidated financial statements.

Table of ContentsUNITED NATURAL FOODS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	Common Stock		Treasury Stock		Additional Paid in Capital	Unallocated Shares of ESOP	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balances at July 30, 2011	48,520	\$485	27	\$(708)	\$345,036	\$(542)	\$4,862	\$520,534	\$869,667
Allocation of shares to ESOP						453			453
Stock option exercises and restricted stock vestings, net	491	5	(27)	708	5,386			(55)	6,044
Share-based compensation					11,372				11,372
Tax benefit associated with stock plans					2,804				2,804
Fair value of swap agreement, net of tax							763		763
Foreign currency translation							(3,729)		(3,729)
Net income								91,342	91,342
Balances at July 28, 2012	49,011	\$490	—	\$—	\$364,598	\$(89)	\$1,896	\$611,821	\$978,716
Allocation of shares to ESOP						50			50
Stock option exercises and restricted stock vestings, net	319	3			(1,545)				(1,542)
Share-based compensation					15,104				15,104
Tax benefit associated with stock plans					1,952				1,952
							(2,988)		(2,988)

Foreign currency translation										
Net income								107,854	107,854	
Balances at August 3, 2013	49,330	\$493	—	\$—	\$380,109	\$(39 )	\$(1,092 )	\$719,675	\$1,099,146	
Allocation of shares to ESOP						25			25	
Issuance of common stock for acquisition	112	1			7,103				7,104	
Stock option exercises and restricted stock vestings, net	329	4			(1,546 )				(1,542 )	
Share-based compensation					14,608				14,608	
Tax benefit associated with stock plans					2,601				2,601	
Foreign currency translation							(4,060 )		(4,060 )	
Net income								125,482	125,482	
Balances at August 2, 2014	49,771	\$498	—	\$—	\$402,875	\$(14 )	\$(5,152 )	\$845,157	\$1,243,364	

See accompanying notes to consolidated financial statements.

Table of ContentsUNITED NATURAL FOODS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Fiscal year ended		
	August 2, 2014	August 3, 2013	July 28, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 125,482	\$ 107,854	\$ 91,342
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	48,758	42,398	39,560
Deferred income tax expense (benefit)	881	6,780	(6,115 )
Share-based compensation	14,608	15,104	11,372
Excess tax benefit from share-based payment arrangements	(2,601 )	(1,952 )	(2,804 )
Loss (gain) on disposals of property and equipment	647	(513 )	(313 )
Gain associated with acquisition of land	(4,840 )	—	—
Impairment of indefinite lived intangibles	—	1,629	—
Provision for doubtful accounts	3,152	4,227	3,532
Non-cash interest expense	2,012	651	—
Changes in assets and liabilities, net of acquired companies:			
Accounts receivable	(70,717 )	(37,295 )	(51,193 )
Inventories	(97,819 )	(123,904 )	(62,822 )
Prepaid expenses and other assets	2,024	(17,702 )	15,050
Accounts payable	28,205	34,974	16,095
Accrued expenses	12,627	12,080	12,540
Net cash provided by operating activities	62,419	44,331	66,244
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures	(147,303 )	(66,554 )	(31,492 )
Purchases of acquired businesses, net of cash acquired	(211,574 )	(8,135 )	(3,297 )
Proceeds from disposals of property and equipment	6,084	2,368	332
Net cash used in investing activities	(352,793 )	(72,321 )	(34,457 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from borrowings under revolving credit line	853,884	610,046	1,021,517
Repayments of borrowings under revolving credit line	(568,338 )	(594,107 )	(1,021,517 )
Repayments of long-term debt	(1,226 )	(353 )	(47,447 )
Increase in bank overdraft	11,501	6,347	8,673
Proceeds from exercise of stock options	2,215	1,942	7,571
Payment of employee restricted stock tax withholdings	(3,757 )	(3,484 )	(1,526 )
Excess tax benefit from share-based payment arrangements	2,601	1,952	2,804
Capitalized debt issuance costs	(1,523 )	—	(2,905 )
Net cash provided by (used in) financing activities	295,357	22,343	(32,830 )
Effect of exchange rate changes on cash and cash equivalents	22	636	298
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,005</b>	<b>(5,011 )</b>	<b>(745 )</b>
Cash and cash equivalents at beginning of period	11,111	16,122	16,867
Cash and cash equivalents at end of period	\$ 16,116	\$ 11,111	\$ 16,122
<b>Supplemental disclosures of cash flow information:</b>			
Non-cash financing activity	\$ —	\$ 32,826	\$ —
Non-cash investing activity	\$ 7,104	\$ 32,826	\$ —

Edgar Filing: UNITED NATURAL FOODS INC - Form 10-K/A

Cash paid for interest	\$6,599	\$5,246	\$4,734
Cash paid for federal and state income taxes, net of refunds	\$77,091	\$64,367	\$52,666

See accompanying notes to consolidated financial statements.

10

---

Table of Contents

UNITED NATURAL FOODS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Business

United Natural Foods, Inc. and subsidiaries (the "Company") is a leading distributor and retailer of natural, organic and specialty products. The Company sells its products primarily throughout the United States and Canada.

(b) Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year's presentation.

The fiscal year of the Company ends on the Saturday closest to July 31. Fiscal 2014, 2013 and 2012 ended on August 2, 2014, August 3, 2013 and July 28, 2012, respectively. Fiscal 2014 and 2012 contained 52 weeks and fiscal 2013 contained 53 weeks. Each of the Company's interim quarters consisted of 13 weeks except for the fourth quarter of fiscal year 2013 which contained 14 weeks.

Net sales consists primarily of sales of natural, organic and specialty products to retailers, adjusted for customer volume discounts, returns and allowances. Net sales also includes amounts charged by the Company to customers for shipping and handling, and fuel surcharges. The principal components of cost of sales include the amount paid to manufacturers and growers for product sold, plus the cost of transportation necessary to bring the product to the Company's distribution centers, offset by consideration received from suppliers in connection with the purchase of the suppliers' products. Cost of sales also includes amounts incurred by the Company's manufacturing subsidiary, Woodstock Farms Manufacturing, for inbound transportation costs and depreciation for manufacturing equipment, offset by consideration received from suppliers in connection with the purchase or promotion of the suppliers' products. Operating expenses include salaries and wages, employee benefits (including payments under the Company's Employee Stock Ownership Plan), warehousing and delivery, selling, occupancy, insurance, administrative, share-based compensation and amortization expense. Operating expenses also include depreciation expense related to the wholesale and retail divisions. Other expense (income) includes interest on outstanding indebtedness, interest income and miscellaneous income and expenses. The consolidated statements of cash flows for the fiscal year ended August 3, 2013 and July 28, 2012 have been adjusted to properly present a change in the presentation of operating activities. The revisions were not material to the Company's consolidated financial statements as a whole.

(c) Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less.

(d) Inventories and Cost of Sales

Inventories consist primarily of finished goods and are stated at the lower of cost or market, with cost being determined using the first-in, first-out (FIFO) method. Allowances received from suppliers are recorded as reductions in cost of sales upon the sale of the related products.

(e) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Equipment under capital leases is stated at the lower of the present value of minimum lease payments at the inception of the lease or the fair value of the asset. As of August 2, 2014 and August 3, 2013, property and equipment includes the Company's non-cash capital expenditures made by the landlord for our Aurora, Colorado distribution center and related accumulated depreciation. Refer to Note 7, Long-Term Debt, for additional information regarding this transaction. Depreciation and amortization of property and equipment is computed on a straight-line basis, over the estimated useful lives of the assets or, when applicable, the life of the lease, whichever is shorter.

Applicable interest charges incurred during the construction of new facilities may be capitalized as one of the elements of cost and amortized over the assets' estimated useful lives. The Company capitalized \$0.9 million of interest during the fiscal year ended August 2, 2014 related to the construction of new distribution centers in Sturtevant, Wisconsin and Montgomery, New York. There was no interest capitalized during the fiscal years ended August 3, 2013 or July 28, 2012.

Property and equipment consisted of the following at August 2, 2014 and August 3, 2013:

11

---

Table of Contents

	Original Estimated Useful Lives (Years) (In thousands, except years)	2014	2013
Land		\$31,324	\$12,950
Buildings and improvements	20-40	215,172	192,837
Leasehold improvements	5-20	130,739	97,749
Warehouse equipment	3-30	128,121	117,999
Office equipment	3-10	71,524	74,003
Computer software	3-7	97,196	63,333
Motor vehicles	3-7	4,520	4,461
Construction in progress		79,002	23,298
		757,598	586,630
Less accumulated depreciation and amortization		273,638	248,036
Net property and equipment		\$483,960	\$338,594

Depreciation expense amounted to \$42.9 million, \$37.6 million and \$35.2 million for the fiscal years ended August 2, 2014, August 3, 2013 and July 28, 2012, respectively.

**(f) Income Taxes**

The Company accounts for income taxes under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

**(g) Long-Lived Assets**

Management reviews long-lived assets, including definite-lived intangible assets, for indicators of impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Cash flows expected to be generated by the related assets are estimated over the assets' useful lives based on updated projections. If the evaluation indicates that the carrying amount of an asset may not be recoverable, the potential impairment is measured based on a projected discounted cash flow model.

**(h) Goodwill and Intangible Assets**

Goodwill represents the excess of cost over the fair value of net assets acquired in a business combination. Goodwill and other intangible assets with indefinite lives are not amortized. Intangible assets with definite lives are amortized on a straight-line basis over the following lives:

Customer relationships	7-20 years
Non-competition agreements	1-10 years
Trademarks and tradenames	4-10 years

Goodwill is assigned to the reporting units that are expected to benefit from the synergies of the business combination. The Company is required to test goodwill for impairment at least annually, and between annual tests if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company has elected to perform its annual tests for indications of goodwill impairment during the fourth quarter of each fiscal year.

The Company's reporting units are at or one level below the operating segment level. Approximately 93.5% of the Company's goodwill is within its wholesale reporting unit. In accordance with Accounting Standards Update ("ASU") No. 2011-08, Intangibles- Goodwill and Other (Topic 350): Testing Goodwill for Impairment ("ASU 2011-08"), the Company is allowed to perform a qualitative assessment for goodwill impairment unless it believes it is more likely than not that a reporting unit's fair value is less than the carrying value. The thresholds used by the Company for this determination in fiscal 2014 were for any reporting units that (1) have passed their previous two-step test with a



margin of calculated fair value versus carrying value of at least 20%,

12

---

Table of Contents

(2) have had no significant changes to their working capital structure, and (3) have current year income which is at least 85% of prior year amounts. Based on the qualitative assessment performed for fiscal 2014, all of the Company's four reporting units met these thresholds. As each reporting unit has passed its previous two-step test, no reporting unit's net income has decreased more than 15% and their working capital requirements have not increased significantly, no quantitative testing was performed in fiscal 2014.

If a reporting unit did not meet the thresholds above, the Company would have performed a two-step goodwill impairment analysis. The first step to identify potential impairment involves comparing each reporting unit's estimated fair value to its carrying value, including goodwill. Each reporting unit regularly prepares discrete operating forecasts and uses these forecasts as the basis for the assumptions used in the discounted cash flow analysis. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment. If required, the second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated potential impairment. The implied fair value of goodwill is determined in a manner similar to the amount of goodwill calculated in a business combination, by measuring the excess of the estimated fair value of the reporting unit, as determined in the first step, over the aggregate estimated fair values of the individual assets, liabilities and identifiable intangible assets. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess.

