UNITED NATURAL FOODS INC
Form DEF 14A
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

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

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to 14a-11(c) or Rule 14a-12

United Natural Foods, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

UNITED NATURAL FOODS, INC.

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 6, 2007**

Dear Stockholder:

You are hereby cordially invited to attend the 2007 Annual Meeting of Stockholders of United Natural Foods, Inc., which will be held on Thursday, December 6, 2007 at 10:00 a.m. (local time) at our Western Region headquarters located at 1101 Sunset Boulevard, Rocklin, California 95765, and any adjournments or postponements of the annual meeting. For your convenience, we are offering a live webcast of the annual meeting at the Investor Relations section of our website at *www.unfi.com*.

We are holding the annual meeting for the following purposes:

1. To elect three members to our Board of Directors to serve as Class II directors, each for a term of three years.

2. To ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending August 2, 2008.

3. To transact such other business as may properly come before the annual meeting or any adjournments or postponements of the annual meeting.

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

Only stockholders of record on our books at the close of business on Tuesday, October 9, 2007 will be entitled to vote at the annual meeting and any adjournments or postponements of the annual meeting. For 10 days prior to the annual meeting, a list of stockholders entitled to vote will be available for inspection at our principal executive offices located at 260 Lake Road, Dayville, Connecticut 06241, and will also be available at the annual meeting. If you would like to view the stockholder list, please call our Investor Relations Department at (860) 779-2800 to schedule an appointment.

A copy of our 2007 Annual Report to Stockholders, which contains our consolidated financial statements for the fiscal year ended July 28, 2007, and other information of interest to stockholders, accompanies this notice and the attached proxy statement.

By Order of the Board of Directors,
Thomas B. Simone,
Chair of the Board

November 1, 2007

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING ENVELOPE. NO POSTAGE NEED BE AFFIXED IF THE PROXY CARD IS MAILED IN THE UNITED STATES.

UNITED NATURAL FOODS, INC.
260 Lake Road
Dayville, Connecticut 06241

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 6, 2007

This proxy statement is being furnished in connection with the solicitation of proxies by the Board of Directors of United Natural Foods, Inc., for use at the 2007 Annual Meeting of Stockholders to be held on Thursday, December 6, 2007 at 10:00 a.m. (local time) at our Western Region headquarters located at 1101 Sunset Boulevard, Rocklin, California 95765, and any adjournments or postponements of the annual meeting. The Board of Directors is soliciting proxies for the purposes set forth in the accompanying "Notice of Annual Meeting of Stockholders." We will bear the cost of soliciting the proxies.

Record Date and Share Ownership

Only stockholders of record on our books at the close of business on Tuesday, October 9, 2007 will be entitled to vote at the annual meeting and any adjournments or postponements of the annual meeting. As of the close of business on October 9, 2007, we had 42,830,677 shares of common stock outstanding. Each share of common stock entitles the record holder to one vote on each matter to be voted upon at the annual meeting. Copies of the Notice of Annual Meeting of Stockholders, this proxy statement, the enclosed proxy card and our Annual Report to Stockholders for the fiscal year ended July 28, 2007, will be mailed to stockholders of record on or about November 1, 2007.

We will, upon written request of any stockholder, furnish without charge a copy of our Annual Report on Form 10-K for the fiscal year ended July 28, 2007, as filed with the Securities and Exchange Commission (the "SEC"), without exhibits. Please address all such requests to the attention of Lisa N'Chonon, Corporate Controller, United Natural Foods, Inc., 260 Lake Road, Dayville, Connecticut 06241. Exhibits will be provided upon written request to Ms. N'Chonon and payment of an appropriate processing fee.

Submitting and Revoking Your Proxy

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

- **FOR** the election of Gordon D. Barker, Gail A. Graham and Thomas B. Simone as Class II directors; and

- **FOR** the ratification of the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending August 2, 2008.

If other matters come before the annual meeting, the persons named as proxies will vote on such matters in accordance with their best judgment. We have not received any notice of other matters that may properly be presented at the annual meeting. You may revoke your proxy at any time prior to the start of the annual meeting by delivering written instructions to our corporate secretary at 260 Lake Road, Dayville, Connecticut 06241. Attendance at the annual meeting will not itself be deemed to revoke your proxy unless you give notice at the annual meeting that you intend to revoke your proxy and vote in person.

If you hold shares of common stock in a stock brokerage account or through a bank, trust or other fiduciary or nominee, you are considered to be the beneficial owner of shares held in "*street name*" and these proxy materials are being forwarded to you by your broker or nominee. You may not vote directly any shares held in street name; however, as the beneficial owner of the shares, you have the right to direct your broker or nominee on how to vote your shares.

If you participate in our Employee Stock Ownership Plan (the "*ESOP*"), the enclosed proxy card will serve as a voting instruction for Mr. Robert Huckins, the trustee of the ESOP. If Mr. Huckins does not receive voting instructions for your shares, he will vote your shares in the same proportion as other ESOP participants' shares for which voting instructions have been received. You must submit your voting instructions to Mr. Huckins by the close of business on December 4, 2007 to allow him time to receive your voting instructions. Mr. Huckins will vote unallocated shares of common stock in the ESOP in the same proportion as participants have directed the trustee to vote their allocated shares of common stock.

If you participate in the United Natural Foods, Inc. Stock Fund through our 401(k) savings plan, the enclosed proxy card will serve as a voting instruction for Fidelity Management Trust Company ("*Fidelity*"), the trustee of the plan. If Fidelity does not receive voting instructions for your shares, it will vote your shares in the same proportion as other plan participants' shares for which voting instructions have been received. You must submit your voting instructions to Fidelity by the close of business on December 4, 2007 to allow it time to receive your voting instructions.

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

If you hold shares in street name and you would like to attend the annual meeting, you must bring to the meeting proof of stock ownership, such as an account statement from your broker or nominee which confirms that you are the beneficial owner of those shares. If you would like to vote in person at the annual meeting and you hold your shares in street name, you must bring a proxy letter issued by your broker or nominee to vote your shares in person at the meeting.

Votes Required

Presence in person or by proxy of a majority of the shares of common stock outstanding on October 9, 2007, the record date for the annual meeting, will be required for a quorum. Shares of common stock present in person or represented by proxy (including shares that abstain or do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum exists at the annual meeting.

Each nominee for director will be elected as a director if a majority of the votes cast at the annual meeting (whether in person or by proxy) with respect to that nominee are "FOR" the election of the nominee; provided that if the number of nominees exceeds the number of directors to be elected, the directors will be elected by the vote of a plurality of the shares represented in person or by proxy at the annual meeting and entitled to vote on the election of directors. If a nominee who already serves as a director is not elected, that director must offer to tender his or her resignation to the Board of Directors. The Nominating and Governance Committee of our Board of Directors will make a recommendation to the Board on whether to accept or reject the director's resignation, or whether other action should be taken. The affirmative vote of the holders of a majority of the outstanding shares of common stock present or represented by proxy and voting on the matter is required for the ratification of the selection of KPMG LLP as our independent registered public accounting firm for fiscal year 2008.

Shares that abstain from voting as to a particular matter, and shares held in "street name" by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter, will not be counted as votes in favor of such matter, and will also not be counted as votes cast or shares voting on such matter. Accordingly, abstentions and "*broker non-votes*" will have no effect on the voting on a matter that requires the affirmative vote of a certain percentage of the votes cast, although such votes will count for quorum purposes.

