

Sprouts Farmers Market, Inc.  
Form DEF 14A  
March 20, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material pursuant to §240.14a-12

**Sprouts Farmers Market, Inc.**  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Proxy Statement for  
2017 Annual Meeting of Stockholders

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March 20, 2017

Dear Fellow Sprouts Stockholder:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders of Sprouts Farmers Market, Inc., which will be held at the Omni Dallas Hotel, 555 S. Lamar St., Dallas, Texas 75202, on Tuesday, **May 2, 2017** at **8:00 a.m.**, local time.

At the Annual Meeting, we will ask you to elect two members of our board of directors; vote on a non-binding advisory resolution to approve the compensation paid to our named executive officers for fiscal 2016 (commonly referred to as "say-on-pay"); and ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the 2017 fiscal year.

We have elected to provide access to proxy materials over the Internet under the Securities and Exchange Commission's notice and access rules to reduce the environmental impact and cost of our Annual Meeting. However, if you prefer to receive paper copies of our proxy materials, please follow the instructions included in the Notice of Internet Availability.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, we urge you to promptly vote and submit your proxy via the Internet, by telephone, or by mail, in accordance with the instructions included in the proxy statement.

On behalf of our board of directors, I would like to thank you for your continued interest and investment in Sprouts Farmers Market.

Sincerely,

Amin Maredia

Director and Chief Executive Officer

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**SPROUTS FARMERS MARKET, INC.**

**NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS**

**Time and Date:** Tuesday, **May 2, 2017** at **8:00 a.m.** local time.

**Place:** Omni Dallas Hotel, 555 S. Lamar St., Dallas, Texas 75202

- Items of Business:**
- (1) To elect two Class I directors to serve until the 2020 annual meeting of stockholders or until their successors are duly elected and qualified;
  - (2) To vote on a non-binding advisory resolution to approve the compensation paid to our named executive officers for fiscal 2016 ( say-on-pay );
  - (3) To ratify the appointment of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as our independent registered public accounting firm for the fiscal year ending December 31, 2017; and
  - (4) To consider such other business as may properly come before the meeting or any adjournment or postponement thereof.

**Adjournments and Postponements:** Any action on the items of business described above may be considered at the Annual Meeting at the time and on the date specified above or at any time and date to which the Annual Meeting may be properly adjourned or postponed.

**Record Date:** Holders of record of our common stock as of the close of business on March 6, 2017 are entitled to notice of, and to vote at, the Annual Meeting.

**Voting:** Your vote is very important. To ensure your representation at the Annual Meeting, we urge you to vote by proxy as promptly as possible over the Internet or by phone as instructed in the Notice of Internet Availability of Proxy Materials or, if you receive paper copies of the proxy materials by mail, you can also vote by mail by following the instructions on the proxy card. All stockholders as of the record date are invited to attend the Annual Meeting. You may vote in person at the Annual Meeting even if you have previously returned a proxy.

By Order of the Board of Directors,

Brandon F. Lombardi

Chief Legal Officer and Corporate Secretary

*This notice of Annual Meeting and proxy statement and form of proxy are being distributed and made available on or about March 20, 2017.*

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on May 2, 2017.**

This proxy statement and our 2016 Annual Report to Stockholders, which includes our Annual Report on Form 10-K for the fiscal year ended January 1, 2017, are available at [www.proxyvote.com](http://www.proxyvote.com) and at [investors.sprouts.com](http://investors.sprouts.com).

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This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should review all of the information contained in the proxy statement before voting.

**Annual Meeting of Stockholders**

**Date:** Tuesday, May 2, 2017  
**Time:** 8:00 a.m., local time  
**Location:** Omni Dallas Hotel, 555 S. Lamar St., Dallas, Texas 75202  
**Record Date:** March 6, 2017  
**Voting:** Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote.

**Proposals and Voting Recommendations**

	<b>Board Recommendation</b>	<b>Page</b>
Election of Directors		
Terri Funk Graham	For	16
Steven H. Townsend	For	16
Advisory vote on the compensation paid to our named executive officers for fiscal 2016	For	48
Ratification of our independent registered public accounting firm	For	50

**Voting Methods**

You can vote in one of four ways:

Visit [www.proxyvote.com](http://www.proxyvote.com) to vote **VIA THE INTERNET**

Call 1-800-690-6903 to vote **BY TELEPHONE**

Sign, date and return your proxy card in the prepaid enclosed envelope to vote **BY MAIL**

Attend the meeting to vote **IN PERSON**

To reduce our administrative and postage costs and the environmental impact of the Annual Meeting, we encourage stockholders to vote via the Internet or by telephone, both of which are available 24 hours a day, seven days a week, until 11:59 p.m. Eastern Time on May 1, 2017. Stockholders may revoke their proxies at the times and in the manners described on page 4 of this proxy statement.

If your shares are held in street name through a bank, broker, or other holder of record, you will receive voting instructions from the holder of record that you must follow in order for your shares to be voted. If you wish to vote in person at the meeting, you must obtain a legal proxy from the bank, broker or other holder of record that holds your shares.



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**SPROUTS FARMERS MARKET, INC.**

**5455 East High Street, Suite 111**

**Phoenix, Arizona 85054**

**2017 ANNUAL MEETING OF STOCKHOLDERS**

**GENERAL INFORMATION**

This proxy statement and the enclosed form of proxy are solicited on behalf of Sprouts Farmers Market, Inc., a Delaware corporation, by our board of directors for use at the 2017 Annual Meeting of Stockholders (referred to as the *Annual Meeting* ) and any postponements or adjournments thereof. The Annual Meeting will be held at the Omni Dallas Hotel, 555 S. Lamar St., Dallas, Texas 75202, on Tuesday, **May 2, 2017** at **8:00 a.m.** local time.

**Internet Availability of Proxy Materials**

In accordance with rules adopted by the Securities and Exchange Commission (referred to as the *SEC* ) that allow companies to furnish their proxy materials over the Internet, we are mailing a Notice of Internet Availability of Proxy Materials instead of a paper copy of our proxy statement and our 2016 Annual Report to most of our stockholders. The Notice of Internet Availability of Proxy Materials contains instructions on how to access those documents and vote over the Internet. The Notice of Internet Availability of Proxy Materials also contains instructions on how to request a paper copy of our proxy materials, including this proxy statement, our 2016 Annual Report, and a form of proxy card. We believe this process will allow us to provide our stockholders the information they need in a more timely manner, while reducing the environmental impact and lowering our costs of printing and delivering the proxy materials.

These proxy solicitation materials are being first provided on or about March 20, 2017 to all stockholders entitled to vote at the meeting.

**Record Date**

Stockholders of record at the close of business on the record date of March 6, 2017 are entitled to notice of and to vote at the meeting.

**Number of Outstanding Shares**

On the record date, there were 136,537,869 outstanding shares of our common stock, par value \$0.001 per share.

**Requirements for a Quorum**

The holders of a majority of the issued and outstanding shares of common stock entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business at the meeting. Each stockholder voting at the meeting, either in person or by proxy, may cast one vote per share of common stock held on all matters to be voted on at the meeting.

**Votes Required for Each Proposal**

Assuming that a quorum is present, directors shall be elected by a plurality of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Therefore, the two nominees who receive the greatest number of affirmative votes cast shall be elected as directors. Our stockholders do not have cumulative voting rights for the election of directors.

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The advisory vote on the compensation of our named executive officers for fiscal 2016 (commonly referred to as a say-on-pay proposal) and the proposal to ratify PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017 shall each be decided by the affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote thereon.

Although the say-on-pay vote is non-binding, it will provide information to our compensation committee and our board of directors regarding investor sentiment about our executive compensation philosophy, policies, and practices, which our compensation committee and our board of directors will consider when determining executive compensation for the years to come.

The vote on each matter submitted to stockholders is tabulated separately. Broadridge Financial Solutions, or a representative thereof, will tabulate the votes.

## **Our Board's Recommendation for Each Proposal**

Our board of directors recommends that you vote your shares:

FOR each of the two Class I director nominees;

FOR the say-on-pay proposal; and

FOR the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.

## **Voting Instructions**

You may vote your shares by proxy by doing any one of the following: vote via the Internet at [www.proxyvote.com](http://www.proxyvote.com); call 1-800-690-6903 to vote by telephone; sign, date, and return your proxy or voting instruction card in the prepaid enclosed envelope to vote by mail; or attend the Annual Meeting to vote in person. When a proxy is properly executed and returned, the shares it represents will be voted at the meeting as directed.

If a proxy card is properly executed and returned and no voting specification is indicated, the shares will be voted (1) for the election of each of the two nominees for director set forth in this proxy statement, (2) for the non-binding advisory resolution to approve the compensation paid to our named executive officers for fiscal 2016, (3) for the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017, and (4) as the persons specified in the proxy deem advisable in their discretion on such other matters as may properly come before the meeting. As of the date of this proxy statement, we have received no notice of any such other matters.

If you attend the Annual Meeting, you may vote in person even if you have previously voted via the Internet or by phone or returned a proxy or voting instruction card by mail, and your in-person vote will supersede any vote previously cast.

## **Broker Non-Votes and Abstentions**

If you are a beneficial owner of shares held in street name and do not provide the broker, bank, or other nominee that holds your shares with specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote your shares on routine matters but cannot vote on non-routine matters. If the broker, bank, or other nominee that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform the inspector of election that it does not have the authority to vote on this matter with respect to your shares. This is commonly referred to as a broker non-vote.

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The election of directors (referred to as *Proposal 1* ) and the say-on-pay proposal (referred to as *Proposal 2* ) are matters considered non-routine under applicable rules. A broker, bank, or other nominee cannot vote without your instructions on non-routine matters; as a result, there may be broker non-votes on Proposals 1 and 2. **For your vote to be counted in the above proposals, you will need to communicate your voting decisions to your broker, bank, or other nominee before the date of the Annual Meeting using the voting instruction form provided by your broker, bank, or other nominee.**

The ratification of appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017 (referred to as *Proposal 3* ) is a matter considered routine under applicable rules. A broker, bank, or other nominee may generally vote on routine matters, and therefore no broker non-votes are expected in connection with Proposal 3.

Broker non-votes and abstentions each are counted for determining the presence of a quorum. The election of directors requires a plurality of votes cast. Neither broker non-votes nor any withhold votes in the election of directors will have any effect thereon. Because they represent votes present and entitled to vote that are not cast in favor of a proposal, abstentions will have the same effect as votes against Proposal 2 or Proposal 3. Broker non-votes, however, do not represent votes present and entitled to vote on non-routine matters, and therefore, will have no effect on Proposal 2.

## **Revoking Proxies**

Any stockholder giving a proxy may revoke the proxy at any time before its use by furnishing to us either a written notice of revocation or a duly executed proxy (via Internet, telephone, or mail) bearing a later date, or by attending the meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

## **Election Inspector**

Votes cast by proxy or in person at the meeting will be tabulated by the election inspector appointed for the meeting, who will determine whether a quorum is present. The election inspector will treat broker non-votes and abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum, and as described in the Broker Non-Votes and Abstentions section of this proxy statement for purposes of determining the approval of any matter submitted to stockholders for a vote. The election inspector need not be a stockholder, and any of our directors or officers may be an inspector on any question other than a vote for or against his or her election to any position with our company or on any other matter in which he or she may be directly interested.

## **Voting Results**

The final voting results from the Annual Meeting will be publicly disclosed in a Current Report on Form 8-K to be filed with the SEC within four business days of the Annual Meeting.

## **Costs of Solicitation of Proxies**

We will bear the cost of this solicitation, estimated to be approximately \$75,000. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for expenses incurred in forwarding solicitation materials to such beneficial owners. Proxies also may be solicited by certain of our directors and officers, personally or by telephone or e-mail, without additional compensation. We do not currently intend to engage any third-party proxy solicitor.

**Householding**

We are required to provide an Annual Report to all stockholders who receive this proxy statement. To reduce future costs to our company, if you are a stockholder of record and have more than one account in your name, or reside at the same address as other stockholders of record, you may authorize us to



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discontinue duplicate mailings of future Annual Reports, commonly referred to as householding. To do so, mark the designated box on each proxy card for which you wish to discontinue receiving an Annual Report. If you are voting via the Internet or by telephone, you can either follow the prompts when you vote or give instructions to discontinue duplicate mailings of future Annual Reports. Street name stockholders who wish to discontinue receiving duplicate mailings of future Annual Reports should review the information provided in the proxy materials mailed to them by their bank or broker. If, now or in the future, you wish to receive a separate copy of the Annual Report, please notify us by sending a written request to our Corporate Secretary at our principal executive offices, 5455 East High Street, Suite 111, Phoenix, Arizona 85054, and we will deliver a separate copy.

## **Attending the Annual Meeting**

You are entitled to attend the Annual Meeting only if you are a stockholder as of the close of business on March 6, 2017, the record date, or hold a valid proxy for the meeting. In order to be admitted to the Annual Meeting, you must present proof of ownership of Sprouts stock on the record date. This can be:

a brokerage statement or letter from a bank or broker indicating ownership on March 6, 2017;

the Notice of Internet Availability of Proxy Materials;

a printout of the proxy distribution email (if you received your materials electronically);

a proxy card;

a voting instruction form; or

a legal proxy provided by your broker, bank, or other nominee.

Admission to the Annual Meeting will be on a first-come, first-served basis and will require proof of ownership described above. Stockholders and proxy holders must also present a government-issued form of photo identification, such as a driver's license, and comply with customary security procedures. We will be unable to admit anyone who does not present identification or refuses to comply with our security procedures. The use of cameras or other recording devices will not be allowed at the Annual Meeting.

## **Availability of our Filings with the SEC**

Our 2016 Annual Report to Stockholders, which was made available to stockholders with or preceding this proxy statement, contains financial and other information about our company, but is not incorporated into this proxy statement and is not to be considered a part of these proxy materials or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The information contained in the Compensation Committee Report and the Report of the Audit Committee shall not be deemed filed with the SEC or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Exchange Act.

## Edgar Filing: Sprouts Farmers Market, Inc. - Form DEF 14A

Through our investor relations website, *investors.sprouts.com*, we make available free of charge all of our SEC filings, including our proxy statements, our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, and our Current Reports on Form 8-K, as well as Form 3, Form 4, and Form 5 reports of our directors, officers, and principal stockholders, together with amendments to these reports filed or furnished pursuant to Sections 13(a), 15(d), or 16 of the Exchange Act. We will also provide upon written request, without charge to each stockholder of record as of the record date, a copy of our Annual Report on Form 10-K for the fiscal year ended January 1, 2017 (referred to as the *Form 10-K* ), as filed with the SEC. Any exhibits listed in the Form 10-K report also will be furnished upon request at the actual expense we incur in furnishing such exhibits. Any such requests should be directed to our Corporate Secretary at our principal executive offices set forth in this proxy statement.

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**Electing to Receive Proxy Materials for Future Annual Meetings Electronically**

If you wish to join in Sprouts' sustainability efforts, you can instruct us to deliver our proxy materials for future annual meetings of stockholders to you electronically by e-mail. If you choose to access future proxy materials electronically, you will receive an e-mail with instructions containing a link to the website where those materials are available and a link to the proxy voting website. Your election to access proxy materials electronically will remain in effect until you terminate it. You may choose this method of delivery on our investor relations website, *investors.sprouts.com*.

**Other Information**

We report our results of operations on a 52- or 53-week fiscal year ending on the Sunday closest to December 31. Our last three completed fiscal years ended on December 28, 2014, January 3, 2016 and January 1, 2017. For ease of reference, we identify our fiscal years in this proxy by reference to the calendar year ending closest to the last day of such fiscal year. For example, we refer to our fiscal years ended December 28, 2014, January 3, 2016, January 1, 2017 and our fiscal year ending December 31, 2017 as fiscal 2014, fiscal 2015, fiscal 2016 and fiscal 2017, respectively. Fiscal 2015 was a 53-week year.

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**CORPORATE GOVERNANCE**

**Our Board**

Our business and affairs are managed by our board of directors, which consists of seven members.

**Joseph Fortunato**

**Chairman of the Board**

**Age: 64**

**Director since: 2013**

**Chairman since: 2017**

**Committees:**

**Compensation**

**Nominating and**

**Corporate Governance**

Mr. Fortunato has served as an Operating Partner at J.W. Childs Associates, L.P., an operationally focused private equity firm, since January 2017. Mr. Fortunato has also served as the Executive Chairman of Comoto Holdings, Inc., the parent company of Cycle Gear Inc. and RevZilla Motorsports, the largest retailer of motorcycle parts and apparel in the United States, since January 2016. Mr. Fortunato previously served as Chairman of the Board, Chief Executive Officer and President of GNC Holdings, Inc. (NYSE: GNC), a global specialty retailer of health and wellness products, from November 2005 to August 2014 and was a consultant from September 2014 through December 2016. From 1990 to November 2005, Mr. Fortunato served in various executive roles with General Nutrition Companies, Inc., including Senior Executive Vice President and Chief Operating Officer, Executive Vice President of Retail Operations and Store Development, Senior Vice President of Financial Operations, and Director of Financial Operations. Mr. Fortunato currently serves on the board of directors of Mattress Firm Holding Corp. (NASDAQGS: MFRM), a retailer of mattresses and bedding-related products. Mr. Fortunato earned his undergraduate degree in Finance at Duquesne University in 1975. Mr. Fortunato's record as an executive of a successful nationwide retail company, years of financial and operational experience, and experience on the boards of directors of public companies led to the conclusion that he should serve on our board.