Intangible assets with indefinite lives are tested for impairment at least annually during the fourth fiscal quarter and if events occur or circumstances change that would indicate that the value of the asset may be impaired. Impairment is measured as the difference between the fair value of the asset and its carrying value. In the first quarter of fiscal 2013, the Company entered into an agreement to terminate its licensing agreement with the former owners of an acquired business. In connection with this termination agreement, during the three months ended October 27, 2012, the Company recognized an impairment of \$1.6 million representing the remaining unamortized balance of the intangible asset. In accordance with ASU No. 2012-02, Intangibles- Goodwill and Other (Topic 350): Testing Indefinite Lived Intangible Assets for Impairment ("ASU 2012-02"), the Company is allowed to perform a qualitative assessment for intangible asset impairment unless it believes it is more likely than not that an intangible asset's fair value is less than the carrying value. The thresholds used by the Company for this determination in the fourth quarter of fiscal 2014 were for any intangible assets (or groups of assets) that (1) have passed their previous two-step test with a margin of calculated fair value versus carrying value of at least 20% and (2) have current year income which is at least 85% of prior year amounts. The Company's only indefinite lived intangible assets are the branded product line asset group. During fiscal 2014, the Company's annual qualitative assessment of its indefinite lived intangible assets indicated that no impairment existed.

The changes in the carrying amount of goodwill and the amount allocated by reportable segment for the years presented are as follows (in thousands):

	Wholesale	Other	Total
Goodwill as of July 28, 2012	\$176,210	\$17,531	\$193,741
Goodwill adjustment for prior year business combinations	8,979	—	8,979
Contingent consideration for prior year business combinations	—	200	200
Change in foreign exchange rates	(1,046	) —	(1,046
Goodwill as of August 3, 2013	\$184,143	\$17,731	\$201,874
Goodwill from current year business combinations	73,966	—	73,966
Contingent consideration for prior year business combinations	62	—	62
Change in foreign exchange rates	(1,354	) —	(1,354
Goodwill as of August 2, 2014	\$256,817	\$17,731	\$274,548

Table of Contents

The following table presents the detail of the Company's other intangible assets (in thousands):

	August 2, 2014			August 3, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortizing intangible assets:						
Customer relationships	\$98,928	\$18,901	\$80,027	\$34,704	\$14,136	\$20,568
Non-compete agreements	800	13	787	—	—	—
Trademarks and tradenames	678	88	590	771	78	693
Total amortizing intangible assets	100,406	19,002	81,404	35,475	14,214	21,261
Indefinite lived intangible assets:						
Trademarks and tradenames	53,585	—	53,585	28,279	—	28,279
Total	\$153,991	\$19,002	\$134,989	\$63,754	\$14,214	\$49,540

Amortization expense was \$5.1 million, \$4.1 million and \$3.3 million for the fiscal years ended August 2, 2014, August 3, 2013 and July 28, 2012, respectively. The estimated future amortization expense for each of the next five fiscal years and thereafter on definite lived intangible assets existing as of August 2, 2014 is shown below:

Fiscal Year:	(In thousands)
2015	\$7,880
2016	6,755
2017	6,525
2018	5,836
2019	5,821
2020 and thereafter	48,587
	\$81,404

**(i) Revenue Recognition and Concentration of Credit Risk**

The Company records revenue upon delivery of products. Revenues are recorded net of applicable sales discounts and estimated sales returns. Sales incentives provided to customers are accounted for as reductions in revenue as the related revenue is recorded. The Company's sales are primarily to customers located throughout the United States and Canada.

Whole Foods Market, Inc. was the Company's largest customer in each fiscal year presented. Whole Foods Market, Inc. accounted for approximately 36% of the Company's net sales for the years ended August 2, 2014, August 3, 2013 and July 28, 2012. There were no other customers that individually generated 10% or more of the Company's net sales.

The Company analyzes customer creditworthiness, accounts receivable balances, payment history, payment terms and historical bad debt levels when evaluating the adequacy of its allowance for doubtful accounts. In instances where a reserve has been recorded for a particular customer, future sales to the customer are conducted using either cash-on-delivery terms, or the account is closely monitored so that as agreed upon payments are received, orders are released; a failure to pay results in held or cancelled orders.

**(j) Fair Value of Financial Instruments**

The carrying amounts of the Company's financial instruments including cash and cash equivalents, accounts receivable, accounts payable and certain accrued expenses approximate fair value due to the short-term nature of these instruments.

The following estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Refer to Note 8, Fair Value Measurements, for additional

information regarding the fair value hierarchy. The fair value of notes payable and long-term debt are based on the instruments' interest rate, terms, maturity date and collateral, if any, in comparison to the Company's incremental borrowing rate for similar financial instruments. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Table of Contents

	August 2, 2014		August 3, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Assets:				
Cash and cash equivalents	\$16,116	\$16,116	\$11,111	\$11,111
Accounts receivable	449,870	449,870	339,590	339,590
Notes receivable	5,936	5,936	3,315	3,315
Liabilities:				
Accounts payable	385,890	385,890	283,851	283,851
Notes payable	415,660	415,660	130,594	130,594
Long-term debt, including current portion	33,500	36,386	34,110	36,230

## (k) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based on amounts that differ from those estimates.

## (l) Notes Receivable, Trade

The Company issues trade notes receivable to certain customers under two basic circumstances; inventory purchases for initial store openings and overdue accounts receivable. Notes issued in connection with store openings are generally receivable over a period not to exceed thirty-six months. Notes issued in connection with overdue accounts receivable may extend for periods greater than one year. All notes are issued at a market interest rate and contain certain guarantees and collateral assignments in favor of the Company.

## (m) Share-Based Compensation

The Company accounts for its share-based compensation in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718, Stock Compensation ("ASC 718"). ASC 718 requires the recognition of the fair value of share-based compensation in net income. The Company has four share-based employee compensation plans, which are described more fully in Note 3. Share-based compensation consists of stock options, restricted stock awards, restricted stock units, performance shares and performance units. Stock options are granted to employees and directors at exercise prices equal to the fair market value of the Company's stock at the dates of grant. Generally, stock options, restricted stock awards and restricted stock units granted to employees vest ratably over 4 years from the grant date and grants to members of the Company's Board of Directors vest ratably over 2 years with one third vesting immediately. Beginning in fiscal 2008, the Company's President and Chief Executive Officer has been granted performance shares and performance units which have vested in accordance with the terms of the related Performance Share and Performance Unit agreements. During fiscal 2014 and fiscal 2013, the Company granted performance-based stock units to its executive officers that will vest if the Company achieves certain performance metrics as of and for the years ended August 1, 2015 and August 2, 2014, respectively. The Company recognizes share-based compensation expense on a straight-line basis over the requisite service period of the individual grants, which generally equals the vesting period.

ASC 718 also requires that compensation expense be recognized for only the portion of share-based awards that are expected to vest. Therefore, we apply estimated forfeiture rates that are derived from historical employee and director termination activity to reduce the amount of compensation expense recognized. If the actual forfeitures differ from the estimate, additional adjustments to compensation expense may be required in future periods.

The Company receives an income tax deduction for restricted stock awards and restricted stock units when they vest and for non-qualified stock options exercised by employees equal to the excess of the fair market value of its common stock on the vesting or exercise date over the exercised price. Excess tax benefits (tax benefits resulting from tax deductions in excess of compensation cost recognized) are presented as a cash inflow provided by financing activities in the accompanying consolidated statement of cash flows.



Table of Contents

## (n) Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adding the dilutive potential common shares to the weighted average number of common shares that were outstanding during the period. For purposes of the diluted earnings per share calculation, outstanding stock options, restricted stock awards, restricted stock units and performance-based awards, if applicable, are considered common stock equivalents, using the treasury stock method. A reconciliation of the weighted average number of shares outstanding used in the computation of the basic and diluted earnings per share for all periods presented follows:

	Fiscal year ended		
	August 2, 2014	August 3, 2013	July 28, 2012
	(In thousands)		
Basic weighted average shares outstanding	49,602	49,217	48,766
Net effect of dilutive common stock equivalents based upon the treasury stock method	286	292	334
Diluted weighted average shares outstanding	49,888	49,509	49,100
Potential anti-dilutive share-based payment awards excluded from the computation above	6	121	88

## (o) Comprehensive Income (Loss)

Comprehensive income (loss) is reported in accordance with ASU No. 2013-02, and includes net income and the change in other comprehensive income (loss). Other comprehensive income (loss) is comprised of the net change in fair value of derivative instruments designated as cash flow hedges, as well as foreign currency translation related to the translation of UNFI Canada, Inc. ("UNFI Canada") from the functional currency of Canadian dollars to U.S. dollar reporting currency. For all periods presented, the Company displays comprehensive income (loss) and its components in the consolidated statements of comprehensive income.

## (p) Derivative Financial Instruments

The Company is exposed to market risks arising from changes in interest rates, fuel costs, and with the operation of UNFI Canada, foreign currency exchange rates. The Company uses derivatives principally in the management of interest rate and fuel price exposure. From time to time the Company may use foreign contracts to hedge transactions in foreign currency. The Company does not utilize derivatives that contain leverage features. For derivative transactions accounted for as hedges, on the date the Company enters into the derivative transaction, the exposure is identified. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking the hedge transaction. In this documentation, the Company specifically identifies the asset, liability, firm commitment, forecasted transaction, or net investment that has been designated as the hedged item and states how the hedging instrument is expected to reduce the risks related to the hedged item. The Company measures effectiveness of its hedging relationships both at hedge inception and on an ongoing basis as needed. As of August 2, 2014, the Company was not a party to any material derivative financial instruments.

## (q) Shipping and Handling Fees and Costs

The Company includes shipping and handling fees billed to customers in net sales. Shipping and handling costs associated with inbound freight are generally recorded in cost of sales, whereas shipping and handling costs for selecting, quality assurance, and outbound transportation are recorded in operating expenses. Outbound shipping and handling costs, totaled \$397.7 million, \$358.8 million and \$295.5 million for the fiscal years ended August 2, 2014, August 3, 2013 and July 28, 2012, respectively. The Company began allocating employee benefit expenses to shipping and handling fees and costs in fiscal 2013. Outbound shipping and handling costs for fiscal 2012 exclude employee benefit expenses.

## (r) Reserves for Self-Insurance

The Company is primarily self-insured for workers' compensation, and general and automobile liability insurance. It is the Company's policy to record the self-insured portion of workers' compensation and automobile liabilities based upon actuarial methods to estimate the future cost of claims and related expenses that have been reported but not settled, and that have been incurred but not yet reported. Any projection of losses concerning workers' compensation and automobile liability is subject to a considerable degree of variability. Among the causes of this variability are unpredictable external factors affecting litigation trends, benefit level changes and claim settlement patterns.



Table of Contents**(s) Operating Lease Expenses**

The Company records lease expense via the straight-line method. For leases with step rent provisions whereby the rental payments increase over the life of the lease, and for leases where the Company receives rent-free periods, the Company recognizes expense based on a straight-line basis based on the total minimum lease payments to be made over the expected lease term.