Webcast of Annual Meeting

We are pleased to offer a webcast of the annual meeting. If you choose to participate in the annual meeting by means of the webcast, go to the Investor Relations section of our website at *www.unfi.com* shortly before the annual meeting is scheduled to begin and follow the instructions provided. The conference call dial-in number is (303) 262-2138. You will be able to participate in the annual meeting by submitting questions directly from the broadcast site. However, you will not be able to vote your shares of common stock during the webcast. If you plan to listen to the webcast, please return the enclosed proxy by December 4, 2007 so that the persons named as proxies can vote the shares represented by your proxy in accordance with your instructions at the annual meeting.

Householding

We have adopted a procedure for stockholders whose shares are held in street name called "*householding,*" pursuant to which stockholders of record who have the same address and the same last name will receive only one copy of our proxy statement and our Annual Report to Stockholders, unless one or more of these stockholders notifies us that they wish to continue receiving multiple copies. This procedure provides extra convenience for stockholders and a cost savings for us. Currently, we are not providing householding to stockholders whose shares are registered in their name.

If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement and Annual Report to Stockholders, or if your shares are held in street name and you are receiving multiple copies of our proxy statement and Annual Report to Stockholders and wish to receive only one, please notify your bank, broker, trust or other holder of record. For more information, please contact our corporate secretary at 260 Lake Road, Dayville, Connecticut 06241.

Stockholders who participate in householding will continue to receive separate proxy cards.

Stock Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of shares of our common stock as of October 9, 2007 by (i) each person or entity known by us to own beneficially more than 5% of the outstanding shares of our common stock, (ii) each member of our Board of

Directors, (iii) our executive officers named in the Summary Compensation Table below and (iv) all of our directors and executive officers as a group.

Name and Address of Beneficial Owner(1)	**Number of Shares Beneficially Owned**	**Percentage Ownership(2)**
FMR Corp.	4,906,000	11.5%
Employee Stock Ownership Trust(3)	2,756,598	6.4%
Munder Capital Management	2,443,966	5.7%
Daniel V. Atwood(4)	303,048	0.7%
Thomas B. Simone(5)	154,600	0.4%
Michael S. Funk(6)	121,411	0.3%
Gordon D. Barker(7)	88,117	0.2%
James P. Heffernan(9)	66,117	0.2%
Richard Antonelli(8)	63,752	0.1%
Michael D. Beaudry(11)	35,359	0.1%
Mark E. Shamber(14)	32,142	0.1%
Thomas Dziki(15)	30,450	0.1%
Gary A. Glenn(12)	26,732	0.1%
Joseph M. Cianciolo(10)	26,117	0.1%
Gail A. Graham(16)	19,617	0.0%
Randle E. Lindberg(13)	14,809	0.0%
Peter Roy(17)	13,133	0.0%
All executive officers and directors, as a group (14 persons)(18)	995,404	2.3%

(1) The address for each listed director and officer is c/o United Natural Foods, Inc., 260 Lake Road, Dayville, Connecticut 06241. The address for the Employee Stock Ownership Trust is c/o Robert G. Huckins, Trustee, 19404 Camino Del Aguila, Escondido, CA 92025. The address for FMR Corp. is 82 Devonshire Street, Boston, MA 02109. The address for Munder Capital Management is 480 Pierce Street, Birmingham, MI 48009.

(2) The number of shares of common stock beneficially owned by each stockholder is determined under SEC rules, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days after October 9, 2007 through the exercise of any stock option or other right. The inclusion herein of such shares, however, does not constitute an admission that the named stockholder is a direct or indirect beneficial owner of such shares. Unless otherwise indicated, each person or entity named in the table has sole voting power and investment power (or shares such power with his or her spouse) with respect to all shares of common stock listed as owned by such person or entity.

(3) The Employee Stock Ownership Trust ("*ESOT*") disclaims beneficial ownership of the allocated shares of common stock in the ESOP to the extent that the beneficial ownership of such shares is attributable to participants in the ESOP.

(4) Includes 110,250 shares of common stock issuable upon the exercise of stock options and 48,722 shares of common stock held in trust by the ESOT and allocated to Mr. Atwood under the ESOP.

(5) Includes 106,600 shares of common stock issuable upon the exercise of stock options and 30,000 shares held by the Thomas B. Simone and Shirley A. Simone 1990 Family Trust Agreement, as amended April 7, 1998, of which Mr. Simone and his wife are co-trustees.

(6) Includes 74,550 shares of common stock issuable upon the exercise of stock options and 861 shares of common stock held in trust by the ESOT and allocated to Mr. Funk under the ESOP.

(7) Includes 81,733 shares of common stock issuable upon the exercise of stock options.

(8) Includes 46,000 shares of common stock issuable upon the exercise of stock options and 3,052 shares of common stock held in trust by the ESOT and allocated to Mr. Antonelli under the ESOP.

(9) Includes 57,733 shares of common stock issuable upon the exercise of stock options.

(10) Includes 17,733 shares of common stock issuable upon the exercise of stock options and 2,000 shares of common stock held for the benefit of Mr. Cianciolo in an individual retirement account.

(11) Includes 19,250 shares of common stock issuable upon the exercise of stock options, the equivalent of 583 shares of common stock allocated to Mr. Beaudry under the United Natural Foods, Inc. 401(k) plan's United Natural Foods, Inc. Stock Fund, and 2,926 shares of common stock held in trust by the ESOT and allocated to Mr. Beaudry under the ESOP.

(12) Consists of 15,750 shares of common stock issuable upon the exercise of stock options, and 2,582 shares of common stock held in trust by the ESOT and allocated to Mr. Glenn under the ESOP.

(13) Includes 2,500 shares of common stock issuable upon the exercise of stock options.

(14) Includes 16,250 shares of common stock issuable upon the exercise of stock options, the equivalent of 386 shares of common stock allocated to Mr. Shamber under the United Natural Foods, Inc. 401(k) plan's United Natural Foods, Inc. Stock Fund, and 1,106 shares of common stock held in trust by the ESOT and allocated to Mr. Shamber under the ESOP.

(15) Includes 17,250 shares of common stock issuable upon the exercise of stock options, the equivalent of 914 shares of common stock allocated to Mr. Dziki under the United Natural Foods, Inc. 401(k) plan's United Natural Foods, Inc. Stock Fund, and 1,370 shares of common stock held in trust by the ESOT and allocated to Mr. Dziki under the ESOP.

(16) Consists of 12,733 shares of common stock issuable upon the exercise of stock options.

(17) Consists of 1,333 shares of common stock issuable upon the exercise of stock options.

(18) Includes 579,665 shares of common stock issuable upon the exercise of stock options, the equivalent of 1,883 shares of common stock allocated to executive officers under the United Natural Foods, Inc. 401(k) plan's United Natural Foods, Inc. Stock Fund, and 60,910 shares of common stock held in trust by the ESOT and allocated to executive officers under the ESOP.

CORPORATE GOVERNANCE

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

- The Board of Directors has adopted clear corporate governance policies;
- A majority of the members of our Board of Directors are independent;
- All members of the key Board committees the Audit Committee, the Compensation Committee and the Nominating and Governance Committee are independent;
- The independent members of the Board of Directors meet regularly without the presence of management;
- We have designated an independent director to serve as our "Lead Independent Director" to coordinate the activities of the other independent members of our Board of Directors;
- We have a clear code of business conduct and ethics that applies to our principal executive officers and all members of our finance department, including our principal financial officer and principal accounting officer;
- The charters of the committees of the Board of Directors clearly establish their respective roles and responsibilities; and
- The Audit Committee has procedures in place for the anonymous submission of employee complaints on accounting, internal controls or auditing matters..