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**Kristen E. Blum**

**Independent Director**

**Age: 51**

**Director since: 2016**

**Committees:**

**Audit**

**Nominating and**

**Corporate Governance**

Ms. Blum has served as Senior Vice President and Chief Information Officer of Frito-Lay since September 2015, where she leads the technology agenda for PepsiCo's \$14 billion snack and convenient foods business. Ms. Blum previously served PepsiCo as Senior Vice President and Chief Information Officer of Commercial Solutions, Innovation, Data and Analytics from July 2013 to September 2015, where she was responsible for creating global, enterprise data and analytics solutions, as well as Senior Vice President and Chief Information Officer of Enterprise Solutions from December 2010 to January 2012. Ms. Blum also has served as Executive Vice President and Chief Technology Officer of J.C. Penney Co. Inc. from January 2012 to June 2013 and Senior Vice President and Chief Information Officer of Abercrombie & Fitch from March 2006 to October 2010, where she oversaw the information technology function of each of these organizations. Ms. Blum's strategic orientation, strong business acumen and more than 25 years of experience in developing strategies and designing information technology solutions in the retail and consumer goods industries led to the conclusion that she should serve on our board.

**Shon A. Boney**

**Director**

Mr. Boney co-founded our company in 2002 and served as our Vice President and Chief Financial Officer from 2002 to 2005, as Chief Executive Officer from 2005 to August 2012, and Chairman from August 2012 until March 2013. Prior to founding our company, Mr. Boney served in various positions with Henry's Farmers Market ranging from store management to buyer to Director of Information Technology from 1986 to 2001. Mr. Boney's over 27 years of experience in the grocery industry, combined with his knowledge of our business, operations, strategy, and insights about our industry led to the conclusion that he should serve on our board.

**Age: 48**

**Director since: 2002**

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**Table of Contents****Terri Funk Graham****Independent Director****Age: 51****Director since: 2013****Committees:****Compensation****Nominating and****Corporate Governance,****Chairperson**

Ms. Graham has served as Chief Marketing Officer of Origin Entertainment, Inc., a broad based film and television production company committed to making a positive impact on the modern world through transformative entertainment, since March 2016, and served on the board of directors of 1-800 Contacts, the largest U.S. online retailer of contact lenses, from July 2015 to January 2016. Ms. Graham previously served as Chief Marketing Officer Red Envelope for Provide Commerce, Inc., an e-commerce gifting company from July 2013 to September 2014. Ms. Graham previously served on the board of Hot Topic, Inc., a formerly publicly traded (NASDAQGS: HOTT) mall and web-based specialty retailer from June 2012 to June 2013. From September 2007 to December 2012, Ms. Graham served as Sr. Vice President and Chief Marketing Officer at Jack in the Box Inc. (NASDAQGS: JACK), a restaurant company that operates and franchises Jack in the Box and Qdoba Mexican Grill restaurants. Ms. Graham, who joined Jack in the Box Inc. in 1990, previously served as Vice President and Chief Marketing Officer from December 2004 to September 2007, Vice President of Marketing from May 2003 to December 2004, and Vice President of Brand Communications and Regional Marketing from July 2002 to May 2003. Ms. Graham's over 27 years of branding and marketing experience in the retail and restaurant industries and public company board experience led to the conclusion that she should serve on our board.

**Amin N. Maredia****Director**

Mr. Maredia has served as our Chief Executive Officer since August 2015. Prior to his promotion to Chief Executive Officer, Mr. Maredia served as our Chief Financial Officer from August 2011 to August 2015. Prior to joining Sprouts, Mr. Maredia served in key strategic and finance roles for Burger King Corporation, one of the world's largest fast food retailers, including Vice President North America and Latin America Finance from 2009 to 2010, Vice President Strategic Planning and Treasurer from 2006 to 2009, and Assistant Controller from July 2005 to 2006. Prior to that, Mr. Maredia served as Assistant Treasurer and Assistant Controller for Dynegy, Inc. (NYSE: DYN), an energy producer and wholesaler, from 2002 to July 2005. Mr. Maredia began his career at PricewaterhouseCoopers in 1994, is a graduate of the Harvard Business

**Age: 44**

**Director since: 2016**

School General Management Program and holds an undergraduate degree in accounting from the University of Houston. We believe Mr. Maredia's extensive knowledge of all aspects of our business, finances, operations and strategies led to the conclusion that he should serve on our board.

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**Table of Contents****Lawrence ( Chip ) P. Molloy****Independent Director****Age: 55****Director since: 2013****Committees:****Audit, Chairperson  
Compensation**

Mr. Molloy served as the Chief Financial Officer of Under Armour, Inc. (NYSE: UA), a leading manufacturer and seller of performance footwear, apparel and equipment, from January 2016 to February 2017. Mr. Molloy served as Senior Advisor to Roark Capital Group, a private equity firm, from October 2014 to December 2015. Prior to that, Mr. Molloy served as Special Advisor to PetSmart, Inc. (NASDAQGS: PETM), the largest specialty pet retailer, from June 2013 until April 2014, and had previously served as Chief Financial Officer of PetSmart from September 2007 until June 2013. Prior to joining PetSmart, Mr. Molloy was employed by Circuit City Stores, Inc., a national consumer electronics retailer, from 2003 to 2007, where he served as Chief Financial Officer of Retail from 2006 to 2007, Vice President, Financial Planning and Analysis from 2004 to 2006, and the Director of Financial Planning and Analysis from 2003 to 2004. He served ten years in the U.S. Navy as a fighter pilot, later retiring from the Navy Reserve with a rank of Commander. Mr. Molloy's perspective as a senior financial executive well versed in financial and accounting matters, as well as operational matters in the retail industry, led to the conclusion that he should serve on our board.

**Steven H. Townsend****Independent Director****Age: 63****Director since: 2013**

Mr. Townsend has served as a Director of Velocity Brands, LLC since 2010, ME Holding Corporation, parent company of Massage Envy, LLC, a leading provider of therapeutic massage and skincare services, since 2012, and PetValu, a specialty retailer of pet food and pet-related supplies, since February 2015. He previously served as consultant to United Natural Foods Inc. (NASDAQGS: UNFI), the largest publicly traded wholesale distributor of natural foods, from December 2005 until December 2006. He served as Chairman of UNFI from December 2003 to December 2005 and as its Chief Executive Officer from January 2003 to October 2005 and its President from April 2001 to October 2005. He previously served in other roles at UNFI, including as Chief Financial Officer and as Chief Operating Officer since joining in 1981 as Controller. Mr. Townsend holds an M.B.A. in MIS and a B.S. in Accounting, Summa Cum Laude from Bryant College. Mr. Townsend's more than 32 years of senior management, financial, operational, information systems and human resources experience, including in the natural food industry, led to the conclusion that he should serve on our

**Committees:**

board.

**Audit**

**Compensation, Chairperson**

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**Table of Contents****Board Structure**

Our certificate of incorporation and bylaws provide for a classified board of directors with staggered three-year terms, consisting of three classes as follows:

<b>Class</b>	<b>Director</b>	<b>Independent</b>
Class I (term expires at 2017 annual meeting)	Terri Funk Graham	Yes
	Steven H. Townsend	Yes
Class II (term expires at 2018 annual meeting)	Joseph Fortunato	Yes
	Lawrence P. Molloy	Yes
Class III (term expires at 2019 annual meeting)	Kristen E. Blum	Yes
	Shon A. Boney	No
	Amin N. Maredia	No

Our board of directors has determined that Ms. Blum, Mr. Fortunato, Ms. Graham, Mr. Molloy and Mr. Townsend each qualify as an independent director, as defined in the corporate governance rules of the NASDAQ Stock Market. There are no family relationships among any of our directors, director nominees, or executive officers.

Only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective three-year terms. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors. Our directors may be removed for cause by the affirmative vote of the holders of a majority of our voting stock.

The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control of our company.

**Board Leadership Structure**

Our board of directors has no policy with respect to the separation of the offices of Chief Executive Officer and Chairman of the Board. It is the board's view that rather than having a rigid policy, the board, with the advice and assistance of the nominating and corporate governance committee, and upon consideration of all relevant factors and circumstances, will determine, as and when appropriate, whether to institute a formal policy. Currently, our leadership structure separates these roles, with Mr. Fortunato serving as our Chairman of the Board and Mr. Maredia serving as our Chief Executive Officer. Mr. Fortunato was appointed as our Chairman, effective upon the retirement of our prior Executive Chairman of the Board, J. Douglas ( Doug ) Sanders, in February 2017.

Our board believes that separating these roles provides the appropriate balance between strategy development, flow of information between management and the board of directors, and oversight of management. We believe this provides guidance for our board of directors, while also positioning our Chief Executive Officer as the leader of the company in the eyes of our customers, team members, and other stakeholders. As Chairman, Mr. Fortunato, among other responsibilities, oversees planning of the annual board calendar and develops meeting agendas, presides over regularly

scheduled meetings of the board, serves as a liaison between the directors, and performs such additional duties as our board of directors may otherwise determine and delegate. By having Mr. Fortunato serve as Chairman of the Board, Mr. Maredia is better able to focus his attention on running our company.

Prior to the appointment of Mr. Fortunato as our Chairman in February 2017, Mr. Townsend served as our Lead Independent Director. As Mr. Fortunato qualifies as an independent director, upon his appointment as Chairman, he also assumed the former responsibilities of our Lead Independent Director,

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which include presiding over executive sessions of the independent members of the board, consulting with major stockholders, as appropriate, and performing such additional duties as our board may otherwise determine and delegate.

### **The Board's Role in Risk Oversight**

Our board of directors is primarily responsible for overseeing our risk management processes. Our board, as a whole, determines the appropriate level of risk for our company, assesses the specific risks that we face, and reviews management's strategies for adequately mitigating and managing the identified risks. Although our board administers this risk management oversight function, our audit, compensation, and nominating and corporate governance committees support our board in discharging its oversight duties and addressing risks inherent in their respective areas. We believe this division of responsibilities is an effective approach for addressing the risks we face and that our board leadership structure supports this approach.

### **Board Participation**

Our board of directors held four formal meetings in fiscal 2016 and took action by written consent twice. During fiscal 2016, each of our directors attended at least 75% of the total number of meetings of our board of directors and of the committees on which they serve. We regularly schedule executive sessions at each formal meeting of the board during which the independent directors meet without the presence or participation of management.

We encourage our directors to attend each annual meeting of stockholders. To that end, and to the extent reasonably practical, we generally schedule a meeting of our board of directors on or around the same day as our annual meeting of stockholders. Each of our directors attended our 2016 annual meeting of stockholders.

### **Board Committees**

Our board of directors has the authority to appoint committees to perform certain oversight and administration functions. Our board of directors has an audit committee, a compensation committee, and a nominating and corporate governance committee. The composition and responsibilities of each committee are described below. Members will serve on these committees until their resignation or until otherwise determined by the board of directors.

#### ***Audit Committee***

Our audit committee consists of Lawrence P. Molloy, Chairperson, Kristen E. Blum, and Steven H. Townsend. Our board of directors has determined that each such individual is independent under the rules of the SEC and the NASDAQ Stock Market, and Messrs. Molloy and Townsend are each an audit committee financial expert within the meaning of SEC regulations. Each member of our audit committee can read and understand fundamental financial statements in accordance with audit committee requirements. In arriving at this determination, the board has examined each audit committee member's scope of experience in financial roles and the nature of their employment.

The audit committee has the following responsibilities, among others things, as set forth in the audit committee charter:

reviewing and pre-approving the engagement of our independent registered public accounting firm to perform audit services and any permissible non-audit services;

evaluating the performance of our independent registered public accounting firm and deciding whether to retain its services;

monitoring the rotation of partners of our independent registered public accounting firm on our engagement team as required by law;

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reviewing our annual and quarterly financial statements and reports filed with the SEC and discussing the statements and reports with our independent registered public accounting firm and management, including a review of disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations;

reviewing and monitoring our accounting principles, accounting policies, financial and accounting controls, and compliance with legal and regulatory requirements;

considering and approving or disapproving all related party transactions and discussing such transactions that are significant to our company with our independent registered public accounting firm;

preparing the audit committee report required by the SEC to be included in our annual proxy statement;

conducting an annual assessment of the performance of the audit committee and its members, and the adequacy of its charter; and

establishing procedures for the receipt, retention, and treatment of complaints received by us regarding financial controls, accounting, or auditing matters.

Our audit committee formally met four times during fiscal 2016.

***Compensation Committee***

Our compensation committee consists of Steven H. Townsend, Chairperson, Joseph Fortunato, Terri Funk Graham, and Lawrence P. Molloy. Our board of directors has determined that each such individual is independent under NASDAQ Stock Market listing standards, a non-employee director as defined in Rule 16b-3 promulgated under the Exchange Act and as an outside director as defined in Section 162(m) of the Internal Revenue Code (referred to as the *Code* ).

The compensation committee has the following responsibilities, among other things, as set forth in the compensation committee's charter:

reviewing, modifying, and approving (or if it deems appropriate, recommending to the full board of directors regarding) our overall compensation strategy and policies and discussing such compensation with our independent registered public accounting firm;

reviewing (or if it deems appropriate, recommending to the full board of directors regarding) performance goals and objectives relevant to the compensation of our executive officers and assessing their performance against these goals and objectives;

reviewing and recommending to the full board of directors the compensation of our directors;

evaluating, adopting, and administering (or if it deems appropriate, making recommendations to the full board of directors regarding) the 2013 Incentive Plan (as defined below), other compensation plans, and similar programs advisable for us, as well as modification or termination of existing plans and programs;

establishing policies with respect to equity compensation arrangements;

reviewing and discussing annually with management our Compensation Discussion and Analysis ;

preparing the compensation committee report required by the SEC to be included in our annual proxy statement; and

reviewing and evaluating, at least annually, the performance of the compensation committee and the adequacy of its charter.



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Our compensation committee formally met four times during fiscal 2016 and took action by written consent twice.

### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee consists of Terri Funk Graham, Chairperson, Kristen E. Blum and Joseph Fortunato. Our board of directors has determined that each such individual is independent under the rules of the NASDAQ Stock Market.

The nominating and corporate governance committee has the following responsibilities, among other things, as set forth in the nominating and corporate governance committee's charter:

reviewing periodically and evaluating director performance on our board of directors and its applicable committees, and recommending to our board of directors and management areas for improvement;

establishing criteria and qualifications for membership on the board of directors and its committees;

interviewing, evaluating, nominating, and recommending individuals for membership on our board of directors;

reviewing and recommending to our board of directors any amendments to our corporate governance policies; and

reviewing and assessing, at least annually, the performance of the nominating and corporate governance committee and the adequacy of its charter.

Our nominating and corporate governance committee formally met one time during fiscal 2016 and took action by written consent two times.

### **Identifying and Evaluating Director Candidates**

Our nominating and corporate governance committee will consider persons recommended by stockholders for inclusion as nominees for election to our board of directors. Stockholders wishing to recommend director candidates for consideration by the nominating and corporate governance committee (including via our proxy access bylaw) may do so by writing to our Corporate Secretary at our principal executive offices set forth in this proxy statement, and giving the recommended nominee's name, biographical data and qualifications, accompanied by the written consent of the recommended nominee.

The evaluation process for director nominees who are recommended by our stockholders is the same as for any other nominee and is based on numerous factors that our nominating and corporate governance committee considers appropriate, some of which may include strength of character, mature judgment, career specialization, relevant technical skills, diversity reflecting ethnic background, gender, and professional experience, and the extent to which the nominee would fill a present need on our board of directors.

## **Board Diversity**

While we do not have a formal policy outlining the diversity standards to be considered when evaluating director candidates, our objective is to foster diversity of thought on our board of directors. To accomplish that objective, the nominating and corporate governance committee considers ethnic and gender diversity, as well as differences in perspective, professional experience, education, skill, and other qualities in the context of the needs of our board of directors. Nominees are not discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability, or any other basis prohibited by law. The nominating and corporate governance committee evaluates its effectiveness in achieving diversity on the board of directors through its annual review of board member composition.

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### **Availability of Corporate Governance Information**

Our board of directors has adopted charters for our audit, compensation, and nominating and corporate governance committees describing the authority and responsibilities delegated to each committee by our board of directors. Our board of directors has also adopted corporate governance guidelines, a code of conduct and ethics that applies to all of our team members, a code of ethics that applies to members of our board of directors, and a code of ethics that applies to our principal executive officer and senior financial officers, including those officers responsible for financial reporting. We post on our website, at *investors.sprouts.com*, the charters of our audit, compensation, and nominating and corporate governance committees, our corporate governance guidelines, and the codes of conduct and ethics referenced above. We intend to disclose any amendments to these codes, or any waivers of their requirements, on our website to the extent required by applicable SEC or NASDAQ rules. The inclusion of our website address in this proxy statement does not include or incorporate by reference the information on or accessible through our website into this proxy statement. These documents are also available in print to any stockholder requesting a copy in writing from our Corporate Secretary at our principal executive offices set forth in this proxy statement.