**(t) Recently Issued Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, (Topic 606) (“ASU 2014-09”). The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new pronouncement is effective for public companies with annual periods, and interim periods within those periods, beginning after December 15, 2016, which will be the first quarter of the fiscal year ended July 28, 2018. We are in the process of evaluating the impact that this new guidance will have on the Company's consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an entity. The new guidance raises the threshold for disposals that would qualify as discontinued operations and also requires additional disclosures regarding discontinued operations, as well as material disposals that do not meet the definition of discontinued operations. The amendments are effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2014, which would be the Company's first quarter of the fiscal year ended July 30, 2016, and should be applied on prospective basis. We do not expect the adoption of these provisions to have a significant impact on the Company's consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This update supersedes the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU No. 2011-05, Presentation of Comprehensive Income, and ASU No. 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. ASU 2013-02 requires an entity to provide information about amounts reclassified out of accumulated other comprehensive income by component and to present, either on the face of the financial statements or in a single note, any significant amount reclassified out of accumulated other comprehensive income in its entirety in the period, and the income statement line item affected by the reclassification. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. ASU 2013-02 is effective for annual reporting periods that begin after December 15, 2012 and was adopted by the Company in the first quarter of the fiscal year ending August 2, 2014. The adoption of ASU 2013-02 did not have an impact on the presentation of the Company's consolidated financial statements.

**2. ACQUISITIONS****Wholesale Segment**

**Broadline Distribution Acquisitions.** On September 26, 2013, the Company acquired all of the equity interests of Trudeau Foods, LLC (“Trudeau Foods”) from Trudeau Holdings, LLC, a portfolio company of Arbor Investments II, LP. Trudeau Foods is the largest Minnesota-based distributor of natural, organic and specialty food products and serves over 600 customer locations, including chain and independent grocers, wholesalers and meat markets in Minnesota, North Dakota, Wisconsin and Michigan's Upper Peninsula. Trudeau Foods carries a full range of fine-quality and specialty gourmet meats, frozen foods, dairy, bakery, deli, seafood and dry grocery items under a wide breadth of national, regional and private label brands. The total cash consideration related to this acquisition was approximately \$23.0 million. The fair value of the identifiable intangible assets acquired was determined by using an income approach. The identifiable intangible assets recorded based on the valuation consist of customer lists of \$9.5 million, which are being amortized on a straight-line basis over an estimated useful life of approximately ten years. Significant assumptions utilized in the income approach were based on company-specific information and projections, which are not observable in the market and are considered Level 3 measurements as defined by authoritative guidance

and described in Note 8, Fair Value Measurements. The results of Trudeau's operations have been included in the consolidated financial statements since the date of acquisition. Net sales for the acquired business totaled approximately \$62.9 million for the fiscal year ended August 2, 2014.

On July 15, 2014, the Company's wholly-owned subsidiary, United Natural Foods West, Inc. ("UNFI West"), completed the acquisition of all of the outstanding capital stock of Tony's Fine Foods ("Tony's") pursuant to an agreement dated as of May 21, 2014, by and among the Company, UNFI West, Tony's, a shareholder as Representative and the shareholders named therein, for a purchase price of approximately \$206.2 million (the "Purchase Price"), approximately \$188.5 million of which was paid in

Table of Contents

cash, \$2.4 million of which related to assumed liabilities, and \$8.2 million of which was included in accounts payable at August 2, 2014. The remaining portion of the purchase price was paid with approximately 112,000 shares of the Company's common stock. The Purchase Price is subject to a post-closing net working capital adjustment based on a comparison of Tony's net working capital as of the closing to Tony's average net working capital over the thirteen four-week fiscal periods ended prior to the closing. The Company financed the cash portion of the Purchase Price with a combination of available cash and borrowings under the Company's Amended and Restated Revolving Credit Facility as amended in May 2014 ("Amended Credit Facility").

The following table summarizes the consideration paid and the estimated fair value of assets acquired and liabilities assumed recognized at the acquisition date based on a preliminary valuation and purchase price allocation:

	(In thousands)
Accounts receivable	\$40,307
Inventory	31,807
Property and equipment	42,793
Other assets	5,815
Customer relationships	55,500
Tradename and other intangible assets	26,000
Goodwill	64,644
Total assets	\$266,866
Liabilities	60,698
Total purchase price	\$206,168

The Company is still completing the final valuation of the acquired fixed assets and intangibles, as well as final settlement of the working capital adjustment. The preliminary purchase price allocation was based upon a provisional valuation, and the Company's estimates and assumptions are subject to change as valuations are finalized. Any change in the estimated fair values, upon finalization of the valuation analyses, will likely change the amount of the purchase price allocable to goodwill. The preliminary fair value assigned to identifiable intangible assets acquired was determined primarily by using an income approach. Identifiable intangible assets include customer relationships with a preliminary estimated fair value of \$55.5 million, the Tony's tradename with a preliminary estimated fair value of approximately \$25.2 million, and non-competition agreements with a preliminary estimated fair value of \$0.8 million. The customer relationship intangible asset is currently being amortized on a straight-line basis over an estimated useful life of approximately 20 years, the non-competition agreements are being amortized over the 5 year terms of the agreements, and the Tony's tradename is estimated to have an indefinite useful life. Significant assumptions utilized in the income approach were based on certain information and projections, which are not observable in the market and are thus considered Level 3 measurements as defined by authoritative guidance. The preliminary goodwill of \$64.6 million represents the future economic benefits expected to arise that could not be individually identified and separately recognized, including expansion of the Company's sales in natural protein and specialty cheeses.

Acquisition costs related to the Tony's acquisition were approximately \$1.5 million, and have been expensed as incurred and are included within "Operating Expenses" in the Consolidated Statements of Income. The results of Tony's operations have been included in the consolidated financial statements since the date of acquisition. Net sales from the acquired business totaled approximately \$45.3 million for the fiscal year ended August 2, 2014 and earnings were not significant to the Company's consolidated earnings.

During the first quarter of fiscal 2013, the Company completed three business combinations related to the acquisition of certain assets of three distribution companies. The total consideration related to these acquisitions was approximately \$9.2 million, including cash consideration (net of cash acquired) of \$8.1 million. In addition, certain of the asset purchase agreements related to these acquisitions provide for future contingent consideration payments of up to \$3.7 million through February 2017. Furthermore, in connection with one of the acquisitions, the Company granted restricted stock units which have pro-rata time-based vesting over four years similar to the structure of the majority of the awards of restricted stock units granted to employees, but for which the vesting may be fully accelerated after two years if net sales of the acquired business, as defined in the applicable asset purchase agreement, meets or exceeds a

targeted amount in either of the first two years following consummation of the Company's acquisition of the business. The fair value of the identifiable intangible assets acquired in the three acquisitions was determined by using an income approach. The identifiable intangible assets recorded based on the valuations include customer lists of \$3.1 million, which are being amortized on a straight-line basis over estimated useful lives of approximately 5 - 10 years. Significant assumptions utilized in the income approach were based on company-specific information and projections, which are not observable in the market and are considered Level 3 measurements as defined by authoritative guidance. The Company recorded

Table of Contents

a total of \$9.0 million of goodwill as a result of these acquisitions. These three acquisitions were financed through borrowings under the Company's amended and restated revolving credit facility as then in effect. Acquisition costs related to these purchases were insignificant, have been expensed as incurred and are included within "Operating Expenses" in the Consolidated Statements of Income. Each of these businesses was absorbed by the operations of the Company's broadline distribution business, therefore the Company does not record the expenses for these businesses separately from the rest of the broadline distribution business and it is not possible to provide complete financial results for each acquisition separately or in total. Net sales resulting from these three acquisitions totaled approximately \$62.4 million and \$53.8 million for the fiscal years ended August 2, 2014 and August 3, 2013, respectively.

**Other Segment**

The Company recorded an increase of \$0.1 million to its intangible assets during the years ended August 2, 2014 and August 3, 2013 in recognition of ongoing contingent consideration payments in the form of royalties ranging between 2%- 4% of net sales (as defined in the applicable purchase agreement) related to two of its acquisitions of assets of branded product companies during fiscal 2009.

**3. EQUITY PLANS**

The Company recognized total share-based compensation expense of \$14.6 million for the fiscal year ended August 2, 2014, compared to \$15.1 million and \$11.4 million for the fiscal years ended August 3, 2013 and July 28, 2012, respectively. The share-based compensation expense related to performance-based share awards, including the 2-year long-term incentive awards granted each fiscal year, was \$1.0 million, \$3.3 million and \$2.1 million for the fiscal years ended August 2, 2014, August 3, 2013 and July 28, 2012, respectively.

As of August 2, 2014, there was \$26.5 million of total unrecognized compensation cost related to outstanding share-based compensation arrangements (including stock options, restricted stock, and restricted stock units and performance-based restricted shares and units). This cost is expected to be recognized over a weighted-average period of 2.5 years.

For stock options, the fair value of each grant was estimated at the date of grant using the Black-Scholes option pricing model. Black-Scholes utilizes assumptions related to volatility, the risk-free interest rate, the dividend yield and expected life. Expected volatilities utilized in the model are based on the historical volatility of the Company's stock price. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The model incorporates exercise and post-vesting forfeiture assumptions based on an analysis of historical data. The expected term is derived from historical information and other factors. The fair value of restricted stock awards, restricted stock units, and performance share units are determined based on the number of shares or units, as applicable, granted and the quoted price of the Company's common stock as of the grant date.

The following summary presents the weighted average assumptions used for stock options granted in fiscal 2014, 2013 and 2012:

	Fiscal year ended			
	August 2, 2014	August 3, 2013	July 28, 2012	
Expected volatility	28.5	% 29.8	% 39.3	%
Dividend yield	—	% —	% —	%
Risk free interest rate	1.2	% 0.3	% 0.4	%
Expected term (in years)	3.0	3.0	3.0	

The Company has four equity incentive plans that provide for the issuance of stock options: the 1996 Stock Option Plan (the "1996 Plan"), the 2002 Stock Incentive Plan (the "2002 Plan"), the 2004 Equity Incentive Plan, as amended (the "2004 Plan"), and the 2012 Equity Incentive Plan (the "2012 Plan") (collectively, the "Plans"). The Plans provide, or prior to their expiration provided, for grants of stock options to employees, officers, directors and others. Since fiscal 2010, the Company has not granted stock options intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code. Vesting requirements for awards under the Plans are at the discretion of the Company's Board of Directors, or Compensation Committee of the Board of Directors. Typically options granted to employees vest ratably over 4 years, while options granted to non-employee directors vest one third

immediately with the remainder vesting ratably over 2 years. The maximum term of all incentive and non-statutory stock options granted under the Plans is 10 years. There were 9,050,000 shares authorized for grant under the 1996 Plan, 2002 Plan and 2012 Plan. There were 1,054,267 remaining shares authorized for grant under the 2004 Plan as of December 16, 2010, the effective date when the 2004 Plan was amended to allow for the award of stock options. These shares may be used to issue stock options, restricted stock, restricted stock units or performance based awards. As of August 2, 2014,

Table of Contents

349,648 and 878,794 shares were available for grant under the 2004 Plan and 2012 Plan, respectively, and the authorization for new grants under the 1996 Plan and 2002 Plan has expired.

The following summary presents the weighted-average remaining contractual term of options outstanding at August 2, 2014 by range of exercise prices:

Exercise Price Range	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Number of Shares Exercisable	Weighted Average Exercise Price
\$12.00 - \$26.00	103,605	\$24.42	4.1	103,605	\$24.42
\$26.01 - \$40.00	191,387	\$34.85	5.1	138,819	\$34.17
\$40.01 - \$54.00	5,880	\$45.37	7.4	4,725	\$45.07
\$54.01 - \$68.00	158,202	\$62.32	8.5	21,189	\$58.98
	459,074	\$42.10	6.1	268,338	\$32.56

The following summary presents information regarding outstanding stock options as of August 2, 2014 and changes during the fiscal year then ended with regard to options under the Plans:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	474,237	\$37.25		
Granted	62,090	\$67.48		
Exercised	(67,930)	) \$32.60		
Forfeited	(9,323)	) \$33.58		
Outstanding at end of year	459,074	\$42.10	6.1 years	\$8,196,719
Exercisable at end of year	268,338	\$32.56	4.6 years	\$7,022,823

The weighted average grant-date fair value of options granted during the fiscal years ended August 2, 2014, August 3, 2013, and July 28, 2012 was \$16.48, \$12.21 and \$10.27, respectively. The aggregate intrinsic value of options exercised during the fiscal years ended August 2, 2014, August 3, 2013, and July 28, 2012, was \$2.5 million, \$1.6 million and \$5.2 million, respectively.