In addition, as discussed under "PROPOSAL 1 ELECTION OF DIRECTORS Adoption of Majority Vote Standard for Election of Directors," in September 2007, we amended our Bylaws to provide for a majority voting standard for uncontested elections of directors and the Nominating and Governance Committee of our Board of Directors approved amendments to the Committee's charter to implement the majority voting standard for directors. The amendments to the Nominating and Governance Committee's charter establish the procedures for the Nominating and Governance Committee's deliberations regarding whether to accept an offer by a nominee for director to resign from the Board if that nominee has not been re-elected to the Board. A copy of the amended charter of the Nominating and Governance Committee is attached to this proxy statement as Appendix A.

We maintain a corporate governance page on our website that includes key information about our corporate governance initiatives. The corporate governance page can be found at *www.unfi.com*, by clicking on "Investor Relations" and then "Corporate Governance."

Director Independence

Our Board of Directors has determined that a majority of the members of our Board are "*independent directors*," as defined in rules governing the listing of our common stock on NASDAQ. For a director to be considered independent, the Board must affirmatively determine that the director has no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. To facilitate this determination, annually each director completes a questionnaire that provides information about relationships that might affect the determination of independence, which questionnaires are reviewed by our Nominating and Governance Committee. The Board, upon the recommendations of the Nominating and Governance Committee, has determined that our independent directors are Mr. Barker, Mr. Cianciolo, Ms. Graham, Mr. Heffernan, Mr. Roy and Mr. Simone.

All members of the Audit, Compensation and Nominating and Governance Committees of our Board must be independent directors under NASDAQ listing standards and, with respect to Audit Committee members, Section 10A of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), and the SEC's rules thereunder. In addition, the charter of the Finance Committee of our Board of Directors requires that Committee to consist of not less than two independent directors. Each member of the Compensation Committee and each independent director on the Finance Committee must also be both a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act and an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code, as amended (the "*Code*"), in accordance with each Committee's respective charter.

Lead Independent Director

The Board has created the position of Lead Independent Director. In accordance with the charter of the Nominating and Governance Committee, the Lead Independent Director must be an independent director, and is responsible for coordinating the activities of the other independent directors and for performing such other duties and responsibilities as the Board may determine from time to time, including:

- Assisting the Chair of the Board with scheduling of, and preparation of materials for, Board meetings
- Serving as the Chair for executive sessions of the Board's independent directors;
- Working with the Chair of the Board to ensure that the independent directors are able to effectively and responsibly perform their duties;
- Recommending to the Chair of the Board the retention of advisers and consultants who report directly to the Board and the membership of various Board committees; and
- Serving as a liaison between the Chair of the Board and the independent directors.

A complete description of the duties of the Lead Independent Director is included in the amended charter of the Nominating and Governance Committee, attached to this proxy statement as Appendix A.

Committees of the Board of Directors

Our Board of Directors currently has four standing committees: the Compensation Committee, the Audit Committee, the Nominating and Governance Committee and the Finance Committee.

The Compensation Committee is responsible for making recommendations concerning salaries and incentive compensation for employees and consultants, and administering and recommending grants of stock options pursuant to the 2002 Stock Incentive Plan and the Amended and Restated 1996 Stock Option Plan and grants of restricted stock and other equity incentives pursuant to the 2004 Equity Incentive Plan. The Compensation Committee's charter is available on our website, *www.unfi.com*. The Compensation Committee held seven meetings during fiscal 2007. The current members of the Compensation Committee are Ms. Graham and Messrs. Barker, Heffernan, Roy and Simone, each of whom is an independent director.

The Audit Committee is responsible for monitoring the integrity of our financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance; monitoring the independence of our independent public accountants; and monitoring the performance of our independent public accountants, management and our internal audit department. Among the Audit

Committee's duties are to review the results and scope of the audit and other services provided by our independent registered public accounting firm. The Audit Committee's charter is available on our website, *www.unfi.com,* and is attached to this proxy statement as Appendix B. The Audit Committee held nine meetings during fiscal 2007. The current members of the Audit Committee are Ms. Graham and Messrs. Barker, Cianciolo and Heffernan, each of whom is an independent director. The Board of Directors has determined that Joseph M. Cianciolo is an audit committee financial expert, as defined by the rules and regulations of the SEC.

The Nominating and Governance Committee is responsible for developing, reviewing and recommending to the Board for adoption our corporate governance principles; identifying and nominating candidates for election to the Board; assessing and making recommendations to the Board regarding the size and composition of the Board and the size, composition, scope of authority, responsibilities, and reporting obligations of each Board committee; and assisting the Board in conducting performance reviews of the Board and its committees and members. The Nominating and Governance Committee's charter is available on our website, *www.unfi.com*, and is attached to this proxy statement as Appendix A. The Nominating and Governance Committee held three meetings during fiscal 2007. The current members of the Nominating and Governance Committee are Messrs. Barker, Cianciolo and Simone and Ms. Graham, each of whom is an independent director.

The Finance Committee is responsible for overseeing, reviewing and making recommendations about our financial affairs and policies and evaluating merger and acquisition transactions and investment and financing transactions proposed by our management. The Finance Committee held three meetings during fiscal 2007. The current members of the Finance Committee are Messrs. Cianciolo, Funk, Heffernan, Roy and Simone, all of whom, other than Mr. Funk, are independent directors.

Board and Committee Meetings

The Board of Directors met ten times (including by telephone conference) during the fiscal year ended July 28, 2007. All directors attended at least 75% of the meetings of the Board of Directors and of the committees on which they served. All of our directors attended last year's annual meeting either in person or by webcast.

PROPOSAL 1 ELECTION OF DIRECTORS

Directors and Nominees for Director

We have a classified Board of Directors currently consisting of three Class I directors (Richard Antonelli, Joseph M. Cianciolo and Peter Roy), three Class II directors (Gordon D. Barker, Gail A. Graham and Thomas B. Simone), and two Class III directors (Michael S. Funk and James P. Heffernan). The Class I, Class II and Class III directors will serve until the annual meeting of stockholders to be held in 2009, 2007 and 2008, respectively, and until their respective successors are elected and qualified. At each annual meeting of stockholders, directors are elected for a full term of three years to succeed those whose terms are expiring.

The persons named in the enclosed proxy will vote to elect Gordon D. Barker, Gail A. Graham and Thomas B. Simone as Class II directors, unless your proxy is marked otherwise. Ms. Graham and Messrs. Barker and Simone are currently Class II directors.

The Class II directors will be elected to hold office until the annual meeting of stockholders to be held in 2010 and until their successors are elected and qualified. Each nominee has indicated his or her willingness to serve, if elected. If any nominee should be unable to serve, the person acting under the proxy may vote the proxy for a substitute nominee. We have no reason to believe any of the nominees will be unable to serve if elected.