### **Stockholder Communications with our Board of Directors**

Stockholders or other interested persons wishing to communicate with our board of directors or with an individual member of our board of directors may do so by writing to our board of directors or to the particular member of our board of directors, and mailing the correspondence to our Corporate Secretary at 5455 East High Street, Suite 111, Phoenix, Arizona 85054. All such communications will be forwarded to the appropriate member or members of our board of directors, or if none is specified, to the Chairman of our board of directors.

### **Proxy Access**

In January 2017, our board approved a proxy access amendment to our bylaws to allow a stockholder to include director nominees in our 2018 proxy materials for election at our 2018 Annual Meeting of Stockholders. Such nominations must comply with all applicable conditions in our bylaws and be directed to the attention of our Corporate Secretary at our principal executive offices, 5455 East High Street, Suite 111, Phoenix, Arizona 85054. See *Director Nominations for Inclusion in our 2018 Proxy Materials (Proxy Access)* below.

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**PROPOSAL 1: ELECTION OF DIRECTORS**

**Nominees**

Our nominating and corporate governance committee recommended, and the board of directors nominated:

Terri Funk Graham

Steven H. Townsend

as nominees for election as Class I members of our board of directors. Each nominee is presently a Class I director of our company and has consented to serve a three-year term if elected, concluding at the 2020 annual meeting of stockholders. Biographical information about each of our directors is contained in the section above. At the Annual Meeting, two directors will be elected to our board of directors.

**Required Vote**

The two nominees receiving the highest number of affirmative FOR votes shall be elected as directors. Unless marked to the contrary, proxies received will be voted FOR each of these two nominees.

**Recommendation of the Board**

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ELECTION OF EACH OF THE ABOVE-NAMED NOMINEES.**

**Table of Contents****DIRECTOR COMPENSATION**

Only directors that are considered independent under applicable SEC and NASDAQ rules received consideration for service on our board of directors. In 2016, our independent directors received the following cash compensation: an annual retainer of \$60,000, annual committee retainer fees of \$10,000 per committee assignment, an annual retainer of \$20,000 for the chairperson of our audit committee, annual retainers of \$15,000 for the compensation and nominating committee chairpersons, and an annual \$20,000 retainer for our lead independent director, all payable quarterly. We also pay for or reimburse directors for approved board governance educational seminars and for travel expenses related to attending board and committee meetings.

In addition to the cash compensation discussed above, our independent directors also received annual equity compensation for 2016 of \$100,000 in the form of restricted stock units (referred to as *RSUs*) vesting on the one-year anniversary of the grant date. The number of RSUs granted to each independent director was determined using the 20-day trailing average closing sales price as of the grant date.

**Director Compensation Table**

The following table sets forth a summary of the compensation earned by our directors in fiscal 2016.

Name	Fees Earned or		All Other Compensation(2)	Total
	Paid in Cash	Stock Awards(1)		
Kristen E. Blum(3)	\$ 33,333	\$ 97,592	-	\$ 130,925
Shon A. Boney(4)	\$ 25,000	-	-	\$ 25,000
Joseph Fortunato	\$ 72,500	\$ 95,967	-	\$ 168,467
Terri Funk Graham	\$ 85,000	\$ 95,967	-	\$ 180,967
Andrew S. Jhavar(5)	\$ 11,250	-	-	\$ 11,250
Lawrence P. Molloy	\$ 92,500	\$ 95,967	-	\$ 188,467
J. Douglas Sanders(6)	-	-	\$8,993	\$ 8,993
Steven H. Townsend	\$ 102,500	\$ 95,967	-	\$ 198,467

- (1) The amounts in this column reflect the aggregate grant date fair value of each RSU granted during the fiscal year, computed in accordance with ASC 718. The valuation assumptions used in determining such amounts are described in Note 23 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017. The grant date for Messrs. Fortunato, Molloy and Townsend and Ms. Graham was May 9, 2016, and the grant date for Ms. Blum was August 18, 2016 following her appointment to the board.
- (2) Amounts in this column include \$8,993 for the final payment of Mr. Sanders annual 2015 salary, auto allowance and group term life insurance made on January 3, 2016 pursuant to his letter agreement with our company related to his transition from our Chief Executive Officer to our Executive Chairman.
- (3) Ms. Blum joined the board of directors effective August 8, 2016.
- (4) Mr. Boney received such compensation subsequent to the board's determination that he was independent under the rules of the NASDAQ Stock Market in November 2015. The board reassessed such determination in April 2016 and concluded that Mr. Boney could no longer be deemed independent for purposes of Nasdaq Listing

Rule 5605(a)(2) due to the Company's purchase of an airplane owned by Mr. Boney. Mr. Boney received no additional compensation subsequent to such determination.

(5) Mr. Jhavar resigned from the board effective February 23, 2016.

(6) Mr. Sanders retired from the board effective February 20, 2017.

Our board of directors recognizes that stock ownership by directors may strengthen their commitment to the long-term success of our company and further align their interests with those of our stockholders. In accordance with our corporate governance guidelines, our independent directors are expected over a reasonable time to beneficially own shares of our common stock (including shares owned outright, unvested shares, and stock options or other equity grants) having a value of at least five times their annual cash retainer until he/she leaves the board.

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The following table lists outstanding equity awards held by our current directors as of January 1, 2017.

Name	Date of Grant	Option Awards			Stock Awards	
		Number of Shares Underlying Option	Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(1)	Market Value of Shares or Units of Stock That Have Not Vested(2)
Kristen E. Blum	August 18, 2016	-	-	-	4,349	\$82,283
Shon A. Boney	May 2, 2011	324,290	\$ 1.09	May 2, 2018	-	-
	May 2, 2011	1,215,078	\$ 3.33	May 2, 2018	-	-
	November 10, 2015	4,431	\$ 23.26	November 10, 2022	913	\$17,274
Joseph Fortunato	July 31, 2013	2,778	\$ 18.00	July 31, 2020	-	-
	May 19, 2014	6,195	\$ 28.50	May 19, 2021	-	-
	May 21, 2015	3,623	\$ 30.30	May 21, 2022	649	\$12,279
	May 9, 2016	-	-	-	3,601	\$68,131
Terri Funk Graham	July 31, 2013	2,778	\$ 18.00	July 31, 2020	-	-
	May 19, 2014	6,195	\$ 28.50	May 19, 2021	-	-
	May 21, 2015	3,623	\$ 30.30	May 21, 2022	649	\$12,279
	May 9, 2016	-	-	-	3,601	\$68,131
Lawrence P. Molloy	July 31, 2013	2,778	\$ 18.00	July 31, 2020	-	-
	May 19, 2014	6,195	\$ 28.50	May 19, 2021	-	-
	May 21, 2015	3,623	\$ 30.30	May 21, 2022	649	\$12,279
	May 9, 2016	-	-	-	3,601	\$68,131
Steven H. Townsend	July 31, 2013	2,778	\$ 18.00	July 31, 2020	-	-
	May 19, 2014	6,195	\$ 28.50	May 19, 2021	-	-
	May 21, 2015	3,623	\$ 30.30	May 21, 2022	649	\$12,279
	May 9, 2016	-	-	-	3,601	\$68,131

- (1) Stock awards represent RSUs with various vesting dates as follows: RSUs granted on March 4, 2014, May 21, 2015, November 10, 2015 and May 9, 2016 vest in three equal installments on each of the first three anniversaries of the respective grant date; and RSUs granted on May 9, 2016 and August 18, 2016 cliff vest on the first anniversary of the grant date; in each case assuming continued service through the applicable vesting date.
- (2) The market value of unvested RSUs is calculated by multiplying the number of unvested awards held by the applicable named director by the closing market price of our common stock on the Nasdaq Global Select Market on the last trading day of fiscal 2016, December 30, 2016, which was \$18.92 per share.

**Table of Contents****EXECUTIVE OFFICERS**

The following table sets forth information regarding our executive officers as of March 20, 2017:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Amin N. Maredia	44	Chief Executive Officer
James L. Nielsen	45	President and Chief Operating Officer
Bradley S. Lukow	53	Chief Financial Officer / Treasurer
Dan J. Sanders	58	Chief Operations Officer
Shawn R. Gensch	47	Chief Marketing Officer
Brandon F. Lombardi	39	Chief Human Resources and Legal Officer / Corporate Secretary
Daniel J. Bruni	59	Chief Information Officer
Theodore E. Frumkin	55	Chief Development Officer

*Amin N. Maredia*'s biography is set forth under the heading "Our Board" above.

*James L. Nielsen* has served as our President and Chief Operating Officer since August 2015. Mr. Nielsen joined our company as Chief Operating Officer in April 2011. Prior to joining our company, Mr. Nielsen served as President of Henry's Farmers Markets from 2007 through April 2011, and Vice President and General Manager of Henry's Farmers Markets from 2006 to 2007. Prior to that, Mr. Nielsen served in various roles of increasing responsibility for Wild Oats Marketplace, including Director of Operations from December 2004 to February 2007, Director of Non-Perishables from February 2004 to December 2004, and Director of Merchandising from 2002 to February 2004. Mr. Nielsen began his career at Smith's Food and Drug in 1986 and held various positions before leaving in 2002. Mr. Nielsen holds a B.S. in Business Administration from Weber State University.

*Bradley S. Lukow* has served as our Chief Financial Officer and Treasurer since March 2016. Mr. Lukow most recently served as Chief Financial Officer of 99 Cents Only Stores, a deep-discount retailer, from January to June 2015, and Executive Vice President and Chief Financial Officer of Shoppers Drug Mart, Canada's leading drug store retailer, from January 2009 to November 2014, where he oversaw finance, treasury and investor relations, in addition to the strategy and acquisitions, real estate development and information technology functions. Prior to assuming the role of Executive Vice President and Chief Financial Officer, Mr. Lukow served in various roles of increasing responsibility at Shoppers Drug Mart, including Senior Vice President of Finance from 2000 to 2008, Vice President of Retail Accounting from 1997 to 2000 and Director of Retail Accounting from 1994 to 1997. Mr. Lukow began his career with Ernst & Young in 1986, is a Chartered Professional Accountant and holds a B.A. in Honors Business Administration from the University of Western Ontario.

*Dan J. Sanders* has served as our Chief Operations Officer since October 2016. Mr. Sanders joined our company as Executive Vice President of Store Operations in July 2015, and previously served as President of Albertsons Southern California and President of Acme Markets, both while affiliated with Supervalu, Inc., from March 2010 through March 2013. Additionally, Mr. Sanders served as Chief Executive Officer of United Supermarkets, LLC from June 2004 until February 2010. Prior to serving at United, Mr. Sanders was Division President and a Principal at AdPlex, a retail consulting firm specializing in advertising production and content management technology to Fortune 500 companies, from August 1997 to February 2003. Mr. Sanders is also a military veteran with more than a decade of service as a pilot in the United States Air Force. He holds an MBA from Pepperdine University's Graziadio School of Business and Management and a B.A. from Lubbock Christian University.



*Shawn R. Gensch* has served as our Chief Marketing Officer since June 2015. Prior to joining our company, Mr. Gensch co-founded and served as Chief Executive Officer of iAMroyalist Inc., a consumer loyalty group from June 2014 to May 2015. Previously, Mr. Gensch was Senior Vice President of Marketing at Target Corporation (NYSE: TGT), a role he held from January 2012 through December 2013, and in

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which he led, among other things, Target's media strategy, public relations, social media, strategic partnerships, and experiential and lifestyle marketing efforts. Mr. Gensch served in previous marketing roles of increasing responsibility with Target from 2008 to January 2012. Prior to 2008, Mr. Gensch served as the initial President of Target Bank from 2003 to 2007, Vice President, Financial Product Design and Development at Target Financial Services from 2005 to 2008, and Director of New Business Development from 2003 to 2005. Prior to joining Target Corporation in 2003, Mr. Gensch worked in various roles in the structured finance, insurance, banking and related consulting industries, including work as Vice President and Assistant Treasurer of Green Tree Financial Corporation (Conseco Finance). Mr. Gensch serves on the Board of Directors of GWG Holdings, Inc. (NASDAQ: GWGH), a specialty finance company, since July 2014, and Anser Innovation, a technology company, since January 2014. Mr. Gensch holds a B.S. in Accounting from the University of Wisconsin-Eau Claire.

*Brandon F. Lombardi* has served as our Chief Legal Officer and Corporate Secretary since January 2012 and was promoted to our Chief Human Resources and Legal Officer in October 2016. Prior to joining Sprouts, Mr. Lombardi was a corporate and securities attorney at the international law firm of Greenberg Traurig, LLP from 2002 to January 2012, having worked in the firm's Los Angeles and Phoenix offices. While in private practice, Mr. Lombardi served as outside general counsel and corporate secretary to public and private companies in a wide range of industries, including food retail, specializing in corporate governance, securities and corporate law, and mergers and acquisitions. While acting as our outside counsel, Mr. Lombardi led our merger with Henry's Farmers Market in April 2011. Mr. Lombardi holds a Juris Doctor from the Sandra Day O'Connor College of Law at Arizona State University and a B.S. in Global Business from Arizona State University.

*Daniel J. Bruni* has served as our Chief Information Officer since February 2015. Prior to joining Sprouts, Mr. Bruni held the position of Vice President, I.T. at Dollar General Corporation (NYSE: DG), a discount retailer, from March 2012 to January 2015 and Senior Director of Information Technology at Dollar General Corporation from 2008 to March 2012. Prior to that, Mr. Bruni served as Senior Vice President and Chief Information Officer of Harris Teeter, Inc., a regional grocery chain, from 1997 to 2008. Prior to that, Mr. Bruni held I.T. leadership positions with Brothers Gourmet Coffees, Inc., Burger King Corporation and Dun & Bradstreet. Mr. Bruni holds an M.B.A. for I.T. Executives from Fairleigh Dickinson University and a B.S. in Computer Science from Indiana University of Pennsylvania.

*Theodore E. Frumkin* has served as our Chief Development Officer since February 2015, and previously served as our Senior Vice President - Business Development from December 2012 to February 2015. Prior to joining our company, Mr. Frumkin served as Vice President of Real Estate for Staples, Inc. (NASDAQGS: SPLS), from August 2005 to December 2012 and Director of Real Estate from April 2001 to August 2005. Before that, he was Vice President of Real Estate and Construction for Rubio's Restaurants, Inc., a fast food retailer, from May 1999 to April 2001, and Director of Real Estate from May 1996 to May 1999; Director of Real Estate for Office Depot, Inc. (NYSE: ODP), a leading global provider of office supplies and services, from December 1994 to May 1996; Real Estate Manager for Wal-Mart Stores, Inc. (NYSE: WMT), from 1992 to December 1994, and Real Estate Manager for Taco Bell, a fast food retailer, from 1986 to June 1991. Mr. Frumkin holds an M.B.A. in Finance from Florida International University, and a B.F.A. from Texas Christian University.

Each of our executive officers serves at the discretion of our board of directors and holds office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

**Table of Contents****EXECUTIVE COMPENSATION****Compensation Discussion and Analysis**

This Compensation Discussion and Analysis describes the material elements of the compensation of each person who served as our principal executive officer or principal financial officer and our three other most highly compensated executive officers, which we collectively refer to as our named executive officers, during fiscal 2016. Our named executive officers for fiscal 2016 were:

<b>Name</b>	<b>Title</b>
Amin N. Maredia(1)	Chief Executive Officer and Director
Bradley S. Lukow(2)	Chief Financial Officer and Treasurer
James L. Nielsen	President and Chief Operating Officer
Daniel J. Bruni	Chief Information Officer
Brandon F. Lombardi	Chief Human Resources and Legal Officer; Corporate Secretary
Susannah S. Livingston(3)	Vice President of Investor Relations and Treasury; Former Interim Chief Financial Officer and Treasurer

- (1) Mr. Maredia was appointed to our board of directors on February 23, 2016.
- (2) Mr. Lukow was appointed our Chief Financial Officer and Treasurer on March 1, 2016.
- (3) Ms. Livingston was appointed as our Interim Chief Financial Officer and Treasurer on August 6, 2015 and remained in that capacity until March 1, 2016 when Mr. Lukow became our Chief Financial Officer and Treasurer.

**Section One Overview and Executive Summary*****Compensation Program Background and Philosophy***

Our executive compensation program is administered by the compensation committee of our board of directors comprised entirely of independent directors. The program is intended to attract, motivate, and retain executives and reward the creation of stockholder value. We seek to provide executive compensation packages that are competitive with comparable companies (our peer group discussed below along with other market competitors) and reward the achievement of short-term and long-term performance goals.

Like most companies, we use a combination of fixed and variable compensation to reward and incentivize strong performance, as well as to align the interests of our executives with those of our stockholders. When making compensation decisions, the compensation committee takes into consideration the value of target total direct compensation (referred to as *TDC*) provided to executives and where that value falls in relation to comparable companies. While the compensation committee does not target a specific percentile of comparable companies when making compensation decisions, the committee generally looks to position the value of target TDC near the 50th percentile of comparable companies, which we believe will enable us to remain competitive in attracting and retaining qualified executive officers. Our compensation committee's decisions on target compensation are also influenced by a variety of additional factors, including compensation mix, the executive's performance, skills, experience, time in the

role, and scope of responsibility.