The 2004 Plan was amended during fiscal 2009 to provide for the issuance of up to 2,500,000 equity-based compensation awards, and during fiscal 2011 was further amended to provide for the issuance of stock options in addition to restricted shares and units, performance shares and units, bonus shares and stock appreciation rights. Vesting requirements for the awards under the Plans are at the discretion of the Company's Board of Directors, or the Compensation Committee thereof, and are typically four equal annual installments for employees and three equal annual installments with one third vesting immediately for non-employee directors. Beginning with restricted stock units granted to the Company's non-employee directors in September 2013, vesting of awards to non-employee directors whose terms expire in one year as a result of the declassification of the Board of Directors is typically in two equal installments with the first installment on the date of grant and the second installment on the six month anniversary of the grant date.

The following summary presents information regarding restricted stock awards, restricted stock units, performance shares and performance units under the Plans as of August 2, 2014 and changes during the fiscal year then ended:

	Number of Shares	Weighted Average Grant-Date Fair Value
Outstanding at August 3, 2013	680,212	\$44.30
Granted	318,575	\$67.46

Edgar Filing: UNITED NATURAL FOODS INC - Form 10-K/A

Vested	(286,879	) \$43.54
Forfeited	(71,171	) \$47.80
Outstanding at August 2, 2014	640,737	\$55.77

20

---



Table of Contents

The total intrinsic value of restricted stock awards and restricted stock units vested was \$16.9 million, \$16.7 million and \$14.2 million during the fiscal years ended August 2, 2014, August 3, 2013 and July 28, 2012, respectively. The total intrinsic value of performance share awards and performance units vested was \$1.3 million, \$1.6 million and \$1.7 million during the fiscal years ended August 2, 2014, August 3, 2013 and July 28, 2012, respectively.

During the year ended August 2, 2014, 22,229 performance shares were granted, no performance units were granted, (subject to the issuance of an additional 22,229 shares if the Company's performance exceeded specified targeted levels) to the Company's President and CEO, the vesting of which was contingent on the attainment of specific levels of earnings before interest and taxes and return on invested capital. The per share grant-date fair value of these grants was \$67.48. Effective August 2, 2014, a total of 19,396 performance shares vested with a corresponding intrinsic value and fair value of \$1.3 million and \$1.1 million, respectively. The remainder of the performance shares were forfeited.

During the year ended August 3, 2013, 25,000 performance shares and 5,123 performance units were granted (in each case subject to the issuance of an additional 25,000 shares and 5,123 units if the Company's performance exceeded specified targeted levels) to the Company's President and CEO, the vesting of which was contingent on the attainment of specific levels of earnings before interest and taxes and return on invested capital. The per share grant-date fair value of these grants was \$52.00. Effective August 3, 2013, an additional 695 units were granted and a total of 30,818 performance shares and units vested with a corresponding intrinsic value and fair value of \$1.6 million and \$1.9 million, respectively.

During the year ended July 28, 2012, 25,000 performance shares and 12,500 performance units were granted (in each case subject to the issuance of an additional 25,000 shares and 12,500 units if the Company's performance exceeded specified targeted levels) to the Company's President and CEO, the vesting of which was contingent on the attainment of specific levels of earnings before interest and taxes and return on invested capital. The per share grant-date fair value of these grants was \$37.82. Effective July 30, 2011, 44,110 performance shares vested with a corresponding intrinsic value and fair value of \$2.4 million. The remainder of the performance shares were forfeited, and no shares were issued for the performance units.

During the year ended July 28, 2012, the Company created a performance-based equity compensation arrangement with a 2-year performance-based vesting component that was established for members of the Company's executive leadership team. Under this arrangement, the executives are eligible for performance-based stock units equal to a grant-date fair value of approximately 33% of the sum of 125% of their annual base salary and 50% of their cash-based performance award earned in the prior fiscal year. Similar to the performance awards granted to the Company's President and CEO, if the Company's performance exceeds specified targeted levels, the grants may be increased up to an additional 100%. For the 2-year performance period ended August 2, 2014, it was determined that targeted levels were not met and therefore, the Company did not issue shares to the executive leadership team in settlement of the performance units and all the units were forfeited. Effective August 3, 2013, the Company issued an aggregate of 23,882 shares to the executive leadership team upon the vesting of an equal number of performance share units based on the final results of the 2-year performance period ended August 3, 2013.

**4. ALLOWANCE FOR DOUBTFUL ACCOUNTS AND NOTES RECEIVABLE**

The allowance for doubtful accounts and notes receivable consists of the following:

	Fiscal year ended		
	August 2, 2014	August 3, 2013	July 28, 2012
	(In thousands)		
Balance at beginning of year	\$10,026	\$6,956	\$5,854
Additions charged to costs and expenses	3,152	4,227	3,532
Deductions	(5,743)	(1,157)	(2,430)
Charged to Other Accounts (1)	859	—	—
Balance at end of year	\$8,294	\$10,026	\$6,956

(1) Relates to acquisitions.

**5. RESTRUCTURING ACTIVITIES**

Divestiture of conventional non-foods and general merchandise lines of business

In June 2011, the Company entered into an asset purchase agreement with L&R Distributors, Inc., a leading national distributor of non-food products and general merchandise, to divest the Company's conventional non-foods and general merchandise

Table of Contents

lines of business. The Company entered the conventional non-foods and general merchandise businesses, which includes cosmetics, seasonal products, conventional health & beauty products and hard goods, as part of its acquisition of Distribution Holdings, Inc. in November 2007. This strategic transaction will allow the Company to concentrate on its core business of the distribution of natural, organic, and specialty foods and products.

In connection with this divestiture, the Company planned to cease operations at its Harrison, Arkansas distribution center and during the fourth quarter of fiscal 2011, the Company recognized a non-cash impairment charge on long-lived assets including land, building and equipment of \$5.8 million. In addition, the Company incurred \$0.5 million during the fourth quarter of fiscal 2011 to transition the specialty food line of business into the Company's other distribution centers. Upon the closure of the Harrison, Arkansas distribution center during the first quarter of fiscal 2012, the carrying value of \$2.6 million in long-term property and equipment was reclassified to assets held for sale. During the first quarter of fiscal 2012, the Company recognized \$5.1 million in severance and other expenses related to the completion of the divestiture. During the fourth quarter of fiscal 2012, the land, buildings and equipment was sold to a third party, resulting in a nominal gain.

Impairment of an intangible asset

During fiscal 2007, the Company made several asset acquisitions under its Blue Marble Brands division, one of which included a licensing agreement under which the Company was permitted to sell products under the seller's existing trademark in exchange for royalty payments. The fair value of the intangible asset at the time of acquisition was \$2.1 million, and was being amortized over a life of 27 years, the maximum life of the licensing agreement including renewal periods. In October 2012, the Company entered into an agreement to terminate its licensing agreement with the former owners. In connection with this termination agreement, during the first quarter of 2013 the Company recognized an impairment of \$1.6 million representing the remaining unamortized balance of the intangible asset.

6. NOTES PAYABLE

In May 2014, the Company entered into a First Amendment Agreement (the "Amendment") to its amended and restated revolving credit facility, which increased the maximum borrowings under the amended and restated revolving credit facility to \$600 million and extended the maturity date to May 21, 2019. Up to \$550.0 million is available to the Company's U.S. subsidiaries and up to \$50.0 million is available to UNFI Canada. After giving effect to the Amendment, the amended and restated revolving credit facility provides a one-time option to increase the borrowing base by up to an additional \$150 million (but in not less than \$10.0 million increments) subject to certain customary conditions and the lenders committing to provide the increase in funding, and also permits the Company to enter into a real-estate backed term loan facility which shall not exceed \$200.0 million.

The borrowings of the US portion of the amended and restated credit facility, prior to and after giving effect to the Amendment, accrue interest, at the Company's option, at either (i) a base rate (generally defined as the highest of (x) the Bank of America Business Capital prime rate, (y) the average overnight federal funds effective rate plus one-half percent (0.50%) per annum and (z) one-month London Interbank Offering Rate ("LIBOR") plus one percent (1%) per annum) plus an initial margin of 0.50%, or (ii) the LIBOR for one, two, three or six months or, if approved by all affected lenders, nine months plus an initial margin of 1.50%. The borrowings on the Canadian portion of the credit facility for Canadian swing-line loans, Canadian overadvance loans or Canadian protective advances accrue interest, at the Company's option, at either (i) a prime rate (generally defined as the highest of (x) 0.50% over 30-day Reuters Canadian Deposit Offering Rate for bankers' acceptances, (y) the prime rate of Bank of America, N.A.'s Canada branch, and (z) a bankers' acceptance equivalent rate for a one month interest period plus 1.00%) plus an initial margin of 0.50%, or (ii) a bankers' acceptance equivalent rate of the rate of interest per annum equal to the annual rates applicable to Canadian Dollar bankers' acceptances on the "CDOR Page" of Reuter Monitor Money Rates Service, plus five basis points (the "CDOR rate"), and an initial margin of 1.50%. All other borrowings on the Canadian portion of the amended and restated credit facility, prior to and after giving effect to the Amendment, must exclusively accrue interest under the CDOR rate plus the applicable margin. An annual commitment fee in the amount of 0.30% if the average daily balance of amounts actually used (other than swing-line loans) is less than 40% of the aggregate commitments, or 0.25% if such average daily balance is 40% or more of the aggregate commitments.

As of August 2, 2014, the Company's borrowing base, based on eligible accounts receivable and inventory levels, was \$587.4 million. As of August 2, 2014, the Company had \$415.7 million outstanding under the Company's credit

facility, \$33.6 million in letter of credit commitments and \$2.8 million in reserves which generally reduces the Company's available borrowing capacity under its revolving credit facility on a dollar for dollar basis. The Company's resulting remaining availability was \$135.3 million as of August 2, 2014.

The amended and restated revolving credit facility subjects the Company to a springing minimum fixed charge coverage ratio (as defined in the underlying credit agreement) of 1.0 to 1.0 calculated at the end of each of its fiscal quarters on a rolling four quarter basis when aggregate availability (as defined in the underlying credit agreement) is less than the greater of (i) \$35.0 million (or \$50.0 million after giving effect to the Amendment) and (ii) 10% of the aggregate borrowing base. Because of the

Table of Contents

amount of aggregate availability under the amended and restated revolving credit facility, the Company was not subject to the fixed charge coverage ratio covenants as of the fiscal year ended August 2, 2014.

The credit facility also allows for the lenders thereunder to syndicate the credit facility to other banks and lending institutions. The Company has pledged the majority of its and its subsidiaries' accounts receivable and inventory for its obligations under the amended and restated credit facility.