For each member of the Board of Directors, including the nominees for election as Class II directors, there follows information given by each concerning his or her principal occupation and business experience for the past five years, the names of other publicly held companies of which he serves as a director and his or her age and length of service as a director:

Class/Name	Age	Position
Class I:		
Richard Antonelli	50	Executive Vice President, Chief Operating Officer, President of Distribution and Director
Joseph M. Cianciolo(1)(2)(4)	68	Director and Chair of the Audit Committee
Peter Roy(3)(4)	51	Director
Class II:		
Gordon D. Barker(1)(2)(3)	61	Director and Chair of the Compensation Committee
Gail A. Graham(1)(2)(3)	56	Director
Thomas B. Simone(2)(3)(4)	65	Chair of the Board, Lead Independent Director and Chair of the Nominating and Governance Committee
Class III:		
Michael S. Funk(4)	53	President, Chief Executive Officer and Director
James P. Heffernan(1)(3)(4)	61	Director and Chair of the Finance Committee

(1) Member of the Audit Committee.

(2) Member of the Nominating and Governance Committee.

(3) Member of the Compensation Committee.

(4) Member of the Finance Committee.

Richard Antonelli has served as a member of the Board of Directors since December 2003, as our Executive Vice President and Chief Operating Officer since December 2005, and as President of United Distribution since October 2004. Mr. Antonelli served as President of our Western Region from

January 2004 to October 2004, and as President of our Eastern Region from September 2002 to December 2003. Mr. Antonelli served as president of Fairfield Farm Kitchens, a Massachusetts-based custom food manufacturer, from August 2001 until August 2002. Mr. Antonelli served as our Director of Sales from April 1985 until July 2001.

Gordon D. Barker has served as a member of our Board of Directors since September 1999. Mr. Barker serves as the Chair of the Compensation Committee and as a member of the Audit Committee and the Nominating and Governance Committee. Mr. Barker has served as a contract Chief Executive Officer for QVL Pharmacy, a privately-held entity, since January 2005. Mr. Barker has served as President of Barker Holdings, LLC since January 2004. Mr. Barker served as Chief Executive Officer of Snyder's Drug Stores, Inc. from October 1999 to March 2004. Snyder's Drug Stores, Inc. filed for Chapter 11 bankruptcy in September 2003. Snyder's emerged from this filing in March 2004. Mr. Barker has served as the principal of Barker Enterprises, an investment and consultant firm, since January 1997. Mr. Barker is a nominee to serve as a Class II director.

Joseph M. Cianciolo has served as a member of our Board of Directors since September 1999. Mr. Cianciolo serves as Chair of the Audit Committee and as a member of the Nominating and Governance Committee and Finance Committee. Mr. Cianciolo served as the Managing Partner of KPMG LLP, Providence, Rhode Island office, from June 1990 until June 1999. Mr. Cianciolo also serves on the Board of Directors of Nortek, Inc. and Eagle Bulk Shipping, Inc.

Michael S. Funk has served as a member of our Board of Directors since February 1996 and as our President and Chief Executive Officer since October 2005. Mr. Funk serves as a member of the Finance Committee. Mr. Funk served as Chair of our Board of Directors from January 2003 to December 2003, as Vice Chair of our Board of Directors from February 1996 until December 2002, as our Chief Executive Officer from December 1999 until December 2002 and as our President from October 1996 until December 1999. Since its inception in July 1976 until April 2001, Mr. Funk served as President of Mountain People's Warehouse, Inc., one of our wholly-owned subsidiaries.

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

James P. Heffernan has served as a member of our Board of Directors since March 2000. Mr. Heffernan serves as Chair of the Finance Committee and as a member of the Audit Committee and the Compensation Committee. Mr. Heffernan has served as a Trustee for the New York Racing Association since November 1998. Mr. Heffernan served as a member of the Board of Directors of Columbia Gas System, Inc. from January 1993 until November 2000.

Peter Roy has served as a member of our Board of Directors since June 2007. Mr. Roy is a member of the Compensation Committee and the Finance Committee. Mr. Roy is an entrepreneur and since 1999 has been a strategic advisor to North Castle Partners. In connection with his role as a strategic advisor to North Castle Partners, Mr. Roy served on the boards of Avalon Natural Products and Naked Juice Company. Additionally, Mr. Roy currently serves on the board of directors of West Marine. From

1993 to 1998, Mr. Roy served as President of Whole Foods Market, Inc and, for five years prior to that, served as President of that company's West Coast Region.

Thomas B. Simone has served as the Chair of the Board of Directors since December 2005 and as Lead Independent Director since December 2003. Mr. Simone served as the Vice Chair of the Board of Directors from January 2003 to December 2005, as the Chair of the Board of Directors from December 1999 to December 2002 and as a member of the Board of Directors since October 1996. Mr. Simone is the Chair of the Nominating and Governance Committee and is a member of the Compensation Committee and the Finance Committee. Mr. Simone has served as Chairman, President and Chief Executive Officer of Simone & Associates, LLC and its predecessor company, each a natural and organic products and healthcare investment and consulting company, since April 1994. Mr. Simone is a nominee to serve as a Class II director.

For information relating to the shares of our common stock owned by each of our directors, see "Stock Ownership of Certain Beneficial Owners and Management" on page 3.

Adoption of Majority Vote Standard for Election of Directors

In September 2007, the Board of Directors approved an amendment to our Bylaws to require directors to be elected by the majority of the votes cast with respect to such director in uncontested elections (the number of shares voted "for" a director must exceed the number of votes cast "against" that director). In a contested election (an election in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. If a nominee who is serving as a director is not elected at the annual meeting, under Delaware law the director would continue to serve on the Board as a "holdover director." However, under our Bylaws, any director who fails to be elected must offer to tender his or her resignation to the Board. The Nominating and Governance Committee would then make a recommendation to the Board whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Nominating and Governance Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. The director who tenders his or her resignation will not participate in the Board's decision or the Nominating and Governance Committee's deliberations (if the director is a member of that Committee). If a nominee who was not already serving as a director is not elected at the annual meeting, under Delaware law that nominee would not become a director and would not serve on the Board as a "holdover director." In 2007, all nominees for election as directors are currently serving on the Board.

Nomination of Directors

The Nominating and Governance Committee reviews the qualifications of every person recommended as a nominee to our Board of Directors to determine whether the recommended nominees are qualified to serve on the Board. The Nominating and Governance Committee has not established specific minimum qualifications for recommended nominees. However, as a matter of practice, the Nominating and Governance Committee does evaluate recommended nominees based on their integrity, judgment, independence, financial and business acumen, relevant experience, their ability to represent and act on behalf of all stockholders, as well as the needs of the Board of Directors. Following this evaluation, the Nominating and Governance Committee will make recommendations for membership on the Board of Directors and review such recommendations with the Board of Directors, which will decide whether to invite the candidate to be a nominee for election to the Board of Directors.

For a stockholder to submit a candidate for the consideration of the Nominating and Governance Committee, a stockholder must notify our corporate secretary. To make a recommendation for director nomination in advance of the next annual meeting, a stockholder must notify our corporate secretary not less than 60 days nor more than 90 days prior to the 2008 Annual Meeting of Stockholders, provided that in the event that less than 70 days notice or prior public disclosure of the date of the 2008 Annual Meeting of Stockholders is given or made, notice by the stockholder must be received not later than the close of business on the 10th day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever occurs first. The notice must include the information specified in our Bylaws, including the following: (a) as to each proposed nominee (i) the name, age, business address and, if known, residence address of each such nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of our shares which are beneficially owned by each such nominee, and (iv) any other information concerning the nominee that must be disclosed as to nominees in proxy solicitations pursuant to Regulation 14A under the Exchange Act (including such person's written consent to be named as a nominee and to serve as a director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on our books, of such stockholder and (ii) the class and number of our shares which are beneficially owned by such stockholder. We may require any proposed nominee to furnish such other information as may be reasonably required by the Nominating and Governance Committee to determine the eligibility of such proposed nominee to serve as a member of the Board of Directors.