At our 2016 annual meeting, our stockholders approved, on an advisory basis, the 2015 compensation of our executive officers described in our 2016 proxy statement. Approximately 72% of the votes cast on the matter were voted For such advisory say-on-pay approval, while approximately 28% were voted Against. Our compensation committee took this approval, along with feedback received on our 2015 compensation from various stockholders, into account among the many factors it considered in connection with the discharge of its responsibilities. Much of the feedback from those stockholders that did not support our say-on-pay proposal related to the one-time equity grants awarded to Messrs. Maredia and Nielsen in connection with their respective promotions to Chief Executive Officer and President & Chief Operating Officer in August 2015. As these awards represented a singular compensation event to ensure

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leadership continuity for our company rather than an ongoing aspect of our executive compensation program, our compensation committee did not believe that such vote warranted significant changes to the program; instead, our compensation committee continued to refine our executive compensation program for 2016 and 2017 as described further below, as a demonstration of its attention to corporate governance and its emphasis on the link between pay and performance.

***2016 Fiscal Year Performance***

Fiscal 2016 was a solid year for our company despite operating in a challenging environment that was significantly impacted by deflation and competitive pressures. We continued to grow our business focusing on principles of health, selection, value, and customer engagement and to execute on key business strategies that we believe will drive long-term growth and stockholder value creation. Some of our fiscal 2016 highlights include:

Opening 36 new stores, representing unit growth of 17%;

Net sales of \$4.0 billion; a 13% increase from 2015;

Comparable store sales growth of 2.7% and two-year comparable store sales growth of 8.5%, on a 52-week basis;

Net income of \$124.3 million;

Diluted earnings per share of \$0.83; and

Driving additional shareholder returns by repurchasing approximately 13.2 million shares.

***Executive Summary of Our Fiscal 2016 Executive Compensation Program and Actions Taken for 2017***

For 2016, our pay mix consisted of base salary, the opportunity to earn annual performance-based cash bonuses based on our achievement of Plan EBITDA (as defined below) and comparable store sales performance goals, and equity incentives consisting of time-vest stock options, time-vest RSUs and performance-based restricted stock (referred to as *performance shares*) based on our achievement of Plan EBIT (as defined below) performance goals. We have no pension plans or other executive retirement plans except our 401(k) plan available to all team members, and limited executive perquisites consisting primarily of payment of health and life insurance premiums for certain of our named executive officers.

We believe that this mix of compensation, including the performance shares and annual performance-based cash bonus program tied to company financial and operational objectives, closely links executive officer compensation to performance. We did not meet the threshold level of performance for either of our Plan EBITDA or comparable store sales performance goals that were established for our cash incentive plan for fiscal 2016, nor did we meet our Plan EBIT target that was established for our performance shares. Accordingly, our executive officers did not receive cash bonus awards under the performance-based cash bonus plan or performance shares for fiscal 2016 performance,

consistent with our pay for performance philosophy.

In 2017, at-risk pay will continue to comprise a significant portion of our executive compensation, particularly for our most senior officers. Our compensation committee has determined to continue to emphasize our pay-for-performance philosophy by using Plan EBITDA and comparable store sales for our annual performance-based bonuses and adopting performance share awards that reward annual performance in 2017 based on earnings per share (referred to as *EPS*) performance goals. See *Committee Actions Taken for 2017*.

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The elements of our 2016 executive compensation program are presented below in summary format and more fully explained in the sections that follow:

<b>Cash Compensation</b>	Base Salary	Base salary is designed to provide a competitive fixed rate of pay recognizing different levels of responsibility and performance within our company, set generally between the 25 <sup>th</sup> and 50 <sup>th</sup> percentile of comparable companies.
	Performance-based Bonus	Our performance-based bonus is an annual cash incentive program designed to reward team members for achieving company sales and profitability goals.
<b>Long-Term Incentive Compensation</b>	Stock Options	Stock options are granted to provide incentive for long-term creation of stockholder value. Time-based stock options vest over three years and represented 50% of the annual long-term incentive grant value in fiscal 2016 for Messrs. Maredia, Lukow and Nielsen and Ms. Livingston and 25% for Messrs. Bruni and Lombardi.
	Performance Shares	Performance shares are granted to provide incentive for long-term creation of stockholder value based on company profitability goals over a three-year performance period. Performance shares represented 50% of the annual long-term incentive grant value in fiscal 2016 for all of our named executive officers except Ms. Livingston, who did not receive performance shares.
	RSUs	RSUs are granted to provide incentive for long-term creation of stockholder value. RSUs vest over three years and represented 25% of the annual long-term incentive for Messrs. Bruni and Lombardi and 50% for Ms. Livingston. Messrs. Maredia, Lukow and Nielsen did not receive RSUs.
<b>Benefit Programs</b>	Health, Welfare and Retirement Programs	Executives participate in the same benefit programs that are offered to other salaried team members. Our benefits are designed to provide market competitive benefits to protect team members and their covered dependents health and welfare and provide retirement benefits in the form of a 401(k).
<b>Other</b>	Perquisites	Limited perquisites are provided to certain executives, primarily in the form of company-paid health and life insurance premiums.

**Base Salary**

Base salary is a fixed portion of compensation that reflects the compensation committee's (and the Chief Executive Officer's in the case of other named executive officers) assessment of the individual named executive officer's performance, skills, experience, time in the role, and scope of responsibility. Base salaries are generally set at levels below the median of comparable companies and are reviewed on an annual basis to determine if any adjustments are required.

**Performance-based Cash Bonus**

We utilize performance-based cash incentives to motivate executives to attain short-term objectives that align with long-term business goals. Meeting or exceeding our annual business and financial goals is important to executing our business strategy and delivering long-term value to stockholders. Individual award opportunities vary by job level and are generally set so that, along with other components of compensation, the executives' target TDC is competitive with the 50th percentile of comparable companies.

Our performance-based cash bonus plan is based upon (1) Adjusted EBITDA<sup>1</sup>, as further adjusted for any income or expense that is unusual, non-recurring or extraordinary, as the compensation committee of our board deems appropriate (referred to as *Plan EBITDA*), and (2) comparable store sales growth. No incentive award is payable to executives unless a pre-established minimum of 95% of the Plan EBITDA goal is achieved.

<sup>1</sup> Adjusted EBITDA is a non-GAAP financial measure that is explained and reconciled to the comparable GAAP measure in [Appendix A](#) to this proxy statement. We define Adjusted EBITDA as net income before interest expense, provision for income tax, and depreciation, amortization and accretion, excluding store closure and exit costs, gains and losses from disposal of assets, public offering expenses and the loss on extinguishment of debt and certain other items we do not consider representative of our ongoing financial performance.



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The performance-based cash bonus plan focuses executives on critical financial and operational goals. Our compensation committee believes that Plan EBITDA is a primary indicator to our stockholders of overall business health, and its use achieves our desire to use a measure of profitability that drives stockholder value creating behaviors. The second measure, comparable store sales growth, focuses executive officers on both strengthening our core business and making our stores more productive.

Each executive officer has a target performance-based cash bonus opportunity, expressed as a percentage of base salary (referred to as the *Target Bonus* ), with the ability to earn above or below that target based on our company's actual performance.

At the beginning of 2016, the compensation committee and board of directors approved the financial and operational goals for the company. The compensation committee also reviewed and approved the Target Bonus opportunity for each executive officer. If Plan EBITDA and comparable store sales growth were 100% of the established targets, our executive officers would be each entitled to receive 100% of such officer's respective Target Bonus. In addition, each executive officer had the opportunity to earn an out performance bonus of up to 200% of such officer's Target Bonus (referred to as *Total Bonus Opportunity* ). The Target Bonus and Total Bonus Opportunity for our executive officers for 2016 were as follows:

<b>Compensation Tier</b>	<b>Threshold Bonus (as % of Base Salary)</b>	<b>Target Bonus (as % of Base Salary)</b>	<b>Total Bonus Opportunity (as % of Base Salary)</b>
Tier I (CEO)	15%	100%	200%
Tier II (President and CFO)	10.5%	70%	140%
Tier III (other named executive officers)	7.5%	50%	100%

Because such a large percentage of executive officer compensation is performance-based, our compensation committee invests significant time determining the annual financial target for our performance-based cash bonus program. In general, management makes the initial recommendation for the financial targets based upon our company's annual board-approved budget, and these recommendations are reviewed and discussed by the compensation committee and its advisors. The major factors used in setting one or more targets for a particular year are the results for the most recently-completed year and the budget for the current year. Other factors taken into account may include general economic and market conditions and industry dynamics. Our compensation committee sets the final corporate performance goals during our first quarter, typically at a level our compensation committee believes is challenging, but reasonable, for management to achieve.

Award payouts are determined each February following completion of the plan year by measuring the performance against each award component. In determining whether the performance ranges are met, the compensation committee exercises its judgment whether to reflect or exclude the impact of changes in accounting principles and extraordinary, unusual, or infrequently occurring events. The 2016 incentive award target goals and 2016 results and corresponding

bonus percentages relative to the target amounts are shown below.

				<b>Bonus Percentage</b>
<b>Weighting</b>	<b>Rational for Measure</b>	<b>Target Goal</b>	<b>2016 Results</b>	<b>Achieved</b>
Plan EBITDA (75%)	Reflects overall business health and is a measure of profitability that is used by our management and drives stockholder value	\$330.8 million	\$294.1 million	0.0%
Comparable Store Sales (25%)	Demonstrates strength in core business	5.0%	2.7%	0.0%

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Fiscal 2016 presented a challenging environment for our company that was significantly impacted by deflationary and competitive pressures and ultimately, resulted in financial performance below the threshold level required for a payment under our performance-based cash bonus program. Accordingly, no amounts were paid to our named executive officers under the performance-based cash bonus plan for 2016, consistent with our pay for performance philosophy.

***Equity Incentive Compensation***

Each year we grant equity-based awards to executive officers and key team members to motivate and reward them for creating long-term stockholder value. Long-term incentive awards are generally established so that, when added to total cash compensation, the target TDC for an individual executive is competitive with the 50<sup>th</sup> percentile of comparable companies. In 2016, our compensation committee determined to grant to our executive officers time-vest stock options and performance shares. The value of such equity awards increases or decreases as a result of changes in the market price of our common stock, creating opportunities in the event of successful market performance of our shares, aligning the interests of our named executive officers with our stockholders. In late 2016, the compensation committee further refined our performance share structure for 2017, as set forth in the table below.

<b>Award</b>	<b>2016 Weighting</b>	<b>2017 Weighting</b>	<b>Vesting Terms and Other Conditions</b>
Stock Options	25%-50%	0%	<p>For 2016, our CEO, President and COO, and CFO received 50% stock options and 50% performance shares (described below). Our other executive officers received 50% performance shares, 25% stock options, and 25% RSUs.</p> <p>The exercise price of the stock options equals the closing price on the date of grant. Options vest annually over three years and expire after seven years.</p>
Performance Shares	50%	50%	<p>Performance shares for 2016 reward annual performance as well as three-year cumulative performance, and are subject to our company achieving certain annual and cumulative Plan EBIT (as defined below) performance targets based on our long-term financial objectives. If annual targets are achieved, one-third of the award will be considered earned. If earned, such performance shares vest 100% on the third anniversary of the grant date, subject to continued employment through the vesting date. Our company did not achieve the performance target for Plan EBIT in 2016, and accordingly, no performance shares were earned for the 2016 performance period.</p> <p>Performance shares for 2017 can be earned after a one-year performance period based on achievement of</p>

EPS targets. If earned, such performance shares vest 50% on the second anniversary of the grant date (2019), and 50% on the third anniversary of the grant date (2020).

The target number of shares of our common stock subject to performance shares is determined by the 20-day trailing average closing price for our common stock as reported on the grant date.

RSUs / RSAs	0-25%	50%
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For 2016, except for our CEO, President and COO, and CFO, our executive officers received time-vest RSUs that vest one-third on each anniversary of the grant date. For 2017, all of our executive officers will receive time-vest restricted stock awards (referred to as *RSAs* ) that vest one-third on each anniversary of the grant date.

The number of shares of our common stock subject to RSUs and RSAs is determined by the 20-day trailing average closing price for our common stock as reported on the grant date.

During 2016, as part of our committee's emphasis on pay-for-performance, the compensation committee continued to refine our long-term incentive plan to structure the performance shares so they

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reward annual performance as well as three-year cumulative performance, and are subject to our company achieving certain performance targets based upon our Adjusted EBIT<sup>2</sup>, as further adjusted for any income or expense that is unusual, non-recurring or extraordinary, as the compensation committee of our board deems appropriate (referred to as *Plan EBIT* ), based on our long-term financial objectives. Plan EBIT target for 2016 was based on our forecast for 2016 set in late 2015, and targets for 2017 and 2018 are based on our actual performance in the immediately preceding year. The performance share awards also provide for the opportunity to earn amounts in excess of target amounts based on achieving annual and cumulative targets during the three-year performance period. The 2016 performance share award target goals and 2016 results and corresponding performance shares awarded are shown below.

<b>Performance Measure</b>	<b>Rational for Measure</b>	<b>Target Goal</b>	<b>2016 Results</b>	<b>Percentage Shares Awarded</b>
Plan EBIT (100%)	Reflects overall business operations and is a measure of profitability that drives shareholder value	\$250.2 million	\$213.4 million	0.0%

Although no performance shares were awarded based on 2016 performance, we will continue to measure Plan EBIT performance targets each year and cumulatively for the three-year performance period to determine if performance shares will be awarded. If such shares are awarded, they will vest on the third anniversary of the grant date, subject to continued employment through the vesting date.

***Benefits and Perquisites***

We provide our named executive officers with benefits that our board of directors believes are reasonable and in the best interests of our company and our stockholders. Consistent with our compensation philosophy, we maintain competitive benefit packages for our named executive officers. The compensation committee, in its discretion, may revise, amend, or add to an officer's benefits if it deems it advisable. We believe these benefits are generally equivalent to benefits provided by comparable companies.

*Retirement Plan Benefits.* We sponsor a 401(k) defined-contribution plan (referred to as the *401(k) Plan* ) covering substantially all eligible team members, including our named executive officers. Team member contributions to the 401(k) Plan are voluntary. Contributions by participants are limited to their annual tax deferred contribution limit by the Internal Revenue Service. We contribute an amount up to 50% of the first 6% of the eligible compensation deferred by a participant.

*Health and Welfare Benefits.* We offer medical, dental, vision, life insurance, short-term and long-term disability insurance and accidental death and dismemberment insurance for all eligible team members. Named executive officers are eligible to participate in the same plans as other eligible team members.

*Perquisites.* We pay the premium amounts for medical, dental, vision, life insurance, short-term and long-term disability insurance and accidental death and dismemberment insurance plans on behalf of certain of our named executive officers, and impute income related to the limited personal use of our corporate aircraft by certain of our executive officers.

**Section Three How Executive Pay is Established**

***Role of Our Compensation Committee***

Our compensation committee, which is comprised entirely of independent directors, is responsible for overseeing our executive compensation policies and programs with the goal of maintaining compensation

<sup>2</sup> Adjusted EBIT is a non-GAAP financial measure that is explained and reconciled to the comparable GAAP measure in Appendix A to this proxy statement. We define Adjusted EBIT as net income before interest expense and provision for income tax, excluding store closure and exit costs, gains and losses from disposal of assets, public offering expenses and the loss on extinguishment of debt and certain other items we do not consider representative of our ongoing financial performance. During 2016, adjustments to Adjusted EBIT would be immaterial; accordingly, Adjusted EBIT is equivalent to Plan EBIT for 2016.

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that is competitive and reflects the long-term interests of our stockholders. You can learn more about the compensation committee's purpose, responsibilities, and structure by reading the committee's charter posted on our website at [www.sprouts.com](http://www.sprouts.com). The inclusion of our website address in this proxy statement does not include or incorporate by reference the information on or accessible through our website into this proxy statement.

While our Chief Executive Officer and other executive officers may attend meetings of the compensation committee or our board of directors from time to time, the ultimate decisions regarding executive officer compensation are made solely by the members of our compensation committee. These decisions are based not only on our compensation committee's deliberations, but also on input requested from outside advisors, including our compensation committee's independent compensation consultant, with respect to, among other things, market data analyses. The final decisions relating to our Chief Executive Officer's compensation are determined solely by our compensation committee. Decisions regarding other executive officers are made by our compensation committee after considering recommendations from our Chief Executive Officer.

### ***Role of the Compensation Consultant***

Our compensation committee may periodically engage the services of independent compensation consultants to provide advice in connection with making executive compensation determinations. The chairperson of our compensation committee, in consultation with other committee members, defines the scope of any consultant's engagement and related responsibilities. These responsibilities may include, among other things, advising on issues of executive compensation and equity compensation structure and assisting in the preparation of compensation disclosure for inclusion in our SEC filings. In fulfilling its responsibilities, the independent compensation consultant may interact with management or our other outside advisors to the extent necessary or appropriate.

For purposes of establishing our 2016 compensation program, our compensation committee engaged Korn Ferry Hay Group (referred to as *Hay Group*) as its independent compensation consultant to provide the committee with an executive compensation assessment, peer group analysis, and related compensation advice. The compensation committee's independent compensation consultant provides analyses and recommendations that inform the committee's decisions, but it does not decide or approve any compensation decisions. For 2016, Hay Group developed criteria used to identify and refine peer and other comparable companies for executive compensation and performance comparisons, and reviewed and discussed with the committee various proposals presented to the committee by management. Hay Group also provided updates on market trends and the regulatory environment as it related to executive compensation. Hay Group representatives met informally with the chairperson of the committee and with certain members of our management team, and formally with our compensation committee as requested.