**7.LONG-TERM DEBT**

During the fiscal year ended July 28, 2012, the Company entered into a lease agreement for a new distribution facility in Aurora, Colorado. As of the fiscal year ended August 3, 2013, actual construction costs exceeded the construction allowance as defined by the lease agreement, and therefore, the Company determined it met the criteria for continuing involvement pursuant to ASC 840, Leases, and applied the financing method to account for this transaction. Under the financing method, the book value of the distribution facility and related accumulated depreciation remains on the balance sheet. The construction allowance is recorded as a financing obligation in long-term debt. A portion of each lease payment will reduce the amount of the financing obligation, and a portion will be recorded as interest expense at an effective rate of approximately 7.32%.

As of August 2, 2014 and August 3, 2013, the Company's long-term debt consisted of the following:

	August 2, 2014	August 3, 2013
	(In thousands)	
Financing obligation, due monthly, and maturing in October 2028 at an effective interest rate of 7.32%	\$33,439	\$33,477
Real estate and equipment term loans payable to bank, secured by building and other assets, due monthly and maturing in June 2015, at an interest rate of 8.60%	—	409
Term loan for employee stock ownership plan, secured by common stock of the Company, due monthly and maturing in May 2015, at an interest rate of 1.33%	61	224
	\$33,500	\$34,110
Less: current installments	990	1,019
Long-term debt, excluding current installments	\$32,510	\$33,091
Aggregate maturities of long-term debt for the next five years and thereafter are as follows at August 2, 2014:		
Year		(In thousands)
2015		\$990
2016		1,000
2017		1,141
2018		1,250
2019		1,306
2020 and thereafter		27,813
		\$33,500

**8.FAIR VALUE MEASUREMENTS**

As of August 2, 2009, the Company had fully adopted ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), for financial assets and liabilities and for non-financial assets and liabilities that are recognized or disclosed at fair value on at least an annual basis. ASC 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes three levels of inputs that may be used to measure fair value:

ASC 820 establishes three levels of inputs that may be used to measure fair value:

Level 1 Inputs—Unadjusted quoted prices in active markets for identical assets or liabilities.



Table of Contents

**Level 2 Inputs**—Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data.

**Level 3 Inputs**—One or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, and significant management judgment or estimation.

**Fuel Supply Agreements**

From time to time the Company is a party to fixed price fuel supply agreements. During the fiscal years ended August 2, 2014 and August 3, 2013, the Company entered into several agreements which required it to purchase a portion of its diesel fuel each month at fixed prices through December 2014 and July 2013, respectively. These fixed price fuel agreements qualify for the "normal purchase" exception under ASC 815; therefore, the fuel purchases under these contracts are expensed as incurred and included within operating expenses.

**Exchange Rate Forward Contract**

There were no financial assets and liabilities measured on a recurring basis as of the fiscal years ended August 2, 2014 and August 3, 2013.

The fair value of the Company's other financial instruments including cash and cash equivalents, accounts receivable, notes receivable, accounts payable and certain accrued expenses are derived using Level 2 inputs and approximate carrying amounts due to the short-term nature of these instruments. The fair value of notes payable approximate carrying amounts as they are variable rate instruments.

The following estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies taking into account the instruments' interest rate, terms, maturity date and collateral, if any, in comparison to the Company's incremental borrowing rate for similar financial instruments and are therefore deemed Level 2 inputs. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

	August 2, 2014		August 3, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			

**Liabilities**

Long term debt, including current portion	\$33,500	\$36,386	\$34,110	\$36,230
---	----------	----------	----------	----------

In accordance with the provisions of ASC 360-10, Impairment and Disposal of Long-Lived Assets, an impairment charge of \$1.6 million was recognized in connection with the termination of a long-term licensing agreement and the write-off of the associated intangible asset during the fiscal year ended August 3, 2013.

There were no impairments recognized on indefinite lived intangible assets during the fiscal years ended 2014 or fiscal 2013.

**9.COMMITMENTS AND CONTINGENCIES**

The Company leases various facilities and equipment under operating lease agreements with varying terms. Most of the leases contain renewal options and purchase options at several specific dates throughout the terms of the leases. Rent and other lease expense for the fiscal years ended August 2, 2014, August 3, 2013 and July 28, 2012 totaled approximately \$65.1 million, \$59.5 million and \$56.4 million, respectively.

Future minimum annual fixed payments required under non-cancelable operating leases having an original term of more than one year as of August 2, 2014 are as follows:

Table of Contents

Fiscal Year	(In thousands)
2015	\$50,399
2016	46,058
2017	41,523
2018	35,025
2019	29,090
2020 and thereafter	87,178
	\$289,273

As of August 2, 2014, outstanding commitments for the purchase of inventory were approximately \$29.4 million. The Company had outstanding letters of credit of approximately \$33.6 million at August 2, 2014.

As of August 2, 2014, outstanding commitments for the purchase of diesel fuel were approximately \$32.6 million. Assets mortgaged at August 2, 2014 and August 3, 2013 were not material.

The Company may from time to time be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, amounts accrued, as well as the total amount of reasonably possible losses with respect to such matters, individually and in the aggregate, are not deemed to be material to the Company's consolidated financial position or results of operations. Legal expenses incurred in connection with claims and legal actions are expensed as incurred.

## 10. RETIREMENT PLANS

### Retirement Plan

The Company has a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code, the United Natural Foods, Inc. Retirement Plan (the "Retirement Plan"). In order to become a participant in the Retirement Plan, employees must meet certain eligibility requirements as described in the Retirement Plan document. In addition to amounts contributed to the Retirement Plan by employees, the Company makes contributions to the Retirement Plan on behalf of the employees. The Company also has the Millbrook Distribution Services Union Retirement Plan, which was assumed as part of an acquisition during fiscal 2008. The Company's contributions to these plans were approximately \$5.8 million, \$5.2 million, and \$4.4 million for the fiscal years ended August 2, 2014, August 3, 2013 and July 28, 2012, respectively.

### Deferred Compensation and Supplemental Retirement Plans

The Company's non-employee directors and certain of its employees are eligible to participate in the United Natural Foods Deferred Compensation Plan and the United Natural Foods Deferred Stock Plan (collectively the "Deferral Plans"). The Deferral Plans are nonqualified deferred compensation plans which are administered by the Company's Compensation Committee of the Board of Directors. The Deferral Plans were established to provide participants with the opportunity to defer the receipt of all or a portion of their compensation to a non-qualified retirement plan in amounts greater than the amount permitted to be deferred under the Company's 401(k) Plan. The Company believes that this is an appropriate benefit because (i) it operates to place employees and non-employee directors in the same position as other employees who are not affected by Internal Revenue Code limits placed on plans such as the Company's 401(k) Plan; (ii) does not substantially increase the Company's financial obligations to its employees and directors (there are no employer matching contributions, only a crediting of deemed earnings); and (iii) provides additional incentives to the Company's employees and directors, since amounts set aside by the employees and directors are subject to the claims of the Company's creditors until paid. 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 the Company's financial statements related to the participants' earnings; the Company records the related compensation expense in the year in which the compensation is earned by the participants.

Under the Deferred Stock Plan, which was frozen to new deferrals effective January 1, 2007, each eligible participant could elect to defer between 0% and 100% of restricted stock awards granted during the election calendar year.

Effective January 1, 2007, each participant may elect to defer up to 100% of their restricted share unit awards, performance shares and performance units under the Deferred Compensation Plan. Under the Deferred Compensation Plan, each participant may also elect to defer a minimum of \$1,000 and a maximum of 90% of base salary and 100%



of director fees, employee bonuses and commissions, as applicable, earned by the participants for the calendar year. Participants' cash-derived deferrals accrue earnings and appreciation based on the performance of mutual funds selected by the participant. The value of equity-based awards deferred under the Deferred Compensation and Deferred Stock Plans are based upon the performance of the Company's common stock. The Millbrook Deferred Compensation Plan and the Millbrook Supplemental Retirement Plan were assumed by the Company as part of an acquisition during fiscal 2008. Deferred compensation relates to a compensation arrangement implemented in 1984

Table of Contents

by a predecessor of the acquired company in the form of a non-qualified defined benefit plan and a supplemental retirement plan which permitted former officers and certain management employees, at the time, to defer portions of their compensation to earn specified maximum benefits upon retirement. The future obligations, which are fixed in accordance with the plans, have been recorded at a discount rate of 5.7%. These plans do not allow new participants, and there are no active employees subject to these plans.

In an effort to provide for the benefits associated with these plans, the acquired company's predecessor purchased whole-life insurance contracts on the plan participants. The cash surrender value of these policies included in Other Assets in the Consolidated Balance Sheet was \$10.9 million and \$10.7 million at August 2, 2014 and August 3, 2013, respectively. At August 2, 2014, total future obligations including interest, assuming commencement of payments at an individual's retirement age, as defined under the deferred compensation arrangement, were as follows:

Fiscal Year	(In thousands)
2015	\$1,368
2016	1,360
2017	1,248
2018	1,067
2019	1,063
2020 and thereafter	5,646
	\$11,752

#### 11. EMPLOYEE STOCK OWNERSHIP PLAN

The Company adopted the UNFI Employee Stock Ownership Plan (the "ESOP") for the purpose of acquiring outstanding shares of the Company for the benefit of eligible employees. The ESOP was effective as of November 1, 1988 and has received notice of qualification by the Internal Revenue Service.

In connection with the adoption of the ESOP, a Trust was established to hold the shares acquired. On November 1, 1988, the Trust purchased 40% of the then outstanding common stock of the Company at a price of \$4.1 million. The trustees funded this purchase by issuing promissory notes to the initial stockholders, with the Trust shares pledged as collateral. These notes bear interest at 1.33% as of August 2, 2014 and August 3, 2013, and are payable through May 2015. As the debt is repaid, shares are released from collateral and allocated to active employees, based on the proportion of principal and interest paid in the year.

All shares held by the ESOP were purchased prior to December 31, 1992. As a result, the Company considers unreleased shares of the ESOP to be outstanding for purposes of calculating both basic and diluted earnings per share, whether or not the shares have been committed to be released. The debt of the ESOP is recorded as debt and the shares pledged as collateral are reported as unearned ESOP shares in the consolidated balance sheets. During the fiscal years ended August 2, 2014, August 3, 2013, and July 28, 2012, contributions totaling approximately \$0.2 million each fiscal year were made to the Trust. Of these contributions, less than \$0.1 million in each fiscal year represented interest.

The ESOP shares were classified as follows:

	August 2, 2014	August 3, 2013
	(In thousands)	
Total ESOP shares—beginning of year	1,833	2,053
Shares distributed to employees	(238	) (220
Total ESOP shares—end of year	1,595	1,833
Allocated shares	1,580	1,777
Unreleased shares	15	56
Total ESOP shares	1,595	1,833

During the fiscal years ended August 2, 2014 and August 3, 2013, 41,089 and 41,630 shares were released for allocation based on note payments, respectively. During fiscal 2012, the Company also allocated 402,285 shares to correct an operational error in prior years as elected in a Voluntary Correction Program filed with the IRS. In connection with this allocation, the Company recorded compensation expense of approximately \$0.3 million during

the fourth quarter of fiscal 2012. The fair value of unreleased shares was approximately \$0.9 million and \$3.4 million at August 2, 2014 and August 3, 2013, respectively.

Table of Contents

## 12. INCOME TAXES

For the fiscal year ended August 2, 2014, income before income taxes consists of \$201.1 million from U.S. operations and \$6.3 million from foreign operations. For the fiscal year ended August 3, 2013, income before income taxes consists of \$166.7 million from U.S. operations and \$7.4 million from foreign operations. For the fiscal year ended July 28, 2012, income before income taxes consists of \$142.2 million from U.S. operations and \$8.6 million from foreign operations.