Notices should be sent to:

Mr. Daniel V. Atwood, Secretary
United Natural Foods, Inc.
260 Lake Road, P.O. Box 999
Dayville, CT 06241-0999

Communication with the Board of Directors

Our stockholders may communicate directly with our Board of Directors. All communications should be in written form and directed to our corporate secretary at the following address:

Mr. Daniel V. Atwood, Secretary
United Natural Foods, Inc.
260 Lake Road, P.O. Box 999
Dayville, CT 06241-0999

Communications should be enclosed in a sealed envelope that prominently indicates that it is intended for the Board of Directors. Each communication intended for the Board of Directors and received by the corporate secretary that is related to our operation and is relevant to a specific director's service on the Board of Directors will be forwarded to the specified party following its clearance through normal review and appropriate security procedures.

Non-employee Director Compensation

Each year, our Board of Directors and the Compensation Committee of the Board review and determine compensation for our non-employee directors. The components of our non-employee director compensation are cash fees and awards of stock options and shares of restricted common stock. The Compensation Committee and our Board believe that compensation should fairly compensate non-employee directors for work required in a company of our size and scope and that compensation should align the non-employee directors' interests with the long-term interest of our stockholders. Our non-employee director stock ownership guidelines, which are discussed in greater detail below, also are designed to align the interests of our non-employee directors with those of our stockholders. Employee directors do not receive any compensation for their Board service.

Fees

Each non-employee director receives $2,200 for attendance at each meeting of the Board of Directors and $1,100 for attendance at each telephonic meeting of the Board of Directors. Each member of the Compensation, Finance and Nominating and Governance Committees of the Board of Directors receives $1,100 for attendance at each meeting of the applicable committee. Members of the Audit Committee of the Board of Directors receive $1,700 for attendance at each meeting of the Audit Committee. Additionally, the chairs of the Compensation, Finance and Nominating and Governance Committees each receive an annual retainer of $8,000. The chair of the Audit Committee receives an annual retainer of $15,000. Each director is reimbursed for expenses incurred in connection with his or her attendance at meetings of the Board of Directors and its committees. Additionally, the Chair of the Board and Lead Independent Director receives an annual retainer of $75,000 and each other non-employee director receives an annual retainer of $30,000.

Stock Options and Restricted Stock

In the fiscal year ended July 28, 2007, current non-employee directors received an annual grant of (i) an option to purchase 2,660 shares of common stock and (ii) 3,192 shares of restricted common stock for their participation on the Board of Directors. One-third of the annual option grant vested immediately, and the remaining two-thirds vest in equal annual installments over a two-year period from the date of grant. The options have an exercise price equal to the closing price of our common stock on NASDAQ on the grant date. One-third of the annual restricted stock grant vested immediately, and the remaining two-thirds vest in equal annual installments over a two-year period from the grant date. The Chair of the Board and Lead Independent Director does not receive a stock option grant and instead receives an annual grant of 9,000 shares of restricted common stock, with a vesting schedule consistent with the vesting of the restricted stock grants to other non-employee directors. Additionally, during fiscal 2007, we appointed a new director to the Board who received an initial grant of (i) an option to purchase 4,000 shares of common stock and (ii) 4,800 shares of restricted stock, with a vesting schedule consistent with the vesting of the option and restricted stock grants to other non-employee directors.

Deferred Compensation

Our non-employee directors 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 Compensation Committee. Under the Deferred Compensation Plan, each non-employee director participant may elect to defer a minimum of $1,000 and a maximum of 100% of the director fees earned by such participant in a fiscal year. Under the Deferred Stock Plan, each non-employee director participant may elect to defer between 0% and 100% of such director's restricted stock award compensation and gains on stock option award compensation earned in a fiscal year. For fiscal 2007, four of our non-employee directors elected to participate in the Deferral Plans.

The Deferral Plans were established to provide participants with the opportunity to defer the receipt of all or a portion of their compensation, including restricted stock grants and gains on stock options. Under the Deferral Plans, only the payment of the compensation earned by each such participant is deferred and there is no deferral of the expense in our 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.

For the first five months of fiscal 2007, deferrals under the Deferred Compensation Plan earned interest at the overnight national five-year certificate of deposit rate, as reported by bankrate.com (as captured on the first and last business date of each quarter and averaged) plus 3%. As of January 1, 2007, participants were given the ability to choose among 10 different mutual funds within this plan. This change was made in order to provide participants with investment options similar to those offered through the Company's 401(k) plan. Deferrals under the Deferred Stock Plan are credited or debited by amounts determined based on the performance of the United Natural Foods, Inc. Stock Fund. The United Natural Foods, Inc. Stock Fund (the "Stock Fund") is a fund into which our employees may contribute amounts deferred under our 401(k) plan in order to purchase shares of the Company's common stock and certain short-term investments. The performance of the Stock Fund is based upon the performance of our common stock and, to a lesser extent, the performance of the short-term investments held in the Stock Fund.

The following table summarizes the 2007 compensation provided to all persons who served as non-employee directors during our fiscal year 2007.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation	Total($)
Gordon D. Barker	$ 79,700	$ 78,222	$ 19,209		$ 177,131
Joseph M. Cianciolo	$ 84,500	$ 78,222	$ 19,209		$ 181,931
Gail A. Graham	$ 72,800	$ 78,222	$ 19,209		$ 170,231
James P. Heffernan	$ 83,000	$ 78,222	$ 19,209		$ 180,431
Peter Roy(4)	$ 21,600	$ 6,617	$ 1,576		$ 29,792
Thomas B. Simone	$ 113,800	$ 220,640	$		$ 334,440

(1) This column reports the amount of cash compensation earned in fiscal 2007 for Board and committee service.

(2) This column represents the dollar amount recognized by us for financial statement reporting purposes with respect to the 2007 fiscal year for the fair value of restricted stock granted in fiscal 2007 as well as in prior fiscal years in accordance with SFAS 123(R). Fair value is initially calculated using the closing price of United Natural Foods' common stock on the date of grant. The following directors had outstanding restricted stock awards at July 28, 2007: Mr. Barker, Mr. Cianciolo, Ms. Graham and Mr. Heffernan (3,192 shares each), Mr. Roy (4,800 shares) and Mr. Simone (9,000 shares). Ms. Graham and Messrs. Barker, Cianciolo and Heffernan were each granted an award of 3,192 shares of restricted stock on December 6, 2006, each with a grant date fair value of $116,827. Mr. Roy was granted an award of 4,800 shares of restricted stock on June 25, 2007 with a grant date fair value of $130,704. Mr. Simone was granted an award of 9,000 shares of restricted stock on December 6, 2006 with a grant date fair value of $329,400.