The compensation committee considered the factors set forth in the NASDAQ Stock Market rule regarding compensation advisor independence. Specifically, the compensation committee analyzed whether the work of Hay Group as compensation consultant raised any conflict of interest, taking into consideration the following factors: (i) the provision of other services to our company by Hay Group; (ii) the amount of fees from our Company paid to Hay Group as a percentage of Hay Group's total revenue; (iii) the policies and procedures of Hay Group that are designed to prevent conflicts of interest; (iv) any business or personal relationship of Hay Group or the individual compensation advisors employed by Hay Group with an executive officer of our company; (v) any business or personal relationship of the individual compensation advisors with any member of the compensation committee; and (vi) any stock of our company owned by Hay Group or the individual compensation advisors employed by Hay Group. The compensation committee considered the above factors related to compensation advisor independence and based on the foregoing, the committee concluded that Hay Group was independent.





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***Management's Role in Compensation Decisions***

Members of our human resources, finance, and legal departments work with our Chief Executive Officer to recommend changes to existing compensation plans and programs, to recommend financial and other targets to be achieved under those programs, to prepare analyses of financial data and other briefing materials to assist the compensation committee in making its decisions and, ultimately, to implement the decisions of our compensation committee.

Our Chief Executive Officer is actively engaged in setting compensation for other executives through a variety of means, including recommending for committee approval the financial goals and the annual variable pay amounts for our executive team. He works closely with the chairperson of the compensation committee in analyzing relevant market data to determine base salary and annual target bonus opportunities for senior management and to develop targets for our short- and long-term incentive plans. Our Chief Executive Officer is subject to the same financial performance goals as our other executive officers, all of which are ultimately determined and approved by our compensation committee.

***Compensation Levels and Benchmarking***

We benchmark our executive compensation against a peer group of companies with which we may compete for executive talent. Market pay data for the peer group for 2016 was gathered through compensation surveys conducted by Hay Group. When making compensation decisions, the compensation committee takes into consideration the value of TDC provided to executives and where that value falls in relation to comparable companies (our peer group discussed below along with other market survey data). While the compensation committee does not target a specific percentile of comparable companies when making decisions regarding individual compensation components, the committee generally looks to position the value of target TDC so as to be competitive with the 50th percentile of comparable companies.

The peer group is periodically evaluated and updated to ensure the companies in the group remain relevant to us based on our changing size and other factors. For 2016, our compensation committee reviewed the compensation of our executive officers and compared it with that of both our peer group companies and broader, composite global market survey data provided by our compensation consultant. In assessing the appropriateness of peer companies, the compensation committee considered the following criteria for our peer group in 2016: annual revenues, food retail industry operations, focus on health and wellness, growth-oriented retailers and the peer groups used by proxy advisory firms. The compensation committee determined to continue reviewing the pay practices of Whole Foods Market, Inc. and Natural Grocers by Vitamin Cottage, Inc., considered by the committee to be direct specialty grocery peers, but not including them in our peer group due to their revenue compared with our company. We also removed Roundy's, Inc. and Fresh Market, Inc., which are no longer publicly traded companies.

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The peer group of the 14 companies which, along with broader market survey data, were used for benchmarking purposes in fiscal 2016 is set forth below.

Company	Most Recent FYE	
	Revenue	Market Value as of
	(in millions)	Most Recent FYE (in millions)
United Natural Foods, Inc.	\$8,672	\$2,414
Spartan Nash Co.	\$7,674	\$1,482
Dick's Sporting Goods, Inc.	\$7,679	\$4,669
The Michaels Companies, Inc.	\$5,129	\$4,186
Ulta Salon, Cosmetics & Fragrance, Inc.	\$4,542	\$15,866
Smart & Final Stores, Inc.	\$4,339	\$1,024
Whitewave Foods Co.	\$4,171	\$9,854
Ingles Markets, Inc.	\$3,795	\$672
Weis Markets, Inc.	\$2,946	\$1,798
The Hain Celestial Group, Inc.	\$2,888	\$4,038
GNC Holdings, Inc.	\$2,588	\$755
Vitamin Shoppe, Inc.	\$1,278	\$566
Fresh Market, Inc.	N/A	N/A
Roundy's, Inc.	N/A	N/A
<b>75<sup>th</sup> Percentile</b>	\$5,765	\$4,307
<b>Median</b>	\$4,255	\$2,106
<b>25<sup>th</sup> Percentile</b>	\$2,931	\$957
<b>Sprouts Farmers Market</b>	\$4,046	\$2,654

Based on input from Hay Group, the peer group was updated later in 2016 to assist the compensation committee with determining potential pay changes for 2017. Based on the evaluation criteria, our compensation committee approved the removal of Roundy's, Inc. Fresh Market, Inc. and Whitewave Foods Co. and the addition of Burlington Stores, Inc. and DSW Inc. to our peer group for 2017.

As discussed above, our compensation committee generally looks to position the value of target TDC of our executive officers so as to be competitive with the 50th percentile of comparable officers at comparable companies, as derived from both peer group data and broader composite market survey data. Our compensation committee may vary from this general approach for various elements of compensation depending on the executive officer's performance, experience, skills, time in the role, and scope of responsibility.

Our compensation committee intends to continue its practice of retaining executive compensation consultants from time to time, as our compensation committee deems appropriate, to advise our compensation committee with respect to its compensation policies and provide compensation data from comparable companies.

**Section Four 2016 Named Executive Officer Pay Actions**

***2016 Compensation Actions***

In February 2016, the compensation committee approved the following compensation and awards for our named executive officers after considering each officer's individual achievements and contributions

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toward our long-term strategic goals, our peer group and market survey data and the accomplishments of the company.

Name	Base Salary	Target Bonus	Option Awards	RSU Awards	Performance Share Awards	Target TDC
Amin N. Maredia(1)	\$650,000	\$650,000	\$975,000	-	\$975,000	\$3,250,000
Bradley S. Lukow(1)	\$470,000	\$329,000	\$352,500	-	\$352,500	\$1,504,000
James L. Nielsen(1)	\$525,000	\$367,500	\$393,750	-	\$393,750	\$1,680,000
Daniel J. Bruni	\$320,000	\$160,000	\$64,000	\$64,000	\$128,000	\$736,000
Brandon F. Lombardi(2)	\$330,000	\$165,000	\$66,000	\$66,000	\$132,000	\$759,000
Susannah S. Livingston(3)	\$203,266	\$71,143	\$35,572	\$35,572	-	\$345,553

- (1) The equity award values for Messrs. Maredia, Lukow and Nielsen include only the grant value received as a result of the February 2016 approval pursuant to our 2016 annual long-term incentive plan. See *Equity Award Restructuring* for discussion of additional equity awards received by Messrs. Maredia and Nielsen and *Grant of Plan Based Awards* for total amounts actually received by Messrs. Maredia, Lukow and Nielsen during 2016.
- (2) The above amounts approved by the compensation committee in February 2016 for Mr. Lombardi were in his capacity as our Chief Legal Officer. See *Summary Compensation Table* and *Grant of Plan-Based Awards* for amounts actually received by Mr. Lombardi for 2016, which include compensation he received in his capacity as Chief Legal Officer until October 1, 2016 and as Chief Human Resources and Legal Officer beginning on October 1, 2016.
- (3) The above amounts approved by our management in February 2016 for Ms. Livingston were in her capacity as our Vice President of Investor Relations and Treasury. See *Summary Compensation Table* and *Grant of Plan-Based Awards* for amounts actually received by Ms. Livingston for 2016.

**Base Salary:** Base salary amounts presented above differ from the amounts disclosed in the Summary Compensation Table because increases in base salary become effective in February of each year. Therefore, the amounts reported in the Summary Compensation Table reflect one month at the 2015 base salary rate and eleven months at the 2016 rate. Mr. Lombardi received a salary adjustment in connection with his promotion to Chief Human Resources and Legal Officer on October 1, 2016. Therefore, the amounts reported in the Summary Compensation Table for Mr. Lombardi reflect one month at his 2015 base rate, nine months at his 2016 rate and three months at the adjusted rate for his promotion.

**Short-Term Incentive Awards:** Our company did not meet the target Plan EBITDA or comparable store sales goals for 2016, which resulted in no cash incentive awards paid to our officers for 2016.

**Long-Term Incentive Grants (Performance Shares, Option Awards and RSUs):** The compensation committee approved the long-term incentive grant for each named executive officer in February 2016 with a view towards aligning a large portion of executive pay with the interests of our stockholders. Each of Messrs. Maredia, Nielsen and Lukow received 50% of their equity awards in the form of stock options and 50% in the form of performance share awards with annual and cumulative Plan EBIT targets over a three-year performance period. Messrs. Bruni and Lombardi received 50% of their equity awards in the form of performance share awards, 25% in the form of stock options and 25% in the form of restricted stock units. Ms. Livingston received 50% of her equity awards in the form of stock options and 50% in the form of restricted stock units. As we did not meet the target Plan EBIT goal for 2016, no performance shares were awarded.

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The 2016 market positioning of our named executive officers' initial target compensation compared against our peer group and market survey data is set forth in the following table.

Name	Base Salary	Bonus	Total Cash Compensation	LTI	Target TDC
Amin N. Maredia	<25 <sup>th</sup> Percentile	<25 <sup>th</sup> Percentile	<25 <sup>th</sup> Percentile	40%	30%
Bradley S. Lukow	40%	50%	45%	60%	50%
James L. Nielsen	25%	35%	30%	45%	40%
Daniel J. Bruni	25%	45%	35%	<25 <sup>th</sup> Percentile	30%
Brandon F. Lombardi(1)	25%	40%	30%	35%	35%
Susannah Livingston(2)	-	-	-	-	-

- (1) Based on similar chief legal officer positions and responsibilities at comparable companies.  
(2) Ms. Livingston's compensation was not benchmarked as her role of interim Chief Financial Officer ended effective March 1, 2016.

To demonstrate our focus on pay-for-performance, each element of compensation for 2016 target amounts as initially approved by the compensation committee, or by our management for Ms. Livingston, is set forth as a percentage of target TDC in the following table.

Name	Base Salary	Annual Incentives	Long-Term Incentives
Amin N. Maredia	20%	20%	60%
Bradley S. Lukow	31%	22%	47%
James L. Nielsen	31%	22%	47%
Daniel J. Bruni	43%	22%	35%
Brandon F. Lombardi	43%	22%	35%
Susannah Livingston	59%	20%	21%

**Equity Award Restructuring**

In connection with the promotions of Messrs. Maredia and Nielsen to Chief Executive Officer and President & Chief Operating Officer in August 2015, the compensation committee approved a grant of stock options to purchase 1,200,000 and 500,000 shares of our common stock at an exercise price of \$20.98 per share to these officers, respectively pursuant to the 2013 Incentive Plan (referred to as the *August 2015 Options*). The vesting schedule for the August 2015 Options was over 12 quarters ending on June 30, 2018. These options, taken together with other options granted under the 2013 Incentive Plan to Messrs. Maredia and Nielsen during 2015, exceeded the limit of 500,000 shares which may be granted pursuant to stock options and stock appreciation rights per calendar year to each participant under the 2013 Incentive Plan by 733,439 shares in the case of Mr. Maredia and 33,439 shares in the case of Mr. Nielsen. Accordingly, we determined, and Messrs. Maredia and Nielsen have acknowledged, that the grants of these excess options were null and void.

In order to satisfy the original intent with respect to Messrs. Maredia and Nielsen's compensation for their 2015 promotions, on May 23, 2016, the compensation committee granted to Messrs. Maredia and Nielsen under the 2013

Incentive Plan options to purchase 386,496 and 33,439 shares of our common stock, respectively, and 215,251 and 2,601 shares of restricted stock pursuant to RSAs, respectively. The compensation committee does not consider these grants to be a component of Messrs. Maredia and Nielsen's compensation for 2016, but rather the fulfillment of the committee's original intent with respect to the compensation packages approved for Messrs. Maredia and Nielsen in connection with their 2015 promotions, which was approved on an advisory basis by 72% of votes cast on our 2015 say-on-pay proposal.

In addition, in order to better align the compensation packages of Messrs. Maredia and Nielsen with the original intent at the time of the August 2015 compensation decisions, the compensation committee amended the vesting schedule of the valid portion of the August 2015 Options to reflect as closely as practicable the intended vesting terms for the August 2015 Options, so that, as of May 23, 2016, with

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respect to Mr. Maredia, 300,000 of the August 2015 Options were fully vested, 100,000 of the August 2015 Options vested on June 30, 2016, and the remaining 66,561 of the August 2015 Options vested on September 30, 2016, and with respect to Mr. Nielsen, 125,000 of the August 2015 Options were fully vested, 41,666 of the August 2015 Options vested on the last day of each of the eight quarters beginning on June 30, 2016, and the remaining, 8,233 of the August 2015 Options will vest on June 30, 2018.

### ***Committee Actions Taken for 2017***

An important principle driving our compensation program is our belief that it benefits our stockholders for management's compensation to be tied to our company's current and long-term performance. As a result, in 2017 at-risk pay will continue to comprise a significant portion of our executive compensation program, particularly for our most senior officers. As we continue our transition to a mature public company in a competitive environment, our compensation committee continues to refine our compensation program. Our compensation committee determined to take the following actions with respect to our 2017 compensation program:

The compensation committee approved an increase in salary for Mr. Maredia to \$800,000, consistent with its goal of raising his salary to be more competitive with comparable companies over time. The compensation committee increased the base salaries of our other executive officers by 3% to 29% based on individual performance, increased job responsibilities and their contributions to our business.

The compensation committee continued to emphasize objective pay-for-performance criteria through the use of Plan EBITDA and comparable store sales targets for our annual performance-based cash bonuses.

The performance-based cash bonus opportunities for each of our executive officers will remain at 2016 levels, with a target opportunity of 100% for our Chief Executive Officer, 70% for our President and Chief Operating Officer and our Chief Financial Officer, and 50% for our other executive officers.

The compensation committee will maintain target equity-based compensation equal to 300% of base salary for our Chief Executive Officer, 150% of base salary for our President and Chief Operating Officer and our Chief Financial Officer, and 80% of base salary for our other executive officers.

As part of our committee's emphasis on pay-for-performance and alignment of executive compensation with the long-term interests of our stockholders, the compensation committee approved the grant of performance shares to our executive officers that can be earned after a one-year performance period based on achievement of earnings per share targets. If earned, such performance shares vest 50% on the second anniversary of the grant date (2019), and 50% on the third anniversary of the grant date (2020). This structure is similar to the performance share structure that was in place in 2015, which was approved by 72% of our stockholders on an advisory basis.

The 2017 equity compensation for our executive officers is comprised 50% in the form of performance shares and 50% time-based RSAs vesting one-third on each anniversary of the grant date.



For our Chief Executive Officer, 80% of target TDC for 2017 will be performance-based. For our President and Chief Operating Officer and our Chief Financial Officer, 69% of target TDC will be performance based. For the other named executive officers, on average, 57% of target TDC will be performance-based.

Recognizing the importance of retaining our executive talent in a competitive market and to ensure company leadership continuity, the compensation committee approved a one-time retention grant of restricted shares to certain of our executive officers, other than Mr. Maredia, valued at 1.7x of base salary for Mr. Nielsen, 1.25x of base salary for Messrs. Lombardi and Sanders and 50% or less of

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base salary for other executives, and vesting 1/3 on each anniversary of the grant date. The committee believes that the restricted stock grant has significant retention value while enhancing stockholder alignment by linking value to share price of the award upon vesting.

## **Section Five Executive Compensation Governance**

### ***Stock Ownership Guidelines***

To further align the long-term interests of our executives and our stockholders, our board maintains stock ownership guidelines applicable to our Chief Executive Officer and other executive officers. Our Chief Executive Officer must maintain beneficial ownership of shares of Sprouts stock equal in market value to five times his current annual base salary, and our other executive officers must maintain beneficial ownership of shares of Sprouts stock equal in market value to two times his or her respective current annual base salary. Our Chief Executive Officer and other executive officers have five years to satisfy these stock ownership guidelines. As of fiscal 2016 year-end, each of our named executive officers met these guidelines.

### ***Change-in-Control and Severance Arrangements***

In November 2015, our compensation committee approved an executive severance and change-in-control plan. Our Chief Executive Officer, President and Chief Operating Officer, and Chief Financial Officer are eligible for two to three years of severance benefits upon certain events, including a change in control, and our other executive officers are eligible for one to two years of severance benefits upon certain events, including a change in control. For further information regarding compensation payable to our named executive officers in the event of termination of such officer's employment, see *Potential Payments Upon Termination or Change of Control*.

### ***Hedging and Pledging Policy***

Our insider trading policy expressly prohibits transactions involving hedging or pledging of Sprouts shares by directors, officers or team members without the approval of our Chief Legal Officer, who would review risks of proposed transactions.