Total federal and state income tax (benefit) expense consists of the following:

	Current (In thousands)	Deferred	Total
Fiscal year ended August 2, 2014			
U.S. Federal	\$66,953	\$(894)	) \$66,059
State & Local	12,660	1,452	\$14,112
Foreign	1,432	323	\$1,755
	\$81,045	\$881	\$81,926
Fiscal year ended August 3, 2013			
U.S. Federal	\$44,095	\$7,029	\$51,124
State & Local	13,366	(364)	) 13,002
Foreign	2,021	115	2,136
	\$59,482	\$6,780	\$66,262
Fiscal year ended July 28, 2012			
U.S. Federal	\$55,083	\$(7,506)	) \$47,577
State & Local	9,002	462	9,464
Foreign	1,471	929	2,400
	\$65,556	\$(6,115)	) \$59,441

Total income tax expense (benefit) was different than the amounts computed using the United States statutory income tax rate of 35% applied to income before income taxes as a result of the following:

	Fiscal year ended		
	August 2, 2014	August 3, 2013	July 28, 2012
	(In thousands)		
Computed "expected" tax expense	\$72,593	\$60,940	\$52,774
State and local income tax, net of Federal income tax benefit	9,135	7,501	6,152
Non-deductible expenses	1,333	1,516	1,260
Tax effect of share-based compensation	160	134	(140)
General business credits	(114)	) (1,374)	) (231)
Other, net	(1,181)	) (2,455)	) (374)
Total income tax expense	\$81,926	\$66,262	\$59,441

Total income tax expense (benefit) for the years ended August 2, 2014, August 3, 2013 and July 28, 2012 was allocated as follows:

Table of Contents

	August 2, 2014 (In thousands)	August 3, 2013	July 28, 2012
Income tax expense	\$81,926	\$66,262	\$59,441
Stockholders' equity, difference between compensation expense for tax purposes and amounts recognized for financial statement purposes	(2,601 )	(1,952 )	(2,804 )
Other comprehensive income	—	—	495
	\$79,325	\$64,310	\$57,132

The tax effects of temporary differences that give rise to significant portions of the net deferred tax assets and deferred tax liabilities at August 2, 2014 and August 3, 2013 are presented below:

	2014 (In thousands)	2013
Deferred tax assets:		
Inventories, principally due to additional costs inventoried for tax purposes	\$7,532	\$6,906
Compensation and benefits related	24,129	21,224
Accounts receivable, principally due to allowances for uncollectible accounts	3,000	3,861
Accrued expenses	10,438	8,914
Net operating loss carryforwards	1,295	2,374
Other deferred tax assets	21	179
Total gross deferred tax assets	46,415	43,458
Less valuation allowance	—	819
Net deferred tax assets	\$46,415	\$42,639
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	\$36,494	\$34,222
Intangible assets	28,124	25,766
Other	274	303
Total deferred tax liabilities	64,892	60,291
Net deferred tax liabilities	\$(18,477 )	\$(17,652 )
Current deferred income tax assets	\$32,518	\$23,822
Non-current deferred income tax liabilities	(50,995 )	(41,474 )
	\$(18,477 )	\$(17,652 )

The net decrease in total valuation allowance in fiscal year 2014, 2013, and 2012 was \$819, \$171 and \$4,081, respectively. The net decrease in fiscal 2014 did not have an impact on net income as it relates to expired unutilized tax attributes for which a valuation allowance was previously recorded in prior fiscal years.

At August 2, 2014, the Company had net operating loss carryforwards of approximately \$3.7 million for federal income tax purposes. The federal carryforwards are subject to an annual limitation of approximately \$0.3 million under Internal Revenue Code Section 382. The carryforwards expire at various times between fiscal years 2017 and 2027. In addition, the Company had net operating loss carryforwards of approximately \$0.5 million for state income tax purposes that expire in fiscal year 2024.

In assessing the need to establish a valuation reserve for the recoverability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company considers relevant evidence, both positive and negative, to determine the need for a valuation allowance. Information evaluated includes the Company's financial position and results of operations for the current and preceding years, the availability of deferred tax liabilities and tax carrybacks, as well as an evaluation of currently available information about future years. As of August 2, 2014, the Company has sufficient taxable income in the federal carryback period and anticipates sufficient future taxable income over the periods in which the deferred tax assets are deductible. The Company also has the availability of future reversals of taxable temporary differences that are expected to generate taxable income in the future. Therefore, the ultimate realization of deferred tax assets for

federal and state tax purposes appears more likely than not at August 2, 2014 and correspondingly no valuation allowance has been established.

Table of Contents

The Company and its subsidiaries file income tax returns in the United States federal jurisdiction and in various state jurisdictions. UNFI Canada files income tax returns in Canada and certain of its provinces. U.S. federal income tax examination years prior to 2012 have either statutorily or administratively been closed with the Internal Revenue Service, and with limited exception, the fiscal tax years that remain subject to examination by state jurisdictions range from the Company's fiscal 2010 to fiscal 2013.

The Company records interest and penalties related to unrecognized tax benefits as a component of income tax expense. For the fiscal year ended August 2, 2014, the Company recognized net tax benefits of approximately \$0.3 million in its consolidated statement of income. For the fiscal year ended August 3, 2013, the Company recognized net tax benefits of \$4.4 million in its consolidated statement of income related to tax examinations closed during the fiscal year. For the fiscal year ended July 28, 2012, the Company did not have any significant unrecognized tax benefits and thus, no significant interest and penalties related to unrecognized tax benefits were recognized.

The undistributed earnings of the Company's non-U.S. subsidiaries approximated \$13.7 million at August 2, 2014. We consider the undistributed earnings to be indefinitely reinvested; therefore, we have not provided a deferred tax liability for any residual U.S. tax that may be due upon repatriation of these earnings. Because of the effect of U.S. foreign tax credits, it is not practicable to estimate the amount of tax that might be payable on these earnings in the event they no longer are indefinitely reinvested.

### 13. BUSINESS SEGMENTS

The Company has several operating divisions aggregated under the wholesale segment, which is the Company's only reportable segment. These operating divisions have similar products and services, customer channels, distribution methods and historical margins. The wholesale segment is engaged in national distribution of natural, organic and specialty foods, produce and related products in the United States and Canada. The Company has additional operating divisions that do not meet the quantitative thresholds for reportable segments and are therefore aggregated under the caption of "Other". "Other" includes a retail division, which engages in the sale of natural foods and related products to the general public through retail storefronts on the east coast of the United States, a manufacturing division, which engages in importing, roasting and packaging of nuts, seeds, dried fruit and snack items, and the Company's branded product lines. "Other" also includes certain corporate operating expenses that are not allocated to operating divisions, which consist of depreciation, salaries, retainers, and other related expenses of officers, directors, corporate finance (including professional services), information technology, governance, legal, human resources and internal audit that are necessary to operate the Company's headquarters located in Providence, Rhode Island. As the Company continues to expand its business and serve its customers through a new national platform, these corporate expense amounts have increased, which is the primary driver behind the increasing operating losses within the "Other" category below.

Non-operating expenses that are not allocated to the operating divisions are under the caption of "Unallocated Expenses". The Company does not record its revenues for financial reporting purposes by product group, and it is therefore impracticable for the Company to report them accordingly.

Following is business segment information for the periods indicated:

Table of Contents

	Wholesale	Other	Eliminations	Unallocated Expenses	Consolidated
	(In thousands)				
Fiscal year ended August 2, 2014					
Net sales	\$6,709,119	\$206,618	\$(121,290 )		\$6,794,447
Operating income (loss)	236,062	(24,542 )	(732 )		210,788
Interest expense				\$7,753	7,753
Interest income				(508 )	(508 )
Other, net				(3,865 )	(3,865 )
Income before income taxes					207,408
Depreciation and amortization	46,516	2,242			48,758
Capital expenditures	145,875	1,428			147,303
Goodwill	256,817	17,731			274,548
Total assets	2,154,456	156,053	(13,276 )		2,297,233
Fiscal year ended August 3, 2013					
Net sales	\$5,997,235	\$186,505	\$(119,385 )		\$6,064,355
Operating income (loss)	225,895	(38,836 )	(1,565 )		185,494
Interest expense				\$5,897	5,897
Interest income				(632 )	(632 )
Other, net				6,113	6,113
Income before income taxes					174,116
Depreciation and amortization	40,148	2,250			42,398
Capital expenditures	64,969	1,585			66,554
Goodwill	184,143	17,731			201,874
Total assets	1,596,131	145,770	(11,993 )		1,729,908
Fiscal year ended July 28, 2012					
Net sales	\$5,175,445	\$163,278	\$(102,702 )		\$5,236,021
Operating income (loss)	190,787	(34,461 )	(1,168 )		155,158
Interest expense				\$4,734	4,734
Interest income				(715 )	(715 )
Other, net				356	356
Income before income taxes					150,783
Depreciation and amortization	36,333	3,227			39,560
Capital expenditures	29,824	1,668			31,492
Goodwill	176,210	17,531			193,741
Total assets	1,357,988	144,637	(8,679 )		1,493,946

**14. QUARTERLY FINANCIAL DATA (UNAUDITED)**

The following table sets forth certain key interim financial information for the fiscal years ended August 2, 2014 and August 3, 2013:



Table of Contents

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	
	(In thousands except per share data)					
2014						
Net sales	\$1,602,011	\$1,646,041	\$1,781,729	\$1,764,666	\$6,794,447	
Gross profit	271,176	268,167	298,129	290,173	1,127,645	
Income before income taxes	46,273	46,586	60,653	53,896	207,408	
Net income	27,764	27,951	36,392	33,375	125,482	
Per common share income						
Basic:	\$0.56	\$0.56	\$0.73	\$0.67	\$2.53	*
Diluted:	\$0.56	\$0.56	\$0.73	\$0.67	\$2.52	
Weighted average basic Shares outstanding	49,439	49,615	49,635	49,675	49,602	
Weighted average diluted Shares outstanding	49,735	49,873	49,931	49,972	49,888	
Market Price						
High	\$75.85	\$76.85	\$79.64	\$69.85	\$79.64	
Low	\$58.29	\$66.74	\$64.12	\$58.04	\$58.04	
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year	
	(In thousands except per share data)					
2013						
Net sales	\$1,410,037	\$1,445,703	\$1,566,217	\$1,642,398	\$6,064,355	
Gross profit	235,953	241,673	262,997	284,453	1,025,076	
Income before income taxes	30,980	37,574	52,278	53,284	174,116	
Net income	21,536	22,620	31,621	32,077	107,854	
Per common share income						
Basic:	\$0.44	\$0.46	\$0.64	\$0.65	\$2.19	
Diluted:	\$0.43	\$0.46	\$0.64	\$0.65	\$2.18	
Weighted average basic Shares outstanding	49,192	49,289	49,303	49,320	49,217	
Weighted average diluted Shares outstanding	49,585	49,582	49,567	49,646	49,509	
Market Price						
High	\$61.26	\$56.01	\$56.45	\$60.42	\$61.26	
Low	\$52.72	\$50.25	\$47.20	\$47.67	\$47.20	

\* Total reflects rounding

## 15. SUBSEQUENT EVENTS

On August 14, 2014, the Company entered into a real-estate backed Term Loan Agreement (the "Term Loan Agreement") by and among the Company, its wholly-owned subsidiary Albert's Organics, Inc. (together with the Company, the "Borrowers"), the financial institutions that are parties thereto as lenders (collectively, the "Lenders"), Bank of America, N.A. as administrative agent for the Lenders (the "Administrative Agent") and the other parties thereto. The total initial borrowings under the Term Loan Agreement were \$150.0 million. The Borrowers are required to make \$2.5 million principal payments quarterly beginning on November 1, 2014. The Term Loan Agreement will terminate on the earlier of (a) August 14, 2022 and (b) the date that is ninety days prior to the termination date of the Company's Second Amended and Restated Loan and Security Agreement, as amended (the "Revolving Credit Agreement"). Under the Term Loan Agreement, the Borrowers at their option may request the establishment of one or more new term loan

commitments in increments of at least \$10.0 million, but not to exceed \$50.0 million in total, subject

31

---

## Table of Contents

to the approval of the Lenders electing to participate in such incremental loans and the satisfaction of the conditions required by the Term Loan Agreement. The Borrowers will be required to make quarterly principal payments on these incremental borrowings in accordance with the terms of the Term Loan Agreement.