(3) This column represents the dollar amount recognized by us for financial statement reporting purposes with respect to the 2007 fiscal year for the fair value of stock options granted in fiscal 2007 as well as in prior fiscal years. The fair value was estimated using the Black-Scholes option pricing model in accordance with SFAS 123(R). The fair value of the stock option granted to Mr. Roy on June 25, 2007 was $7.80 per share, based on assumptions of 3.0 years expected life, expected volatility of 33.3%, expected dividend yield of 0.0%, and a risk free rate of 4.92%. The fair value of each stock option granted to all other non-employee directors on December 6, 2006 was $10.58 per share, based on assumptions of 3.0 years expected life, expected volatility of 34.6%, expected dividend yield of 0.0%, and a risk free rate of 4.48%. The grant date fair value of Mr. Roy's option award during 2007 was $31,199. We ceased granting stock options to Mr. Simone in fiscal 2004. The grant date fair value of stock options granted to each of Ms. Graham and Messrs. Barker, Cianciolo and Heffernan during fiscal 2007 was $28,133. At July 28, 2007, the number of shares of common stock underlying the outstanding option awards held by our

non-employee directors was as follows: Mr. Barker (82,620 shares), Mr. Cianciolo (18,620 shares), Ms. Graham (13,620 shares), Mr. Heffernan (58,620 shares), Mr. Roy (4,000 shares) and Mr. Simone (106,600 shares).

(4) Mr. Roy began his tenure as a non-employee director in June 2007.

Stock Ownership Requirement

All non-employee directors are required to hold shares of stock in the Company in an amount that is determined in accordance with a formula based upon the compensation expense recorded by the Company in connection with annual equity grants to our non-employee directors. We make grants of restricted stock under our 2004 Equity Incentive Plan and stock option grants under our 2002 Stock Incentive Plan. The minimum share ownership level for each non-employee director is equal to 50% of the number of shares that would have been covered by a stock option grant under the 2002 Stock Incentive Plan with an equal compensation expense to that of the director's combined equity grants under the 2004 Equity Incentive Plan and the 2002 Stock Incentive Plan for the prior fiscal year. Non-employee directors who served on the Board in or prior to fiscal 2004, when this requirement was instituted by the Board, were required to attain this level of stock ownership within three years. Non-employee directors who were elected or appointed to the Board after fiscal 2004 are required to attain this level of stock ownership within five years following their election or appointment to the Board. In either case, once attained, each non-employee director is required to maintain this level of stock ownership for as long as the director serves on the Board.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy

Our executive compensation program for the executive officers listed in the summary compensation table included in this proxy statement (the "*Named Executive Officers*") is designed to attract, as needed, individuals with the skills necessary for us to achieve our business plan, to motivate our executive talent, to reward those individuals fairly over time and to retain those individuals who continue to perform at or above the levels that are deemed necessary to ensure our success. The program is also designed to reinforce a sense of ownership in the Company, urgency with respect to meeting deadlines and overall entrepreneurial spirit and to link rewards to measurable corporate and individual performance metrics. In applying these principles we seek to integrate compensation programs with our short and long-term strategic plans and to align the interests of the Named Executive Officers with the long-term interests of stockholders through equity award opportunities.

Administration of our Compensation Program

The compensation program for our Named Executive Officers is administered by the Compensation Committee and is reviewed on an annual basis to ensure that remuneration levels and benefits adequately incentivize our Named Executive Officers to perform at high levels, are competitive with compensation provided to similarly situated executive officers of companies with which we compete for executive talent, are reasonable in light of our corporate performance and continue to achieve the goals described under "Compensation Philosophy" above. The components of our compensation program are (a) base compensation or salary; (b) discretionary annual bonus; (c) the grant of equity awards in the form of stock options and shares of restricted stock; and (d) other compensation and employee benefits generally available to all of our employees.

Neither we nor our Compensation Committee retained a compensation consultant to review policies and procedures with respect to executive compensation or to advise the Company on compensation matters in fiscal 2007. Although we do not set compensation levels for our Named Executive Officers based solely on benchmarking, we do seek to provide salary, incentive compensation opportunities and employee benefits that are competitive within the natural products industry and within the geographic labor markets in which we compete for executive talent.

Determining Named Executive Officer Compensation

We view the four components of our compensation program as related because they are each designed to achieve the goals of our compensation philosophy, but distinct in that we believe the attainment by a Named Executive Officer of a significant amount of compensation from one component of compensation should not negate or reduce compensation from other components if relevant performance goals have been met. We determine the appropriate level for each compensation component based on a number of factors, including survey data regarding compensation practices of companies with whom we believe we compete for executive talent; our recruiting and retention goals; our corporate performance, measured primarily by operating income as a percentage of net sales; our view of internal equity and consistency in the compensation of similarly situated employees within the Company; and attainment by the Named Executive Officers of individual performance goals. Our Compensation Committee has not adopted any formal policies or guidelines for allocating compensation between short-term and long-term compensation or, with respect to short-term compensation, between cash and non-cash compensation. However, our Compensation Committee's philosophy, generally, is that cash compensation should comprise a greater portion of the Named Executive Officers' total compensation than should equity-based compensation. Because our Named Executive Officers' total compensation generally is at or below the median total compensation within the Comparison Group, through 2007 it has been the Compensation Committee's belief that it is appropriate for cash compensation to comprise a larger portion of total compensation than does equity- based compensation. This ensures that the Named Executive Officers' total compensation is not less than total compensation of the lowest quartile of Comparison Group companies in the event that the Company's stock does not perform as well as expected and offers the opportunity for our Named Executive Officers' total compensation to exceed the median due to superior performance of the Company's stock. The Compensation Committee also believes that the portion of the Named Executive Officers' compensation that consists of equity-based grants should serve to align our Named Executive Officers' interests with those of our stockholders because the Named Executive Officers are rewarded for corporate performance over time. The Compensation Committee, with the assistance of a compensation consultant, is in the process of reassessing its position with respect to the relative portion of our Named Executive Officers' total compensation comprised by equity awards and cash.

Role of Management in Executive Compensation

Mr. Funk, our President and Chief Executive Officer, and Mr. Shamber, our Chief Financial Officer, provide the Compensation Committee with an assessment of the performance of the Company and of other executive officers, and make recommendations for the compensation of other executive officers based on our corporate performance. Mr. Funk and Mr. Shamber also provide input on one another's individual performance. Specifically, in the process of setting fiscal 2007 compensation levels for our Named Executive Officers, Mr. Funk and Mr. Shamber presented a measure of operating income as a percentage of net sales, adjusted for certain specific exclusions, to the Compensation Committee. Examples of exclusions from operating income are losses on sales of facilities, losses on reclassification of facilities to held-for-sale, lease termination expenses, start-up costs related to significant new business, and other events that are considered non-recurring. The Compensation Committee uses this information as well as qualitative factors, to determine the percentage of target bonuses to be obtained by each Named Executive Officer as well as year over year increases in overall compensation levels. The Compensation Committee believes that this is an appropriate measure of the Company's performance and that it is meaningful in determining compensation because this measurement is consistent with our long-term stated objective of achieving a 4% operating margin. The Compensation Committee makes all decisions with respect to the compensation of our Chief Executive Officer and other executive officers. No executive officer makes any decision on any element of his or her own compensation.

Tax Deductibility of Compensation

We attempt to ensure that both cash and equity components of the Named Executive Officers' total compensation are tax deductible for the Company, to the maximum extent possible, by the use of stockholder-approved plans that are intended to comply, to the extent practicable, with Section 162(m) of the Code. However, our cash-based incentive plan is not stockholder approved and therefore an award made under that plan to our Chief Executive Officer or any of our other three highest paid executive officers would not be deductible by the Company to the extent that the officer's total compensation for the fiscal year in which the award was made exceeded $1,000,000. The Compensation Committee will continue to review and evaluate, as necessary, the impact of Section 162(m) on our executive compensation programs.