### ***Tax Deductibility of Executive Compensation***

Section 162(m) of the Code generally does not permit publicly traded companies to take income tax deductions for compensation paid to our Chief Executive Officer and certain other executive officers to the extent that compensation exceeds \$1 million per officer in any taxable year. Certain compensation, including performance-based compensation meeting specified requirements, is exempt from this limit. As a new public company, under special transition relief, certain compensation paid (and certain equity awards granted) prior to the 2017 Annual Meeting of Stockholders, has also been exempt from this limit. In order to limit the non-deductibility of compensation paid by the Company in the future, our stockholders approved the material terms of the performance goals under the Sprouts Farmers Market, Inc. 2013 Incentive Plan (referred to as the *2013 Incentive Plan*) for purposes of Section 162(m) at our 2015 Annual Meeting of Stockholders. As a result, the compensation attributable to grants of stock options and stock appreciation rights and certain cash awards, restricted stock, restricted stock units, bonus shares, dividend equivalents and other share-based awards granted under the 2013 Incentive Plan after May 2015 may qualify for the performance-based compensation exception under Section 162(m) of the Code. Our 2017 compensation program is structured so that the compensation deemed paid to an executive officer in connection with annual performance-based cash bonuses and performance shares should qualify as performance-based compensation not subject to the \$1 million limitation. To the extent consistent with our corporate objectives, we intend to structure compensation to executive officers whose compensation may be subject to the deduction limits of Section 162(m) in a manner that maximizes the available

deduction. However, we retain the discretion and flexibility to make compensation decisions resulting in the grant of non-deductible compensation to the extent we deem that it is necessary to enable our company to meet its overall objectives.

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***Clawback of Certain Compensation Following Restatement of Financial Statements***

Our corporate governance guidelines provide that if the board of directors learns of any misconduct by an officer that contributed to our company having to restate all or a portion of our financial statements, it shall take such action as it deems necessary to remedy the misconduct, prevent its recurrence and, if appropriate, take remedial action against such officer in a manner it deems appropriate. In determining what remedies to pursue, the board of directors will take into account all relevant factors, including whether the restatement was the result of negligence or intentional or gross misconduct. The board of directors will, in all appropriate cases, require reimbursement of any bonus or incentive compensation awarded to an officer or effect the cancellation of unvested restricted, deferred stock awards previously granted to the officer if: (i) the amount of the bonus, incentive compensation or stock award was calculated based upon the achievement of certain financial results that were subsequently the subject of a restatement, (ii) the executive engaged in intentional misconduct that caused or partially caused the need for the restatement and (iii) the amount of the bonus, incentive compensation or stock award that would have been awarded to the officer had the financial results been properly reported would have been lower than the amount actually awarded. In addition, the board or directors, in its full and complete discretion, may dismiss the officer, authorize legal action for breach of fiduciary duty or take such other action to enforce the officer's obligations to our company as the board of directors determines fit the facts surrounding the particular case.

***Risk Considerations***

Our board of directors does not believe that our 2016 compensation policies and practices create risks that are reasonably likely to have a material adverse effect on our company for the following reasons:

we believe our fixed pay is competitive given our size and stage of development;

our variable pay is based on achieving short-term financial goals, we set a threshold for financial targets below which no bonus payment can be made, and cash bonuses are awarded at amounts that are capped to avoid windfall payouts; and

long-term performance is rewarded through grants of options that are only valuable if the price of our equity increases over time, and performance shares that are valuable only if our company achieves certain financial targets, which aligns our executives' interests with those of our equity holders.

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**COMPENSATION COMMITTEE REPORT**

Our compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this proxy statement. Based on such review and discussion, the compensation committee recommended to our board of directors, and our board of directors approved, that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended January 1, 2017 for filing with the SEC.

Steven H. Townsend, Chairperson

Joseph Fortunato

Terri Funk Graham

Lawrence P. Molloy

**Compensation Committee Interlocks and Insider Participation**

During fiscal 2016, our compensation committee was comprised of Steven H. Townsend, as Chairperson, Joseph Fortunato, Terri Funk Graham and Lawrence P. Molloy. None of these individuals had any contractual or other relationships with us during such fiscal year except as directors, nor have any of these individuals ever been an officer or team member of our company.

None of our executive officers currently serves, or in the past year has served, as a member of the board or compensation committee of any entity that has one or more executive officers serving on our board or compensation committee.

**Table of Contents****Summary Compensation Table**

The following table provides information regarding the compensation of our named executive officers for fiscal 2016, 2015, and 2014.

Name and Principal Position	Year	Salary(1)	Option Awards(2)	Stock Awards(3)	Non-Equity	All	Total
					Incentive Plan Compensation(4)	Other Compensation(5)	
Amin N. Maredia Chief Executive Officer(6)	2016	\$ 644,309	\$ 3,500,867	\$ 6,353,483		\$ 18,601	\$ 10,517,260
	2015	\$ 498,461	\$ 3,016,383	\$ 296,508	\$ 179,381	\$ 12,151	\$ 4,002,884
	2014	\$ 395,644	\$ 359,999	\$ 259,768	\$ 553,902	\$ 3,957	\$ 1,573,270
Bradley S. Lukow Chief Financial Officer(7)	2016	\$ 386,846	\$ 352,499	\$ 914,540	\$ 270,792	\$ 92,721	\$ 2,017,398
James L. Nielsen President and Chief Operating Officer(8)	2016	\$ 522,596	\$ 612,282	\$ 501,492		\$ 20,559	\$ 1,656,929
	2015	\$ 458,077	\$ 3,016,383	\$ 296,508	\$ 140,446	\$ 17,906	\$ 3,929,320
	2014	\$ 392,659	\$ 359,999	\$ 259,768	\$ 549,722	\$ 9,055	\$ 1,571,203
Daniel J. Bruni Chief Information Officer(9)	2016	\$ 318,077	\$ 63,996	\$ 213,465		\$ 73,943	\$ 669,481
Brandon F. Lombardi Chief Legal Officer and Corporate Secretary(10)	2016	\$ 338,654	\$ 65,997	\$ 220,123		\$ 8,930	\$ 633,704
	2015	\$ 305,596	\$ 531,895	\$ 228,157	\$ 66,926	\$ 21,631	\$ 1,154,205
	2014	\$ 273,125	\$ 132,003	\$ 95,262	\$ 163,875	\$ 24,543	\$ 688,808
Susannah S. Livingston Former Interim Chief Financial Officer and Treasurer; Vice President of Investor Relations and Treasury(11)	2016	\$ 202,605	\$ 35,571	\$ 39,550	\$ 35,456	\$ 8,175	\$ 321,357
	2015	\$ 199,403	\$ 150,164	\$ 32,339	\$ 100,000	\$ 4,371	\$ 486,277

(1) Fiscal 2016 salary consists of a 52-week year from January 4, 2016 through January 1, 2017. Salary payments for 2015 reflect an additional week of salary paid as fiscal 2015 contained 53 weeks.

(2) The amounts in this column reflect the aggregate grant date fair value of each option award granted during the fiscal year, computed in accordance with ASC 718. The valuation assumptions used in determining such amounts are described in Note 22 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017.

- (3) The amounts in this column reflect the aggregate grant date fair value of each performance share, share of restricted stock or restricted stock unit granted during the fiscal year, computed in accordance with ASC 718. The valuation assumptions used in determining such amounts are described in Note 22 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017.
- (4) Unless otherwise indicated, amounts shown in this column include bonuses earned in fiscal 2016, 2015 and 2014 under our performance-based cash incentive plan, but not paid until fiscal 2017, 2016 and 2015, respectively, and are based on percentages of the actual base salary amounts earned by the named executive officers during such years.
- (5) Amounts in this column for 2016 include (a) medical and disability insurance premiums paid on behalf of Messrs. Maredia, Nielsen, and Lombardi; (b) life insurance premiums of \$721, \$939, \$808, \$1,772, \$397 and \$453 paid on behalf of Messrs. Maredia, Lukow, Nielsen, Bruni, and Lombardi and Ms. Livingston, respectively; (c) cash out of accrued vacation time of \$12,500, \$9,615, and \$6,346 to Messrs. Maredia, Nielsen, and Lombardi, respectively; (d) reimbursement of relocation expenses of \$91,783 and \$63,170 for Messrs. Lukow and Bruni, respectively; (e) matching contributions to our 401(k) plan for Messrs. Nielsen and Bruni, and Ms. Livingston; and (f) \$1,925 for personal use of our corporate aircraft by Mr. Maredia.
- (6) On February 1, 2016, Mr. Maredia's base salary increased to \$650,000. The 2016 amount shown reflects payment of his base salary of \$600,000 from January 4, 2016 through January 31, 2016 and \$650,000 from February 1, 2016 through January 1, 2017. In connection with the promotion of Mr. Maredia to Chief Executive Officer, in August 2015, the compensation committee approved the grant to Mr. Maredia of stock options to purchase 1,200,000 shares of our common stock. 733,439 of these options were subsequently determined to be null and void. See *Equity Award Restructuring* above. The grant date fair value of option awards granted in 2015 shown includes only the value of the valid portion of the options. In order to satisfy the original intent with respect to Mr. Maredia's compensation for his promotion, on May 23, 2016, the compensation committee granted to Mr. Maredia

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options to purchase 386,496 shares and 215,251 shares of restricted stock. See *Equity Award Restructuring* above. The grant date fair value of option awards granted in 2016 shown includes the options to purchase 386,496 shares, which had a grant date fair value of \$ 2,525,867, and the grant date fair value of stock awards granted in 2016 shown includes the grant of 215,251 shares of restricted stock, which had a grant date fair value of \$5,269,344.

- (7) Mr. Lukow was appointed Chief Financial Officer effective March 1, 2016 at an annual base salary of \$470,000. Pursuant to Mr. Lukow's offer letter for employment with our company, he received a one-time grant of RSUs equal to his 2016 base salary and payment of his 2016 performance-based cash bonus was guaranteed at the target level.
- (8) On February 1, 2016, Mr. Nielsen's base salary increased to \$525,000. The 2016 amount shown reflects payment of his base salary of \$500,000 from January 4, 2016 through January 31, 2016 and \$525,000 from February 1, 2016 through January 1, 2017. In connection with the promotion of Mr. Nielsen to President & Chief Operating Officer, in August 2015, the compensation committee approved the grant to Mr. Nielsen of stock options to purchase 500,000 shares of our common stock. 33,439 of these options were subsequently determined to be null and void. See *Equity Award Restructuring* above. The grant date fair value of option awards granted in 2015 shown includes only the value of the valid portion of the options. In order to satisfy the original intent with respect to Mr. Nielsen's compensation for his promotion, on May 23, 2016, the compensation committee granted to Mr. Nielsen options to purchase 33,439 shares and 2,601 shares of restricted stock. See *Equity Award Restructuring* above. The grant date fair value of option awards granted in 2016 shown includes the options to purchase 33,439 shares, which had a grant date fair value of \$218,534, and the grant date fair value of stock awards granted in 2016 shown includes the grant of 2,601 shares of restricted stock, which had a grant date fair value of \$63,672.
- (9) On February 1, 2016, Mr. Bruni's base salary increased to \$320,000. The 2016 amount shown reflects payment of his base salary of \$300,000 from January 4, 2016 through January 31, 2016 and \$320,000 from February 1, 2016 through January 1, 2017.
- (10) On February 1, 2016 Mr. Lombardi's base salary increased to \$330,000. On October 3, 2016, Mr. Lombardi assumed the role of Chief Human Resources and Legal Officer and his base salary increased from \$330,000 to \$375,000. The 2016 amount shown reflects his base salary of \$303,000 through January 31, 2016, \$330,000 from February 1, 2016 through October 2, 2016 and \$375,000 from October 3, 2016 through January 1, 2017.
- (11) On August 6, 2015, Ms. Livingston was appointed interim Chief Financial Officer and Treasurer. Her base salary remained unchanged. On February 28, 2016, Ms. Livingston stepped down as Interim Chief Financial Officer upon the appointment of Mr. Lukow and resumed her duties as Vice President of Investor Relations and Treasury.



**Table of Contents****Grants of Plan-Based Awards**

The following table sets forth certain information with respect to grants of plan-based awards to the named executive officers for fiscal 2016.

	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (2)(#)	All Other Option Awards: Number of Securities Underlying Options(3) (#)	Exercise or Base Price of Awards (\$/Sh)	Grant Date Value of Stock Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
N. dia		\$ 97,500	\$ 650,000	\$ 1,300,000							
	March 4, 2016				19,215	38,431	57,646	38,431			\$ 1,084
	March 4, 2016								113,504	\$28.21	\$ 974
	May 23, 2016							215,251(5)			\$ 5,269
	May 23, 2016								386,496(5)	\$ 24.48	\$ 2,525
ey S.		\$ 49,350	\$ 329,000	\$ 658,000							
w	March 4, 2016							18,525(6)			\$ 522
	March 4, 2016				6,947	13,894	20,841	13,894			\$ 391
	March 4, 2016								41,036	\$ 28.21	\$ 352
S L.		\$ 55,125	\$ 367,500	\$ 735,000							
en	March 4, 2016				7,760	15,520	23,280	15,520			\$ 437
	March 4, 2016								45,838	\$ 28.21	\$ 393
	May 23, 2016							2,601(5)			\$ 63
	May 23, 2016								33,439(5)	\$ 24.48	\$ 218
l J.		\$ 24,000	\$ 160,000	\$ 320,000							
	March 4, 2016				2,522	5,045	7,567	5,045			\$ 142
	March 4, 2016							2,522(6)			\$ 71
	March 4, 2016								7,450	\$ 28.21	\$ 63
lon F.		\$ 18,512	\$ 123,411	\$ 246,822							
ardi(7)		\$ 7,089	\$ 47,260	\$ 94,521							
	March 4, 2016				2,601	5,202	7,803	5,202			\$ 146
	March 4, 2016							2,601(6)			\$ 73
	March 4, 2016								7,683	\$ 28.21	\$ 65
nah S.		\$ 40,907	\$ 71,143	\$ 106,715							
gston	March 4, 2016							1,402(6)			\$ 39

March 4, 2016

4,141 \$ 28.21 \$ 35

- (1) Represents possible amounts payable under our 2016 performance-based cash bonus program. For fiscal 2016, cash bonuses to be awarded to each named executive officer were based on Plan EBITDA and comparable store sales growth targets, with the exception of Ms. Livingston, whose cash bonus was also based on individual performance criteria related to her ongoing position as Vice President of Investor Relations and Treasury. The initial Target Bonus amounts for 2016 for Messrs. Maredia, Lukow, Nielsen, Lombardi, Bruni and Ms. Livingston were 100%, 70%, 70%, 50%, 50% and 35% of eligible earnings during the year, respectively. The maximum amount achievable by Messrs. Maredia, Lukow, Nielsen, Lombardi and Bruni in 2016 was 200% of his Target Bonus. The maximum amount achievable by Ms. Livingston was 150% of her Target Bonus. In addition, 75% of the bonus criteria for each named executive officer was weighted towards Plan EBITDA, and 25% towards comparable store sales growth. See *Summary Compensation Table* for actual amounts paid under our 2016 performance-based cash incentive program.
- (2) Except as otherwise indicated in footnote 5 below, amounts in this column represent unvested performance share awards, which were granted on March 4, 2016. The performance shares cliff vest on March 4, 2019, assuming performance conditions are achieved both annually and cumulatively over the three-year performance period and assuming continued service through the applicable vesting date. Subsequent to fiscal 2016 year-end, the compensation committee determined that the conditions for such performance share awards were not met with respect to 2016.
- (3) The options granted on March 4, 2016 vest and become exercisable in twelve equal quarterly installments at the end of each calendar quarter, beginning March 31, 2016 and continuing through December 31, 2018.
- (4) The amounts in this column reflect the aggregate grant date fair value of each option, share of restricted stock and performance share granted during fiscal 2016, computed in accordance with ASC 718. The valuation assumptions used in determining such amounts are described in Note 22 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017.
- (5) Represents unvested restricted stock awards and stock options, which were granted to Messrs. Maredia and Nielsen on May 23, 2016. The restricted stock granted to Mr. Maredia vests at the end of each calendar quarter beginning December 31, 2016 through June 30, 2018, and the restricted stock granted to Mr. Nielsen shall vest on December 31, 2018. The options granted to Mr. Maredia on May 23, 2016 vest on a quarterly basis over a seven quarter period, beginning on December 31, 2016, and the options granted to Mr. Nielsen on May 23, 2016 shall vest on June 30, 2018. These restricted stock awards and stock options granted to Messrs. Maredia and Nielsen are related to their respective promotions in 2015. See *Equity Award Restructuring* above.

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- (6) Represents unvested RSUs, which were granted on March 4, 2016. The RSUs vest in three equal installments on March 4, 2017, March 4, 2018 and March 4, 2019, assuming continued employment through the applicable vesting date. Mr. Lukow received a one-time grant of RSUs equal to his 2016 base salary pursuant to his offer letter for employment with our company; all other RSU grants represent Mr. Lukow's long-term equity incentive grant under our 2016 executive compensation program.
- (7) The threshold, target and maximum amounts in the first row for Mr. Lombardi reflect such amounts pro-rated for the portion of the year ending October 2, 2016 during which Mr. Lombardi served as our Chief Legal Officer based on his base salary of \$330,000 and target bonus percentage of 50% of base salary. The second row reflects the amounts pro-rated for the portion of the year beginning October 3, 2016 during which Mr. Lombardi served as our Chief Human Resources and Legal Officer based on his increased base salary of \$375,000 and had a target bonus percentage of 50% of base salary.

**Outstanding Equity Awards at Fiscal Year-End**

The following table provides information regarding outstanding equity awards held by our named executive officers as of January 1, 2017.