Borrowings under the Term Loan Agreement bear interest at rates that, at the Company's option, can be either: (1) A base rate generally defined as the sum of (i) the highest of (x) the Administrative Agent's prime rate, (y) the average overnight federal funds effective rate plus 0.50% and (z) one-month LIBOR plus one percent (1%) per annum and (ii) a margin of 1.50%; or, (2) A LIBOR rate generally defined as the sum of (i) LIBOR (as published by Reuters or other commercially available source) for one, two, three or six months or, if approved by all affected lenders, nine months (all as selected by the Company), and (ii) a margin of 2.50%. Interest accrued on borrowings under the Term Loan Agreement is payable in arrears. Interest accrued on any LIBOR loan is payable on the last day of the interest period applicable to the loan and, with respect to any LIBOR loan of more than three (3) months, on the last day of every three (3) months of such interest period. Interest accrued on base rate loans is payable on the first day of every month. The Company is also required to pay certain customary fees to the Administrative Agent.

### ITEM 9A. CONTROLS AND PROCEDURES

In the first half of fiscal year 2015, management identified immaterial errors related to the understatement of contractual obligations due to a customer that occurred during fiscal years 2009 through 2014. The immaterial errors were a result of a lack of effective controls over the completeness and accuracy of the recognition and measurement of amounts due to a customer, including the underlying data and assumptions used in the calculation of amounts owed. The internal controls in place during this time were not responsive to changes in circumstances.

While the control deficiency did not result in a material misstatement to the Company's consolidated financial statements for any periods through and including the fiscal year ended August 2, 2014, or unaudited condensed consolidated financial statements for the first and second quarters of fiscal year 2015, it did represent a material weakness as of August 2, 2014, since there existed a reasonable possibility that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected on a timely basis. The correction of these immaterial errors is being recognized as out-of-period adjustments to the interim financial information for the six-month fiscal period ended January 31, 2015 to be filed concurrent with this Form 10-K/A.

#### Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and its Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures (as that term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of August 2, 2014. Our Chief Executive Officer and Chief Financial Officer concluded that, as a result of the material weakness in internal control over financial reporting described below, our disclosure controls and procedures were not effective as of August 2, 2014. The Company is amending this Item 9A, as well as Item 4 of its Quarterly Report on Form 10-Q for the first quarter of fiscal 2015 to reflect the conclusion by management that there was a material weakness in internal control over financial reporting as of the end of the periods covered by these reports. Item 4 of the Company's Quarterly Report on Form 10-Q for the second quarter of fiscal 2015 will also reflect the conclusion by management that there was a material weakness in the Company's internal control over financial reporting as of the end of the period covered by that report.

For purposes of Rule 13a-15(e), the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its chief executive and chief financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and

effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

• Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

## Table of Contents

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

• Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of August 2, 2014. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the Internal Control-Integrated Framework (1992 Framework).

Management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of August 2, 2014, the internal control over financial reporting related to the acquired business, Tony's, representing associated assets of approximately \$261.9 million (of which \$145.1 million represents goodwill and intangible assets included within the scope of the assessment) and total revenue of \$45.3 million generated by Tony's that was included in the Company's consolidated financial statements as of and for the fiscal year ended August 2, 2014.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the material weakness discussed below, management has concluded that as of August 2, 2014, our internal control over financial reporting was not effective based on the criteria set forth above.

We did not maintain effective controls over the completeness and accuracy of the recognition and measurement of amounts due to a customer, including the underlying data and assumptions used in the calculation of the amounts owed. The internal controls in place during this time were not responsive to changes in circumstances.

As a result of the control deficiencies, the Company's net sales were overstated by an immaterial amount during each of the fiscal years 2009 through 2014. The material weakness did not result in any material misstatement of the Company's financial statements and disclosures during those fiscal years. However, the Company has concluded that these control deficiencies when aggregated could have resulted in a material misstatement of our consolidated financial statements that would not have been prevented or detected on a timely basis, and as such, these control deficiencies result in a material weakness in our internal control over financial reporting as of August 2, 2014.

Our independent registered public accounting firm, KPMG LLP, has issued an attestation report expressing an adverse opinion on the effectiveness of our internal control over financial reporting, which is included below.

### Remediation and plans for remediation

The Company believes it has made significant progress toward remediation of the underlying causes of the material weakness.

The Company has initiated the following plans and actions to remediate this material weakness:

- Improve the design and operation of management's review and analysis of the calculation including the cross-functional confirmation of the accuracy and completeness of the underlying data and assumptions; and
- Conduct the review and analysis on a quarterly basis.

The Company and its Board of Directors are committed to maintaining a strong internal control environment, and believe that these remediation efforts represent significant improvements in our control environment. The identified material weakness in internal control will not be considered fully addressed until the internal controls over these areas have been in operation for a sufficient period of time for our management to conclude that the material weakness has been fully remediated. The Company will continue to work on implementing and testing the new controls in order to make this final determination.

### Changes in Internal Controls Over Financial Reporting

No change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f)) occurred during the fiscal quarter ended August 2, 2014 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

As discussed above, subsequent to the issuance of our consolidated financial statements as of and for the fiscal year ended August 2, 2014, immaterial errors related to prior periods were identified that indicated certain deficiencies existed in the Company's

Table of Contents

internal controls over financial reporting. The Company has concluded that these deficiencies when aggregated could have resulted in a material misstatement of the consolidated financial statements that would not have been prevented or detected on a timely basis, and as such, these control deficiencies result in a material weakness in our internal control over financial reporting. This material weakness did not result in any material misstatement of the Company's financial statements and disclosures for the fiscal years ended July 28, 2012, August 3, 2013 and August 2, 2014. As discussed above, we are taking actions to remediate the material weakness related to our internal controls over the calculations of the contractual obligations owing to a customer pursuant to the Company's distribution agreement with the customer, including new controls around the preparation and review of the calculation of amounts due to the customer. The identified material weakness in internal control over financial reporting will not be considered fully addressed until the internal controls over these areas have been in operation for a sufficient period of time for our management to conclude that the material weakness has been fully remediated. The Company will continue to work on implementing and testing the new controls in order to make this final determination.

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
United Natural Foods, Inc.:

We have audited United Natural Foods Inc.'s internal control over financial reporting as of August 2, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). United Natural Food, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to the failure to maintain effective controls over the completeness and accuracy of the recognition and measurement of amounts due to a customer, including the underlying data and assumptions used and the internal controls in place during this time were not responsive to changes in circumstances has been identified and included in management's assessment. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the related consolidated balance sheets of United Natural Foods, Inc. and subsidiaries as of August 2, 2014 and August 3, 2013, and the related statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended August 2, 2014. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2014 consolidated financial



statements, and this report does not affect our report dated September 30, 2014, except as to the restatement of the effectiveness of internal control over financial reporting for a material weakness, which is as of March 12, 2015, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, because of the effect of the aforementioned material weakness on the achievement of the objectives of the control criteria, United Natural Foods, Inc., has not maintained effective internal control over financial reporting as of August 2, 2014, based on criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Table of Contents

On July 15, 2014, the Company and its wholly-owned subsidiary, United Natural Foods West, Inc. ("UNFI West") acquired all of the outstanding capital stock of Tony's Fine Foods ("Tony's"), and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of August 2, 2014, Tony's internal control over financial reporting with associated assets of approximately \$261.9 million (of which \$145.1 million represents goodwill and intangible assets included within the scope of the assessment) and total revenue of \$45.3 million generated by Tony's that was included in the Company's consolidated financial statements as of and for the year ended August 2, 2014. Our audit of internal control over financial reporting of United Natural Foods, Inc. and subsidiaries also excluded an evaluation of the internal control over financial reporting of Tony's.

Providence, RI

September 30, 2014, except as to the restatement of the effectiveness of internal control over financial reporting for the material weakness, which is as of March 12, 2015.

Table of Contents

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as a part of this Annual Report on Form 10-K.

1. Financial Statements. The Financial Statements listed in the Index to Financial Statements in Item 8 hereof are filed as part of this Annual Report on Form 10-K.

2. Financial Statement Schedules. All schedules have been omitted because they are either not required or the information required is included in our consolidated financial statements or the notes thereto included in Item 8 hereof.

3. Exhibits. The Exhibits listed in the Exhibit Index immediately preceding such Exhibits are filed as part of this Annual Report on Form 10-K.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED NATURAL FOODS, INC.

/s/ MARK E. SHAMBER

Mark E. Shamber

Senior Vice President, Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)

Dated: March 12, 2015

---

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ STEVEN L. SPINNER Steven L. Spinner	President, Chief Executive Officer and Director (Principal Executive Officer)	March 12, 2015
/s/ MICHAEL S. FUNK Michael S. Funk	Chair of the Board	March 12, 2015
/s/ MARK E. SHAMBER Mark E. Shamber	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 12, 2015
/s/ ANN TORRE BATES Ann Torre Bates	Director	March 12, 2015
/s/ DENISE M. CLARK Denise M. Clark	Director	March 12, 2015
/s/ GAIL A. GRAHAM Gail A. Graham	Director	March 12, 2015
/s/ JAMES P. HEFFERNAN James P. Heffernan	Director	March 12, 2015
/s/ PETER ROY Peter Roy	Director	March 12, 2015
/s/ RICHARD J. SCHNIEDERS Richard J. Schnieders	Director	March 12, 2015

Table of Contents

EXHIBIT INDEX

Exhibit No. Description

- 2.1 Asset Purchase Agreement, dated May 10, 2010, by and among UNFI Canada, Inc., a subsidiary of the Registrant, with SunOpta Inc. and its wholly owned subsidiary, Drive Organics Corp. (incorporated by reference to the Registrant's Current Report on Form 8-K, filed on May 11, 2010 (File No. 1-15723)). (Pursuant to Item 601(b)(2) of Regulation S-K, the schedules and exhibits have been omitted from this filing.)
- 2.2 Amendment No 1., dated June 4, 2010, to the Asset Purchase Agreement dated May 10, 2010, by and among UNFI Canada, Inc., a subsidiary of the Registrant, with SunOpta Inc. and its wholly owned subsidiary, Drive Organics Corp. (incorporated by reference to the Registrant's Current Report on Form 8-K, filed on June 10, 2010 (File No. 1-15723)).
- 3.1 Certificate of Incorporation of the Registrant, as amended (restated for SEC filing purposes only) (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 1, 2014 (File No. 1-15723)).
- 3.2 Amended and Restated Bylaws of the Registrant (restated for SEC filing purposes only) (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 3, 2014 (File No. 1-15723)).
- 4.1 Specimen Certificate for shares of Common Stock, \$0.01 par value, of the Registrant (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended August 1, 2009 (File No. 1-15723)).
- 10.1\*\* Amended and Restated Employee Stock Ownership Plan, effective March 1, 2004 (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 31, 2004 (File No. 1-15723)).
- 10.2\*\* Amendments No. 1 through 8 to Amended and Restated Employee Stock Ownership Plan (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended August 3, 2013 (File No. 1-15723)).
- 10.3 Employee Stock Ownership Trust Loan Agreement among Norman Cloutier, Steven Townsend, Daniel Atwood, Theodore Cloutier and the Employee Stock Ownership Plan and Trust, dated November 1, 1988 (incorporated by reference to the Registrant's Registration Statement on Form S-1 (File No. 333-11349)).
- 10.4 Stock Pledge Agreement between the Employee Stock Ownership Trust and Steven Townsend, Trustee for Norman Cloutier, Steven Townsend, Daniel Atwood and Theodore Cloutier, dated November 1, 1988 (incorporated by reference to the Registrant's Registration Statement on Form S-1 (File No. 333-11349)).
- 10.5 Trust Agreement among Norman Cloutier, Steven Townsend, Daniel Atwood, Theodore Cloutier and Steven Townsend as Trustee, dated November 1, 1988 (incorporated by reference to the Registrant's Registration Statement on Form S-1 (File No. 333-11349)).
- 10.6 Guaranty Agreement between the Registrant and Steven Townsend as Trustee for Norman Cloutier, Steven Townsend, Daniel Atwood and Theodore Cloutier, dated November 1, 1988 (incorporated by reference to the Registrant's Registration Statement on Form S-1 (File No. 333-11349)).