Components of our Compensation Program

Our Named Executive Officer compensation program currently has four primary components: (a) base compensation or salary; (b) discretionary annual bonus; (c) the grant of equity awards in the form of stock options and shares of restricted stock; and (d) other compensation (including perquisites) and employee benefits generally available to all of our employees, such as participation in the Company's 401(k) plan and ESOP.

Base Salary

Base salaries for our Named Executive Officers, other than Mr. Funk, are established based on the scope of their respective responsibilities, taking into account competitive market compensation paid by other companies for individuals in similar positions. We engaged Pearl Meyer and Partners to conduct a compensation survey in 2004 and have based compensation decisions on that survey through fiscal 2007. Generally, however, we have increased our Named Executive Officers' base salaries since that time because of growth in our total revenues and net income. Companies in our survey group included Del Monte Foods, Hain Celestial Group, Inc., Nash Finch Company, Whole Foods Market, Inc. and Wild Oats Markets, Inc. (the "*Comparison Group*"). The Comparison Group was chosen because of a number of factors, including geographic location, position in the natural products industry or related industries, market capitalization and revenues. We believe that the Comparison Group remains appropriate and relevant for purposes of benchmarking compensation for fiscal 2007 because the companies included in the Comparison Group are generally consistent with companies selected for comparison in a compensation study used to assess compensation levels for fiscal 2008. Generally, in line with our compensation philosophy, we believe that Named Executive Officers' base salaries should be targeted in the second quartile (i.e. 26% to 50%) of the range for officers in like positions with similar responsibilities in the Comparison Group companies. Adjustments to this target are made based on experience, time in a specific position and service to the Company. We fix Named Executive Officer base compensation at levels which we believe enable us to hire and retain individuals in a competitive environment and to reward satisfactory performance, based upon prior contributions to our overall business goals. Base salaries are generally reviewed annually, but may be adjusted from time to time to realign salaries with market levels, taking into account the Named Executive Officer's responsibilities, performance and experience. In reviewing base salaries, we consider several factors, including cost of living increases, levels of responsibility, experience, a comparison to base salaries paid for comparable positions by companies in our Comparison Group, as well as our own base salaries for other executives, and achievement of corporate and individual performance goals. The annual review usually occurs in the first quarter of each fiscal year and has been completed for fiscal 2007.

Base salaries for our Named Executive Officers, other than Mr. Funk, increased in fiscal 2007 from salaries paid for fiscal 2006. Mr. Funk's base salary remained the same in fiscal 2007 as in fiscal 2006. Generally, the increases in base salaries were the result of the Company's performance in 2006. In addition, each of Mr. Shamber's and Mr. Beaudry's base salary increased in fiscal 2007 from that paid for fiscal 2006 as a result of 2007 being Mr. Shamber's first full fiscal year serving as our Chief Financial Officer and Mr. Beaudry's first full fiscal year serving as our President of the Eastern Region.

Discretionary Bonus

We provide incentive compensation to our Named Executive Officers in the form of cash bonuses based on individual and Company-wide financial and operational performance and/or results, consistent with our emphasis on maintaining a pay-for-performance incentive program. We generally utilize cash bonuses to reward performance achievements for the time horizon of one year or less. The factors considered by the Compensation Committee in setting cash bonus amounts vary depending on the individual executive, but relate generally to strategic factors such as sales, operating performance, operating margins and profitability. For fiscal 2007, bonus amounts were determined based upon:

- the Compensation Committee's review of a measure based on operating income as a percentage of net sales adjusted for certain specific exclusions, such as losses on sales of facilities, losses on reclassification of facilities to held-for-sale, lease termination expenses, start-up costs related to significant new business, and other events that are considered non-recurring, either for a specific division or the Company as a whole, as appropriate, for the particular Named Executive Officer;

the Compensation Committee's consideration of other factors applicable to each Named Executive Officer, for example, how Company activities in the fiscal year, including the opening of new facilities within a region or the impact of acquisitions, may have affected operating income as a percentage of net sales; and

the Named Executive Officer's achievement of individual performance goals. Individual performance goals are developed by each Named Executive Officer and are presented to the Compensation Committee for consideration. The Compensation Committee may accept the Named Executive Officer's proposed performance goals or modify the goals in its discretion. Individual goals may include operational initiatives such as contract or new business negotiation and implementation, division specific growth rates, personnel recruitment and development, completion of acquisition related matters and/or successful implementation of cost reduction initiatives.

With respect to Company-based performance goals, the Compensation Committee believes that a measure based on operating income as a percentage of net sales, whether for a specific division or the Company as a whole, is an appropriate measure of the Company's performance and that it is meaningful in determining compensation because this measurement is consistent with our long-term stated objective of achieving a 4% operating margin. We do not believe that this performance goal is easily attainable by our Named Executive Officers.

The targeted bonus amounts for our Named Executive Officers are determined as a percentage of base salary, generally 50% to 60%. We believe that bonus amounts that range between 50% and 60% of our Named Executive Officers' base salaries helps implement our overall compensation philosophy that our Named Executive Officers' total compensation should be targeted at approximately the second quartile (i.e. 26% to 50%) of the range for officers in like positions with similar responsibilities in the Comparison Group companies. As described below, the payment of all or any portion of the targeted bonus amounts is within the discretion of the Compensation Committee, based on its analysis of the factors described above. Mr. Funk, our President and Chief Executive Officer, does not receive an annual cash bonus, but instead may receive a grant of restricted stock as discussed under "Long-term Incentive Program," below.

For each other Named Executive Officer, the actual amount of the annual cash bonus is determined and paid in two installments. In the third quarter of each fiscal year, the Compensation Committee reviews each Named Executive Officer's individual performance and contribution to our strategic goals relative to the performance goals described above for the first two quarters of the fiscal year. Based on the outcome of that review, the Compensation Committee determines whether and to what extent the Named Executive Officer is entitled to receive up to 50% of his or her targeted annual cash bonus amount. The Compensation Committee cannot award any Named Executive Officer more than 50% of his or her targeted annual bonus amount at that time. Once the amount of the initial portion of the annual award is determined, the Company pays that amount to the Named Executive Officer. In the first quarter of the fiscal year following the fiscal year in which the bonus is earned by the Named Executive Officer, the Compensation Committee reviews the performance of the Named Executive Officer during the third and fourth quarters of the prior fiscal year relative to the performance goals described above. Based on the outcome of that review, the Compensation Committee determines whether and to what extent the Named Executive Officer is entitled to receive a cash bonus of up to the amount of his or her targeted bonus amount remaining after the bonus payment made in the third quarter. The Compensation Committee cannot award a Named Executive Officer an aggregate annual cash bonus that exceeds the Named Executive Officer's targeted bonus amount for a fiscal year. Once the amount of this portion of the annual award is determined, the

Company pays that amount to the Named Executive Officer. The Compensation Committee cannot recoup from a Named Executive Officer the amount of any bonus paid in the first semi-annual installment if his or her performance declines in the second half of the fiscal year, but can award a Named Executive Officer a larger portion of the targeted cash bonus than is allocated to the second half of the year (provided that the aggregate annual cash bonus payout for the Named Executive Officer does not exceed 100% of the targeted cash bonus amount for that year).