Name	Grant Date	Option Awards				Option Exercise Price	Option Expiration Date	Stock Awards	
		Number of Securities Underlying Unexercised Options(1)	Exercisable	Unexercisable	Unearned			Number of Shares or Units of Stock That Have Not Vested(2)	Market Value of Shares or Units of Stock That Have Not Vested(3)
Amin N. Maredia	September 25, 2011	35,322	-	-	\$ 3.33	September 25, 2018	-	-	
	July 31, 2013	55,000	-	-	\$ 18.00	July 31, 2020	-	-	
	August 11, 2015(4)	466,561	-	-	\$ 20.98	August 11, 2022	-	-	
	May 23, 2016(5)	55,214	331,282	-	\$ 24.48	August 11, 2022	-	-	
	May 23, 2016(5)	-	-	-	-	-	184,500	\$ 3,490,740	
	March 4, 2016(6)	-	113,504	-	\$ 28.21	March 4, 2023	38,431	\$ 727,115	
	March 11, 2015	22,292	11,147	-	\$ 34.33	March 11, 2022	8,637	\$ 163,412	
	March 4, 2014	33,771	-	-	\$ 39.01	March 4, 2021	2,219	\$ 41,983	
Bradley S. Lukow	March 4, 2016	-	41,036	-	\$ 28.21	March 4, 2023	18,525	\$ 350,493	
	March 4, 2016(6)	-	-	-	-	-	13,894	\$ 262,874	
James L. Nielsen	May 2, 2011	55,322	-	-	\$ 3.33	May 2, 2018	-	-	
	July 31, 2013	110,000	-	-	\$ 18.00	July 31, 2020	-	-	
	August 11, 2015(4)	250,002	216,559	-	\$ 20.98	August 11, 2022	-	-	
	May 23, 2016(5)	-	33,439	-	\$ 24.48	August 11, 2022	-	-	
	May 23, 2016(5)	-	-	-	-	-	2,601	\$ 49,211	

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	March 4, 2016(6)	-	45,838	-	\$ 28.21	March 4, 2023	15,520	\$ 293,638
	March 11, 2015	22,292	11,147	-	\$ 34.33	March 11, 2022	8,637	\$ 163,412
	March 4, 2014	33,771	-	-	\$ 39.01	March 4, 2021	2,219	\$ 41,983
Daniel J.								
Bruni	March 4, 2016	-	7,450	-	\$ 28.21	March 4, 2023	2,522	\$ 47,716
	March 4, 2016(6)	-	-	-	-		5,045	\$ 95,451
	March 11, 2015	8,492	4,246	-	\$ 34.33	March 11, 2022	3,290	\$ 62,247
Brandon F.								
Lombardi	July 23, 2012	45,834	-	-	\$ 3.78	July 23, 2019	-	-
	July 23, 2012	73,500	-	-	\$ 6.01	July 23, 2019	-	-
	August 11, 2015	25,000	25,000	-	\$ 20.98	August 11, 2022	-	-
	March 4, 2016	-	7,683	-	\$ 28.21	March 4, 2023	2,601	\$ 49,211
	March 4, 2016(6)	-	-	-	-		5,202	\$ 98,422
	March 11, 2015	17,154	8,578	-	\$ 34.33	March 11, 2022	6,646	\$ 125,742
	March 4, 2014	12,383	-	-	\$ 39.01	March 4, 2021	814	\$ 15,401
Susannah S.								
Livingston	April 8, 2013	35,000	-	-	\$ 6.92	April 8, 2020	-	-
	August 11, 2015	10,000	10,000	-	\$ 20.98	August 11, 2022	-	-
	March 4, 2016	-	4,141	-	\$ 28.21	March 4, 2023	1,402	\$ 26,526
	March 11, 2015	2,432	1,216	-	\$ 34.33	March 11, 2022	942	\$ 17,823
	March 4, 2014	3,738	-	-	\$ 39.01	March 4, 2021	245	\$ 4,635

- (1) Options are to acquire shares of common stock. Options generally expire seven years from the grant date. Time-vested options granted prior to 2016 generally vest over 12 quarters. Time-based options granted in 2016 vest annually over three years on each anniversary of the grant date. In addition, all options granted prior to 2015 vest upon occurrence of a change in control of the company. Options granted subsequent to 2015 vest upon a change in control if not assumed by the acquiror or employment is terminated by the company without cause or by the team member for good reason within 24 months of a change in control, each as defined in the respective option award agreement.

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- (2) Except as otherwise indicated, represents unvested RSUs. The RSUs generally vest in three equal installments on each of the first three anniversaries of the grant date, assuming continued employment through the applicable vesting date. Awards granted on March 11, 2015 represent unvested performance shares, which were granted March 11, 2015. As the compensation committee determined that the conditions for such performance shares were met with respect to 2015, the performance shares will vest in two equal installments on March 11, 2017 and March 11, 2018, assuming continued employment through the applicable vesting date.
- (3) The market value of unvested awards is calculated by multiplying the number of unvested awards held by the applicable named executive officer by the closing market price of our common stock on the Nasdaq Global Select Market on the last trading day of fiscal 2016, December 30, 2016, which was \$18.92 per share.
- (4) The vesting provisions of options granted to Messrs. Maredia and Nielsen on August 11, 2015 were amended on May 23, 2016. See *Equity Award Restructuring* above. The number of securities underlying exercisable and unexercisable options shown reflect the amended vesting provisions.
- (5) Options and restricted stock awards granted to Messrs. Maredia and Nielsen on May 23, 2016 are related to their respective promotions in 2015. See *Equity Award Restructuring* above. The options and restricted stock granted to Mr. Maredia vest on a quarterly basis over a seven quarter period, beginning on December 31, 2016, and the options and restricted stock granted to Mr. Nielsen shall vest on June 30, 2018.
- (6) Stock awards granted March 4, 2016 represent unvested performance share awards. The performance shares cliff vest on March 4, 2019, assuming performance conditions are achieved both annually and cumulatively over the three-year performance period and assuming continued service through the applicable vesting date. Subsequent to fiscal 2016 year-end, the compensation committee determined that the conditions for such performance share awards were not met with respect to 2016.

**Option Exercises**

The following table describes, for the named executive officers, the number of shares acquired on the exercise of options and the value realized on exercise of options during fiscal 2016.

Name	Option Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise
James L. Nielsen	50,000	\$ 1,283,725
Brandon F. Lombardi	22,959	\$ 370,302
Susannah Livingston	30,000	\$ 660,535

For option awards, the value realized is computed as the difference between the fair market value of the underlying shares on the date of exercise and the exercise price times the number of shares acquired upon exercise.

**Employment Agreements**

On July 15, 2011, we entered into an employment agreement with Mr. Maredia, as amended from time to time, that provided for compensation terms as well as confidentiality and non-competition obligations. In connection with Mr. Maredia's promotion to Chief Executive Officer, on August 6, 2015, we entered into an amended and restated employment agreement with Mr. Maredia that provided for an increase in his annual base salary and a target annual bonus, and the grant of options to purchase 1,200,000 shares of our common stock, as subsequently restructured; see *Equity Award Restructuring* above. The term of Mr. Maredia's amended and restated employment agreement is three years, subject to one-year extension periods.

On April 18, 2011, we entered into an employment agreement with Mr. Nielsen, as amended from time to time, that provided for compensation terms as well as confidentiality and non-competition obligations. In connection with Mr. Nielsen's appointment as President and Chief Operating Officer, on August 6, 2015, we entered into an amendment to his employment agreement that provided for an increase in his annual base salary and the grant of options to purchase 500,000 shares of our common stock, as subsequently restructured; see *Equity Award Restructuring* above.

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On January 23, 2012, we entered into an employment agreement with Mr. Lombardi, as amended from time to time, that provided for compensation terms as well as confidentiality and non-competition obligations. Mr. Frumkin and Ms. Livingston do not have employment agreements.

Each employment agreement described above contains a base salary that was set as a result of negotiations between the executive and our board of directors, and is subject to adjustment on an annual basis. Additionally, each employment agreement provides for a bonus based upon our company's attainment of annual goals established by our board and the compensation committee. Each employment agreement also provides vacation benefits, reimbursement for business expenses, and the right to participate in company-wide benefits, including insurance, retirement, and other plans and programs as are available to our executive officers. Each employment agreement contains a covenant not to compete with our company or solicit our team members or customers for a period equal to the greater of 12 months immediately following termination of employment or the end of the period during which severance payments are being made, subject to certain exceptions, as well as confidentiality, preservation of intellectual property and non-disparagement obligations. We and each named executive officer may terminate the officer's employment at any time. In the event of termination of employment, amounts payable to our named executive officers are reflected in the *Potential Payments Upon Termination or Change of Control* section below.

## **Potential Payments Upon Termination or Change of Control**

On November 4, 2015, our board of directors adopted an Executive Severance and Change in Control Plan (referred to as the *Plan*) to provide benefits and payments to certain of our senior executive officers if their employment is terminated under certain circumstances. The Plan covers senior executive officers designated by the compensation committee of our board of directors, including our named executive officers that do not otherwise have employment agreements which specifically provide for severance. In addition, if one of our senior executive officers designated for participation in the Plan has an employment agreement and his or her employment is terminated in connection with a change in control (as defined in the Plan) under circumstances providing for change in control severance benefits under the Plan (as described below), the senior executive officer is eligible to receive change in control severance benefits under the Plan, rather than severance benefits under the applicable employment agreement, unless the severance terms of the applicable employment agreement are more favorable to the executive in which case the terms of the employment agreement shall govern.

In the event that a Plan participant's employment is terminated by us due to elimination of job position, reduction in force or restructuring, or by a participant due to relocation, and such termination does not constitute a termination in connection with a change in control described below and is not within 12 months of the participant's date of hire, (a) our Chief Executive Officer, President and Chief Operating Officer, and Chief Financial Officer will be eligible to receive continued payments of base salary for two years and COBRA premium reimbursement for two years (or, if earlier, until the participant is no longer eligible for COBRA coverage), the aggregate amount of the annual bonus amounts received in respect of the prior two completed fiscal years, and a prorated bonus based on actual performance for the fiscal year in which termination occurs; and (b) other participants will be eligible to receive continued payments of base salary for one year and COBRA premium reimbursement for one year (or, if earlier, until the participant is no longer eligible for COBRA coverage), an amount equal to the participant's target bonus at the time of termination, and a prorated bonus based on actual performance for the fiscal year in which termination occurs.

In the event that a Plan participant's employment is terminated by us without cause or by the participant for good reason (each as defined by the Plan) upon or during the 24-month period following a change in control, Plan participants other than our Chief Executive Officer will be eligible to receive continued payments of base salary for two years and COBRA premium reimbursement for two years (or, if earlier, until the participant is no longer eligible for COBRA coverage), as well as an amount equal to the





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participant's target bonus at the time of termination. Our Chief Executive Officer will be eligible to receive continued payments of base salary for three years and COBRA premium reimbursement for three years (or, if earlier, until he is no longer eligible for COBRA coverage), as well as an amount equal to his annual bonuses paid in respect of the past three completed fiscal years.

The tables below reflect the amount of compensation to our named executive officers in the event of termination of such officer's employment or upon a change of control pursuant to the Plan or the respective named executive officer's employment agreement. The amount of compensation payable to each named executive officer upon voluntary or for cause termination, involuntary for good reason or involuntary not for cause termination, and in the event of disability or death of the executive or upon a change of control of our company is shown below. The amounts shown assume that such termination or change of control was effective as of January 1, 2017, and thus include amounts earned through such time and are estimates of the amounts which would be paid out to the executives upon their termination. The actual amounts to be paid out can only be determined at the time of such officer's separation from our company. Our officers' employment agreements do not provide for additional benefits upon a change of control of our company other than reflected in the tables below; however, certain of our equity award agreements granted prior to 2015 provide for the immediate vesting of the award upon a qualifying change of control transaction, while other equity award agreements provide for the vesting of the award only if not assumed by an acquiror or after the executive is terminated by an acquiror without cause or by the executive for good reason within 24 months of a qualifying change of control transaction.

**Amin N. Maredia**

	<b>Voluntary for Good Reason</b>			<b>Change of Control with Termination within 24 months</b>	
	<b>Voluntary or For Cause Termination on 01/01/17</b>	<b>or Involuntary Not for Cause Termination on 01/01/17(1)</b>	<b>Death or Disability on 01/01/17</b>	<b>Change of Control with No Termination on 01/01/17</b>	<b>Change of Control with Termination within 24 months of 01/01/17</b>
<b>Executive Benefits and Payments Compensation:</b>					
Bonus		\$ 179,381	\$ 179,381		\$ 1,950,000
Cash severance		\$ 1,300,000	\$ 1,300,000		\$ 1,950,000
Health and welfare benefits		\$ 28,502	\$ 28,502		\$ 42,753
Equity treatment(2)(3)				\$ 41,983	\$ 4,423,250
Total		\$ 1,507,883	\$ 1,507,883	\$ 41,983	\$ 8,366,003

(1) Mr. Maredia's employment agreement provides that if he ceases to be the Chief Executive Officer of a company whose stock is traded on a nationally recognized securities exchange following a change of control transaction, he may resign and such resignation shall be treated as good reason, which will entitle him to the amounts reflected in this column.

(2)

The amount shown represents the market value of unvested stock options, RSUs, RSAs and performance shares that would become fully vested following a qualifying change of control transaction. Options granted on March 4, 2014, March 11, 2015, August 11, 2015, March 4, 2016 and May 23, 2016 are not included because the closing price of our common stock of \$18.92 on December 30, 2016, the last trading day of fiscal 2016, was less than the exercise price of \$39.01, \$34.33, \$20.98, \$28.21 and \$24.48 respectively.

- (3) All equity awards granted prior to 2015 vest upon occurrence of a change in control of the company. Equity awards granted during or subsequent to 2015 vest upon a change in control if not assumed by acquiror or employment is terminated by the company without cause or by the team member for good reason within 24 months of change in control.

**Table of Contents***Bradley S. Lukow*

	Voluntary for Good Reason		Death or Disability on 01/01/17	Change of Control with No Termination on 01/01/17	Change of Control with Termination within 24 months of 01/01/17
	Voluntary or For Cause Termination on 01/01/17	or Involuntary Not for Cause Termination on 01/01/17			
<b>Executive Benefits and Payments Compensation:</b>					
Bonus		\$ 270,792	\$ 270,792		\$ 329,000
Cash severance		\$ 940,000	\$ 940,000		\$ 940,000
Health and welfare benefits		\$ 31,623	\$ 31,623		\$ 31,623
Equity treatment(1)(2)					\$ 613,367
Total		\$ 1,242,415	\$ 1,242,415		\$ 1,913,990

(1) The amount shown represents the market value of unvested stock options, RSUs and performance shares that would become fully vested following a qualifying change of control transaction. Options granted on March 4, 2016 are not included because the closing price of our common stock of \$18.92 on December 30, 2016, the last trading day of fiscal 2016, was less than the exercise price of \$28.21.

(2) Equity awards vest upon a change in control if not assumed by acquiror or employment is terminated by the company without cause or by the team member for good reason within 24 months of change in control.

*James L. Nielsen*

	Voluntary for Good Reason		Death or Disability on 01/01/17	Change of Control with No Termination on 01/01/17	Change of Control with Termination within 24 months of 01/01/17
	Voluntary or For Cause Termination on 01/01/17	or Involuntary Not for Cause Termination on 01/01/17			
<b>Executive Benefits and Payments Compensation:</b>					
Bonus		\$ 140,446	\$ 140,446		\$ 367,500
Cash severance		\$ 1,050,000	\$ 1,050,000		\$ 1,050,000
Health and welfare benefits		\$ 11,779	\$ 11,779		\$ 11,779
Equity treatment(1)(2)				\$ 41,983	\$ 548,245

Total	\$ 1,202,225	\$ 1,202,225	\$ 41,983	\$ 1,977,524
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- (1) The amount shown represents the market value of unvested stock options, RSUs, RSAs and performance shares that would become fully vested following a qualifying change of control transaction. Options granted on March 4, 2014, March 11, 2015, August 11, 2015, March 4, 2016 and May 23, 2016 are not included because the closing price of our common stock of \$18.92 on December 30, 2016, the last trading day of fiscal 2016, was less than the exercise price of \$39.01, \$34.33, \$20.98, \$28.21 and \$24.48 respectively.
- (2) All equity awards granted prior to 2015 vest upon occurrence of a change in control of the company. Equity awards granted during or subsequent to 2015 vest upon a change in control if not assumed by acquiror or employment is terminated by the company without cause or by the team member for good reason within 24 months of change in control.

**Table of Contents***Daniel J. Bruni*

Executive Benefits and Payments Compensation:	Voluntary for Good Reason		Death or Disability on 01/01/17	Change of Control with No Termination on 01/01/17	Change of Control with Termination within 24 months of 01/01/17
	Voluntary or For Cause Termination on 01/01/17	or Involuntary Not for Cause Termination on 01/01/17			
Bonus					\$ 160,000
Cash severance		\$ 320,000	\$ 320,000		\$ 640,000
Health and welfare benefits		\$ 12,375	\$ 12,375		\$ 24,750
Equity treatment(1)(2)					\$ 205,414
Total		\$ 332,375	\$ 332,375		\$ 1,030,164

(1) The amount shown represents the market value of unvested stock options, RSUs and performance shares that would become fully vested following a qualifying change of control transaction. Options granted on March 11, 2015 and March 4, 2016 are not included because the closing price of our common stock of \$18.92 on December 30, 2016, the last trading day of fiscal 2016, was less than the exercise price of \$34.33 and \$28.21 respectively.