- 10.7\*\* Amended and Restated 1996 Stock Option Plan (incorporated by reference to the Registrant's Definitive Proxy Statement for the year ended July 31, 2000 (File No. 1-15723)).
- 10.8\*\* Amendment No. 1 to Amended and Restated 1996 Stock Option Plan (incorporated by reference to the Registrant's Definitive Proxy Statement for the year ended July 31, 2000 (File No. 1-15723)).
- 10.9\*\* Amendment No. 2 to Amended and Restated 1996 Stock Option Plan (incorporated by reference to the Registrant's Definitive Proxy Statement for the year ended July 31, 2000 (File No. 1-15723)).
- 10.10\*\* 2002 Stock Incentive Plan (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 31, 2003 (File No. 1-15723)).

Table of Contents

Exhibit No.	Description
10.11**	United Natural Foods, Inc. Amended and Restated 2004 Equity Incentive Plan (incorporated by reference to the Registrant's Current Report on Form 8-K, filed on December 21, 2010 (File No. 1-15723)).
10.12**	Form of Restricted Stock Agreement, pursuant to the 2004 Equity Incentive Plan (incorporated by reference to the Registrant's Registration Statement on Form S-8 POS (File No. 333-123462)).
10.13**	Form of Restricted Unit Award Agreement, pursuant to the Amended and Restated 2004 Equity Incentive Plan (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 31, 2010 (File No. 1-15723)).
10.14**	Form of Non-Statutory Stock Option Award Agreement, pursuant to the Amended and Restated 2004 Equity Incentive Plan (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 31, 2010 (File No. 1-15723)).
10.15**	Form of Performance Share Agreement, pursuant to the Amended and Restated 2004 Equity Incentive Plan (incorporated by reference to the Registrant's Current Report on Form 8-K, filed on March 18, 2011 (File No. 1-15723)).
10.16**	Form of Performance Share Award Agreement, pursuant to the Amended and Restated 2004 Equity Incentive Plan (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 30, 2011 (File No. 1-15723)).
10.17**	Form of Performance Unit Award Agreement, pursuant to the Amended and Restated 2004 Equity Incentive Plan (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 30, 2011 (File No. 1-15723)).
10.18**	Form of Restricted Stock Unit Award Agreement, pursuant to the Amended and Restated 2004 Equity Incentive Plan (Employee) (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 28, 2012 (File No. 1-15723)).
10.19**	Form of Restricted Stock Unit Award Agreement, pursuant to the Amended and Restated 2004 Equity Incentive Plan (Director) (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 28, 2012 (File No. 1-15723)).
10.20**	Form of Non-Statutory Stock Option Award Agreement, pursuant to the 2002 Stock Incentive Plan (Employee) (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 28, 2012 (File No. 1-15723)).
10.21**	Form of Non-Statutory Stock Option Award Agreement, pursuant to the Amended and Restated 2004 Equity Incentive Plan (Director) (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 28, 2012 (File No. 1-15723)).
10.22**	Form of Non-Statutory Stock Option Award Agreement, pursuant to the Amended and Restated 2004 Equity Incentive Plan (Employee) (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 28, 2012 (File No. 1-15723)).
10.23**	United Natural Foods, Inc. 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on December 18, 2012 (File No. 1-15723)) (the "2012

Equity Plan”).

- 10.24\*\* Form of Terms and Conditions of Grant of Non-Statutory Stock Options to Employee, pursuant to the 2012 Equity Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 26, 2013 (File No. 1-15723)).
- 10.25\*\* Form of Terms and Conditions of Grant of Non-Statutory Stock Options to Director, pursuant to the 2012 Equity Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 26, 2013 (File No. 1-15723)).
- 10.26\*\* Form of Terms and Conditions of Grant of Restricted Share Units to Employee, pursuant to the 2012 Equity Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 26, 2013) (File No. 1-15723).
- 10.27\*\* Form of Terms and Conditions of Grant of Restricted Share Units to Director, pursuant to the 2012 Equity Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 26, 2013) (File No. 1-15723).
- 10.28\*\* Form of Performance-Based Vesting Restricted Share Unit Award Agreement, pursuant to the 2012 Equity Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 26, 2013) (File No. 1-15723).



Table of Contents

Exhibit No.	Description
10.29**	Form of Performance-Based Vesting Restricted Share Award Agreement, pursuant to the 2012 Equity Plan (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 26, 2013) (File No. 1-15723).
10.30**	Fiscal 2013 Senior Management Cash Incentive Plan (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 28, 2012 (File No. 1-15723)).
10.31**	Fiscal 2014 Senior Management Cash Incentive Plan (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended August 3, 2013 (File No. 1-15723)).
10.32* **	Fiscal 2015 Senior Management Cash Incentive Plan.
10.33**	United Natural Foods, Inc. Deferred Compensation Plan (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 30, 2011 (File No. 1-15723)).
10.34**	United Natural Foods, Inc. Deferred Stock Plan (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 30, 2011 (File No. 1-15723)).
10.35*	Offer Letter between Steven L. Spinner, President and CEO, and the Registrant, dated August 27, 2008 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 1, 2008 (File No. 1-15723)).
10.36**	Amendment to Offer Letter between Steven L. Spinner, President and CEO, and the Registrant, dated August 27, 2008 to include application of Incentive Compensation Recoupment Policy of UNFI (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 2009 (File No. 1-15723)).
10.37**	Severance Agreement between Steven L. Spinner, President and CEO, and the Registrant, effective as of September 16, 2008 (included within Exhibit 10.26, which is incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 1, 2008 (File No. 1-15723)).
10.38	Form Indemnification Agreement for Directors and Officers (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 2, 2009 (File No. 1-15723)).
10.39	Form of Modification of Indemnification Agreement (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended August 3, 2013 (File No. 1-15723)).
10.40	Revised Form Indemnification Agreement for Directors and Officers (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended August 3, 2013 (File No. 1-15723)).
10.41**	Form of Change in Control Agreement between the Registrant and each of Mark Shamber and Joseph J. Traficanti (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 31, 2010 (File No. 1-15723)).
10.42**	Form of Change in Control Agreement between the Registrant and each of Eric Dorne, Thomas Dziki, Sean Griffin, Thomas Grillea, David Matthews, Craig Smith, Christopher Testa and Donald McIntyre (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 31,

- 2010 (File No. 1-15723)).
- 10.43\*\* Severance Agreement between the Registrant and each of Eric Dorne, Michael Funk, Thomas Dziki, Sean Griffin, Thomas Grillea, David Matthews, Craig Smith, Christopher Testa, Donald McIntyre, Mark Shamber and Joseph J. Traficanti (incorporated by reference to the Registrant's Current Report on Form 8-K, filed on April 7, 2008).
- 10.44 Real Estate Term Notes between the Registrant and City National Bank, dated April 28, 2000 (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 31, 2000(File No. 1-15723)).
- 10.45+ Distribution Agreement between the Registrant and Whole Foods Market Distribution, Inc., effective September 26, 2006 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 28, 2006 (File No. 1-15723)).
- 10.46+ Amendment to Distribution Agreement between the Registrant and Whole Foods Market Distribution, Inc., effective June 2, 2010 (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended July 31, 2010(File No. 1-15723)).

Table of Contents

Exhibit No.	Description
10.47+	Amendment to Distribution Agreement between the Registrant and Whole Foods Distribution effective October 11, 2010 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 30, 2010(File No. 1-15723)).
10.48	Third Amendment to the Agreement for Distribution of Products between Whole Foods Market Distribution, Inc. and the Registrant, effective February 20, 2014(incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 3, 2014 (File No. 1-15723)).
10.49+	Second Amended and Restated Loan and Security Agreement dated May 24, 2012, by and among United Natural Foods, Inc., United Natural Foods West, Inc., United Natural Trading Co. and UNFI Canada, Inc. as Borrowers, the Lenders party thereto, Bank of America, N.A. as Administrative Agent for the Lenders, Bank of America, N.A. (acting through its Canada branch), as Canadian Agent for the Lenders and the other parties thereto (incorporated by reference to the Registrant's Current Report on Form 8-K, filed on May 31, 2012 (File No. 1-15723)).
10.50	First Amendment Agreement dated May 21, 2014, by and among United Natural Foods, Inc., United Natural Foods West, Inc. and UNFI Canada, Inc., as Borrowers, the Lenders party thereto, Bank of America, N.A. as Administrative Agent for the Lenders, Bank of America, N.A. (acting through its Canada branch), as Canadian Agent for the Lenders and the other parties thereto (incorporated by reference to the Registrant's Current Report on Form 8-K, filed on May 28, 2014 (File No. 1-15723)).
10.51+	Term Loan Agreement dated August 14, 2014, by and among United Natural Foods, Inc. and Albert's Organics, Inc., as Borrowers, the Lenders party thereto, Bank of America, N.A., as Administrative Agent for the Lenders, and the other parties thereto (incorporated by reference to the Registrant's Current Report on Form 8-K, filed on August 20, 2014 (File No. 1-15723)).
10.52* **	Form of Performance-Based Vesting Restricted Share Unit Award Agreement, pursuant to the 2012 Equity Plan.
21*	Subsidiaries of the Registrant.
23.1*	Consent of Independent Registered Public Accounting Firm.
23.2***	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3***	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.4***	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.3\*\*\* Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.4\*\*\* Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101\*\*\* The following materials from the United Natural Foods, Inc.'s Annual Report on Form 10-K for the fiscal year ended August 2, 2014, formatted in XBRL (eXtensible Business Reporting Language):  
(i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statement of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.

42

---

Table of Contents

\* Previously filed (or, with respect to Exhibits 32.1 and 32.2, furnished) with this Annual Report on Form 10-K (originally filed on October 1, 2014).

\*\* Denotes a management contract or compensatory plan or arrangement.

\*\*\* Filed with this Amendment No. 1 (or with respect to Exhibits 32.3 and 32.4, furnished).

+ Confidential treatment has been requested and granted with respect to certain portions of this exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Omitted portions have been filed separately with the United States Securities and Exchange Commission