Other than Mr. Funk, who does not receive an annual cash bonus, and Mr. Beaudry, who received 100% of his targeted cash bonus, each of our Named Executive Officers received 70% of his targeted annual cash bonus amounts for fiscal 2007. The payment of 70% of targeted annual cash bonuses was due to lower than expected Company performance. The dollar amount of bonuses paid to Named Executive Officers other than Mr. Shamber and Mr. Beaudry decreased from fiscal 2006 to fiscal 2007 as a result of lower than expected Company performance. Mr. Shamber's bonus increased for fiscal 2007 from that paid for fiscal 2006 as a result of 2007 being his first full fiscal year serving as our Chief Financial Officer. Mr. Beaudry's bonus increased for fiscal 2007 from that paid for fiscal 2006 as a result of 2007 being his first full fiscal year serving as our President of the Eastern Region, as well as better than expected performance within that division.

Long-term Incentive Program

We believe that long-term Company performance is aided by a culture that encourages superior performance by our Named Executive Officers, and that equity awards encourage and appropriately reward such superior performance. We have established our equity award plans in order to provide our Named Executive Officers with incentives to further align their interests with the interests of the stockholders.

Stock options and shares of restricted stock are granted annually in December to our executive officers, including our Named Executive Officers, and generally vest in equal amounts over four years. Stock options are granted at an option price equal to the fair market value of our common stock on the date of grant and will only have value if our common stock price increases. The Compensation Committee reviews and approves stock option and restricted stock awards to our Named Executive Officers based upon consideration of competitive compensation data, its assessment of individual performance, a review of each Named Executive Officer's long-term incentives, equity compensation as a percentage of total compensation, retention considerations, the executive's position within the Company and certain other relevant considerations, including the historical performance of the executive. With respect to the executive's position within the Company, we assign guideline ranges of equity award levels to particular positions within the Company. The Compensation Committee may disregard these guideline ranges upon a determination that the other factors listed above should result in an equity award that exceeds or is less than the specified range for a Named Executive Officer's position within the Company, although it has never done so. The Compensation Committee also considers equity compensation as a percentage of total compensation in determining the amount of equity awards.

We also have a policy that requires our executive officers, including our Named Executive Officers, and senior officers to hold shares of stock in the Company in an amount that is determined in accordance with the same formula described above under "Non-Employee Director Compensation Stock Ownership Requirement," except that each Named Executive Officer's minimum share ownership level is based on equity grants made to such Named Executive Officer. The executive officers must maintain the minimum share holdings for as long as they are employed by the Company. Executive officers, including Named Executive Officers, who served as executive officers in or prior to fiscal 2004, when this requirement was instituted, were required to attain this level of stock ownership within three years. Executive officers, including Named Executive Officers, who were hired after fiscal 2004 are required to attain this level of stock ownership within five years following their appointment as an executive officer.

For fiscal 2007, we granted our Named Executive Officers stock options and shares of restricted stock that, in the aggregate, covered the same number of shares of our common stock that were covered by equity grants in fiscal 2006. Year-over-year, the value of these awards to the Named Executive Officers and the compensation expense incurred by us increased due to increases in our common stock price and, with respect to the compensation expense incurred by us, other assumptions used within the Black-Scholes model used for option pricing.

Other Compensation

Our Named Executive Officers are eligible for the same level and offering of benefits that we make available to other employees, including our ESOP, 401(k) plan, health care plan, life insurance plans, and other welfare benefit programs. In addition to the standard benefits offered to all employees, our Named Executive Officers are eligible to participate in the Deferral Plans. For a description of the Deferral Plans, see "Nonqualified Deferred Compensation" below.

The Company does not have any defined benefit pension or retirement plans.

Perquisites and Other Benefits

The Company provides Named Executive Officers with perquisites and other benefits that we believe are reasonable and consistent with our overall executive compensation program. The costs of these benefits constitute only a small portion of each Named Executive Officer's total compensation and include Company contributions to the Company's defined contribution benefit plan, automobile allowances and payment of fees for relocation. The Company offers perquisites and other benefits that we believe to be competitive with benefits offered by companies with whom we compete for talent for purposes of recruitment and retention.

Employment Agreements

We are not a party to any currently effective employment agreement with any of our Named Executive Officers. We believe that employment agreements are not currently necessary in order to attract and retain talented personnel. However, due to the ever-changing marketplace in which we compete for talent, this practice is regularly reviewed by the Compensation Committee to help ensure that we remain competitive in our industry. We may enter into employment agreements with executive officers in the future if the Compensation Committee determines that such arrangements are in our best interest at that time.

Severance Agreements

We have entered into severance agreements with Richard Antonelli, Daniel A. Atwood and Michael Beaudry. The severance agreements require us to pay to the executive his base salary in effect as of the termination date of the executive's employment with us and provide certain medical benefits for a period of one year following either the termination of the executive officer for a reason other than cause, death or disability, or a resignation by the executive officer for good reason. In addition, in the event of either a termination of the executive officer for a reason other than cause, death or disability or a resignation by the executive officer for good reason within one year of a change in control (as such term is defined in the agreement), the executive officer shall be entitled to the severance payments and medical benefits provided in the previous sentence, acceleration and full vesting of all unvested stock options and restricted stock grants made to the executive officer, and the full vesting of the executive officer's account under our ESOP. In addition, the severance agreements include confidentiality, non-competition and intellectual property assignment provisions.

Participants in our Deferral Plans who terminate their employment with us due to retirement disability or death will be paid their Deferral Plan balances in a lump sum or in installments over a pre-determined period of time. Participants who terminate their employment with us for any other reason will receive payment of their Deferral Plan balances in the form of a lump sum, to be paid not later than sixty days after either (a) the six-month anniversary of the date on which the participant's employment with us terminates, if the participant is a "key employee" under the Deferral Plans or (b) the date on which the participant's employment with us terminates, for all other participants.

CEO Compensation

Mr. Funk was hired as President and Chief Executive Officer in October 2005. Mr. Funk's base compensation was set at $700,000 for fiscal 2006, which was consistent with compensation for our previous Chief Executive Officer and was maintained at that level for fiscal 2007. This base salary was set based on comparative data from the survey performed by Pearl Meyer and Partners in 2004 and described under "Base Salary," above. Mr. Funk declined a pay increase for fiscal 2007 and does not receive a cash bonus. In addition, Mr. Funk did not receive a bonus for the fiscal year ended July 28, 2007 in the form of restricted stock, as he did for the fiscal year ended July 29, 2006, as a result of Mr. Funk's preference not to receive such a bonus and the Compensation Committee's determination that the Company did not perform as well as expected in fiscal 2007. Mr. Funk does not have an employment agreement with the Company.

Timing of Equity Grants

Annual equity awards are granted on the date of the Annual Meeting of Stockholders upon approval by the Board of Directors. Non-employee directors, executive officers, including our Named Executive Officers, and key management employees may also receive discretionary equity grants on their respective dates of appointment, hire or promotion. We did not have a program during fiscal 2007 to select option grant dates for our non-employee directors, executive officers and key management employees in coordination with the release of material non-public information. None of management, the Board of Directors, or the Compensation Committee have in the past or plan in the future to time the release of material non-public information for the purpose of affecting the value and amount of equity incentive awards.

Potential Impact on Compensation from Executive Misconduct

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