(2) All equity awards granted prior to 2015 vest upon occurrence of a change in control of the company. Equity awards granted during or subsequent to 2015 vest upon a change in control if not assumed by acquiror or employment is terminated by the company without cause or by the team member for good reason within 24 months of change in control.

*Brandon F. Lombardi*

Executive Benefits and Payments Compensation:	Voluntary for Good Reason		Death or Disability on 01/01/17	Change of Control with No Termination on 01/01/17	Change of Control with Termination within 24 months of 01/01/17
	Voluntary or For Cause Termination on 01/01/17	or Involuntary Not for Cause Termination on 01/01/17			
Bonus		\$ 66,926			\$ 170,671
Cash severance		\$ 375,000	\$ 375,000		\$ 750,000

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Health and welfare benefits	\$ 5,889	\$ 5,889	\$ 11,779
Equity treatment(1)(2)		\$ 15,401	\$ 288,776
Total	\$ 447,815	\$ 380,889	\$ 1,221,226

(1) The amount shown represents the market value of unvested stock options, RSUs and performance shares that would become fully vested following a qualifying change of control transaction. Options granted on March 4, 2014, March 11, 2015, August 11, 2015 and March 4, 2016 are not included because the closing price of our common stock of \$18.92 on December 30, 2016, the last trading day of fiscal 2016, was less than the exercise price of \$39.01, \$34.33, \$20.98 and \$28.21 respectively.

(2) All equity awards granted prior to 2015 vest upon occurrence of a change in control of the company. Equity awards granted during or subsequent to 2015 vest upon a change in control if not assumed by acquiror or employment is terminated by the company without cause or by the team member for good reason within 24 months of change in control.

**Table of Contents***Susannah S. Livingston*

	Voluntary or Involuntary Termination on 01/01/17	Voluntary or Involuntary Termination on 01/01/17	Death or Disability on 01/01/17	Change of Control with No Termination on 01/01/17	Change of Control with Termination within 24 months of 01/01/17
<b>Executive Benefits and Payments Compensation:</b>					
Bonus		\$ 35,456	\$ 35,456		\$ 71,143
Cash severance		\$ 203,266	\$ 203,266		\$ 406,532
Health and welfare benefits		\$ 16,171	\$ 16,171		\$ 32,341
Equity treatment(1)(2)				\$ 4,635	\$ 48,984
Total		\$ 254,893	\$ 254,893	\$ 4,635	\$ 559,000

(1) The amount shown represents the market value of unvested stock options, RSUs and performance shares that would become fully vested following a qualifying change of control transaction. Options granted on March 4, 2014, March 11, 2015, August 11, 2015 and March 4, 2016 are not included because the closing price of our common stock of \$18.92 on December 30, 2016, the last trading day of fiscal 2016, was less than the exercise price of \$39.01, \$34.33, \$20.98 and \$28.21 respectively.

(2) All equity awards granted prior to 2015 vest upon occurrence of a change in control of the company. Equity awards granted during or subsequent to 2015 vest upon a change in control if not assumed by acquiror or employment is terminated by the company without cause or by the team member for good reason within 24 months of change in control.

**Pension Benefits and Nonqualified Deferred Compensation**

We do not offer a pension plan for any of our team members. In fiscal 2016, we did not offer a nonqualified deferred compensation plan for any of our team members. Team members meeting certain requirements may participate in our 401(k) plan.

**Team Member Benefit and Stock Plans**

We have two team member benefit and stock plans under which we have issued equity to our team members and non-employee members of the board, our 2011 Option Plan and 2013 Incentive Plan.

**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

As of January 1, 2017, the following table shows the number of securities to be issued upon exercise of outstanding equity awards under our equity compensation plans.

<b>Plan Category</b>	<b>Number of Securities to Be Issued Upon Exercise of Outstanding Equity Awards (a)</b>	<b>Weighted-Average Exercise Price of Outstanding Equity Awards (b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</b>
Equity Compensation Plans Approved by Stockholders(1)	3,551,030(3)	\$ 24.86(4)	6,299,069
Equity Compensation Plans Not Approved by Stockholders(2)	3,826,753	\$ 3.16	
<b>Total</b>	<b>7,377,783</b>	<b>\$ 12.57</b>	<b>6,299,069</b>

(1) Represents our 2013 Incentive Plan.

(2) Represents our 2011 Option Plan.

(3) Includes 274,457 shares of common stock issuable upon vesting of outstanding RSUs, 187,101 shares of common stock issuable upon vesting of outstanding RSAs and 158,936 shares of common stock issuable upon vesting of outstanding performance shares granted under the 2013 Incentive Plan.

(4) The weighted-average exercise price does not include the shares issuable upon vesting of RSUs, RSAs or PSAs which have no exercise price.



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**REPORT OF THE AUDIT COMMITTEE**

During fiscal 2016, the board of directors appointed an audit committee consisting of Lawrence P. Molloy, Chairperson, Joseph Fortunato and Steven H. Townsend until August 8, 2016, when Kristin E. Blum replaced Mr. Fortunato on the committee upon her appointment to the board. All of the members of the committee are independent of our company and management, as independence is defined in applicable rules of the SEC and the NASDAQ Stock Market, and our board of directors has determined that each of Messrs. Molloy, Fortunato and Townsend is an audit committee financial expert within the meaning of SEC regulations. Each member of our audit committee can read and understand fundamental financial statements in accordance with audit committee requirements. In arriving at this determination, the board has examined each audit committee member's scope of experience in financial roles and the nature of their employment.

The purpose of the audit committee is to provide oversight of the Company's accounting and financial reporting processes and audits of the financial statements of the Company and compliance with applicable legal requirements and regulations. The primary responsibilities of the committee include reviewing and pre-approving the engagement of our independent registered public accounting firm, reviewing our annual and quarterly financial statements and reports, discussing the statements and reports with our independent registered public accounting firm and management, and reviewing and monitoring our accounting principles, accounting policies, financial and accounting controls and compliance with legal and regulatory requirements. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The independent auditor is responsible for auditing the financial statements and expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles. Our board of directors has adopted a written charter for our audit committee, available at [investors.sprouts.com](http://investors.sprouts.com), that reflects, among other things, requirements of the Sarbanes-Oxley Act of 2002, rules adopted by the SEC, and rules of the NASDAQ Stock Market. The inclusion of our website address in this proxy statement does not include or incorporate by reference the information on or accessible through our website into this proxy statement.

In fulfilling its oversight responsibilities, the committee reviewed and discussed with management and the independent auditor the audited financial statements at January 1, 2017 and January 3, 2016 and for each of the years in the three-year period ended January 1, 2017. The committee discussed with the independent auditor the matters required to be discussed by Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 16, Communications with Audit Committees, and other applicable regulations. This included a discussion of the independent auditor's judgments as to the quality, not just the acceptability, of our company's accounting principles and such other matters as are required to be discussed with the committee under generally accepted auditing standards. In addition, the committee received from the independent auditor written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent accountant's communications with the audit committee concerning independence. The committee also discussed with the independent auditor the independent auditor's independence from management and our company, including the matters covered by the written disclosures and letter provided by the independent auditor.

The committee discussed with our independent auditor the overall scope and plans for its audit. The committee meets with the independent auditor, with and without management present, to discuss the results of the independent auditor's examinations, its evaluations of our company, the internal controls, and the overall quality of the financial reporting. The committee held four meetings during fiscal 2016.

Based on the reviews and discussions referred to above, the committee recommended to the board of directors, and the board approved, that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended January 1, 2017 for filing with the Securities and Exchange Commission.

The report has been furnished by the audit committee to our board of directors.

Lawrence P. Molloy, Chairperson

Kristen E. Blum

Steven H. Townsend

*The information contained in the Report of the Audit Committee is not considered to be soliciting material, filed or incorporated by reference in any past or future filing by the Company under the Exchange Act or the Securities Act of 1933 unless and only to the extent that the Company specifically incorporates it by reference.*

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**PROPOSAL 2: ADVISORY VOTE ON EXECUTIVE COMPENSATION ( SAY-ON-PAY )**

**Background**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with SEC rules.

**Summary**

We are asking our stockholders to provide advisory approval of the compensation of our named executive officers (which consist of our current Chief Executive Officer, our current and former interim Chief Financial Officer, our President and our two other most highly compensated executive officers during our fiscal year ended January 1, 2017), as such compensation is described in the *Executive Compensation Compensation Discussion and Analysis* section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure set forth in this proxy statement, beginning on page 21. We urge our stockholders to review the complete *Executive Compensation* section included in this proxy statement for more information.

Our executive compensation program is designed to promote the creation of long-term stockholder value by paying for performance, attracting and retaining valuable team members and aligning the interests of our named executive officers with those of our stockholders. Our fiscal 2016 executive officer compensation program consisted of base salary, annual performance-based cash bonus, equity awards in the form of options to purchase our shares, restricted stock units, and performance share awards that are earned upon the achievement of adjusted EBIT targets, benefits generally available to all of our salaried team members and limited prerequisites. The fixed components (base salary and benefits) of our named executive officer compensation are designed to be competitive in order to induce talented executives to join our company. The variable cash bonus is tied specifically to the achievement of company-wide objectives and is designed so that above-average performance is rewarded with above-average rewards but capped to avoid windfall payments. The equity awards are subject to both performance and time-based vesting, which will reward sustained performance that is aligned with long-term stockholder interests. By tying a large portion of executive compensation to achievement of short-term and long-term strategic and operational goals, we seek to closely align the interests of our named executive officers with the interests of our stockholders. Consistent with our pay for performance philosophy, our company did not meet our 2016 performance metrics under our performance-based cash bonus plan or the performance share awards issued in 2016, so no bonuses were paid to our named executive officers and no performance shares were earned under these plans.

Our executive compensation during fiscal 2016 also included a one-time grant of options and restricted stock to Messrs. Maredia and Nielsen as more fully described under *Executive Compensation Compensation Discussion and Analysis Equity Award Restructuring*. Such awards were granted in connection with Messrs. Maredia and Nielsen's promotions after certain equity awards that were originally granted to them in 2015 were subsequently determined to be null and void as they exceeded the grant limit in our 2013 Incentive Plan. Our compensation committee approved these grants in 2016 to satisfy the original intent of the total approved compensation packages for Messrs. Maredia and Nielsen's new positions in 2015, rather than to provide additional compensation for 2016.

Our board of directors believes that the information provided above and within the *Executive Compensation* section of this proxy statement demonstrates that our executive compensation program is designed appropriately and is working to ensure that management's interests are aligned with our stockholders' interests to support long-term value creation.



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In accordance with the requirements of Section 14A of the Exchange Act and the related rules of the SEC, our board of directors will request your advisory vote on the following resolution at the Annual Meeting:

**RESOLVED**, that the compensation paid to the company's named executive officers for the fiscal year ended January 1, 2017, as disclosed in this proxy statement pursuant to the SEC's executive compensation disclosure rules (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and the narrative discussion that accompanies the compensation tables), is hereby approved.

**Required Vote**

The say-on-pay proposal requires the affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote on the proposal.

The say-on-pay vote is advisory, and therefore not binding on our company, our compensation committee, or our board of directors. Although non-binding, the vote will provide information to our compensation committee and our board of directors regarding investor sentiment about our executive compensation philosophy, policies, and practices, which our compensation committee and our board of directors will be able to consider when determining executive compensation for the years to come.

**Recommendation of the Board**

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR ADOPTION OF THE RESOLUTION APPROVING THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS FOR THE FISCAL YEAR ENDED JANUARY 1, 2017, AS DESCRIBED IN THE *EXECUTIVE COMPENSATION COMPENSATION DISCUSSION AND ANALYSIS* SECTION AND THE RELATED TABULAR AND NARRATIVE DISCLOSURE SET FORTH IN THIS PROXY STATEMENT.**

**Table of Contents****PROPOSAL 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our audit committee has appointed PricewaterhouseCoopers LLP, an independent registered public accounting firm (referred to as *PwC*), to audit the consolidated financial statements of our company for the fiscal year ending December 31, 2017, and recommends that stockholders vote in favor of the ratification of such appointment. In the event of a negative vote on such ratification, the audit committee will reconsider its selection. We anticipate that representatives of PwC will be present at the Annual Meeting, will have the opportunity to make a statement if they desire, and will be available to respond to appropriate questions.

Aggregate fees billed to our company for the fiscal years ended January 1, 2017 and January 3, 2016 by PwC, our independent registered public accounting firm, are as follows:

	<b>2016</b>	<b>2015</b>
Audit fees(1)	\$ 1,370,000	\$ 1,405,310
Audit-related fees	\$ -	\$ -
Tax fees	\$ -	\$ -
All other fees(2)	\$ 1,800	\$ 1,800
<b>Total</b>	<b>\$ 1,371,800</b>	<b>\$ 1,407,110</b>

- (1) Audit fees include (i) fees associated with the audits of our consolidated financial statements, (ii) reviews of our interim quarterly consolidated financial statements, (iii) services rendered in connection with our secondary offerings, and (iv) comfort letters, consents and other items related to SEC matters.
- (2) All other fees consist of licensing fees for PwC's accounting research software.

**Audit Committee Pre-Approval Policies and Procedures**

Our audit committee has adopted policies and procedures for the pre-approval of audit services, internal control-related services and permitted non-audit services rendered by our independent registered public accounting firm. Pre-approval may also be given as part of our audit committee's approval of the scope of the engagement of the independent registered public accounting firm or on an individual, case-by-case basis before the independent registered public accounting firm is engaged to provide each service. The chairman of the audit committee has been delegated the authority to pre-approve any engagement for audit services or permitted non-audit services (other than internal control-related services, which must be pre-approved by the full audit committee), provided the chairman must present any decisions made under the auspices of this authority to the full committee at the next scheduled meeting.

All of the services provided by PwC described above were approved by our audit committee pursuant to our audit committee's pre-approval policies.

**Vote Required**

Ratification of the appointment of PwC to audit the consolidated financial statements of our company for the fiscal year ending December 31, 2017 will require the affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote on the proposal.

**Recommendation of the Board**

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF OUR COMPANY FOR THE FISCAL YEAR ENDING DECEMBER 31, 2017.**

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors, executive officers, and persons who beneficially own more than ten percent of our common stock to file with the SEC initial reports of beneficial ownership and reports of changes in beneficial ownership of common stock. Directors, executive officers, and ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely upon our review of the copies of such forms that we received during the fiscal year ended January 1, 2017, and written representations that no other reports were required, we believe that each person who at any time during such year was a director, officer, or beneficial owner of more than ten percent of our common stock complied with all Section 16(a) filing requirements during the fiscal year ended January 1, 2017.



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

The following table sets forth information regarding the beneficial ownership of our common stock as of the record date, March 6, 2017, by the following:

each of our directors and named executive officers;

all of our directors and executive officers as a group; and

each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of our common stock.

For further information regarding material transactions between us and certain of our stockholders, see *Certain Relationships and Related Party Transactions*.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she, or it possesses sole or shared voting or investment power of that security, including options and restricted stock units that are currently exercisable or exercisable within 60 days of the record date, March 6, 2017. Shares issuable pursuant to options are deemed outstanding for computing the percentage of the person holding such options, but are not outstanding for computing the percentage of any other person. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown that they beneficially own, subject to community property laws where applicable. The information does not necessarily indicate beneficial ownership for any other purpose.

Our calculation of the percentage of beneficial ownership is based on 136,537,869 shares of common stock outstanding as of March 6, 2017.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Sprouts Farmers Market, Inc., 5455 East High Street, Suite 111, Phoenix, Arizona 85054.

<b>Name of Beneficial Owner</b>	<b>Shares Beneficially Owned(1)</b>	<b>Percentage Beneficially Owned</b>
<b>Named Executive Officers and Directors:</b>		
Amin N. Maredia(2)	899,967	*
Bradley S. Lukow(3)	41,854	*
James L. Nielsen(4)	541,279	*
Daniel J. Bruni(5)	14,523	*
Brandon F. Lombardi(6)	196,304	*
Susannah S. Livingston(7)	59,582	*
Kristen E. Blum	-	*
Shon A. Boney(8)	1,541,583	1.1%

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Joseph Fortunato(9)	18,888	*
Terri Funk Graham(10)	16,388	*
Lawrence P. Molloy(11)	36,388	*
Steven H. Townsend(12)	41,388	*
All directors and executive officers as a group (15 persons)	3,622,217	2.6%
<b>5% Stockholders:</b>		
T. Rowe Price Associates, Inc.(13)	16,680,701	12.2%
The Vanguard Group(14)	10,417,551	7.6%
BlackRock, Inc.(15)	9,991,693	7.3%
Capital Research Global Investors(16)	9,280,965	6.8%
Prudential Financial, Inc.(17)	8,190,054	6.0%
Jennison Associates LLC(17)	8,117,024	5.9%
Premier Grocery, Inc.(18)	7,773,484	5.7%
Wells Fargo & Company(19)	7,109,220	5.2%

\* Less than 1% of the outstanding shares of common stock

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- (1) Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of our common stock subject to options or restricted stock units held by that person that are currently exercisable or exercisable within 60 days of the record date, March 6, 2017, are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities.
- (2) The amount listed includes (a) 65,000 shares of common stock held by the Amin Maredia Family Growth Fund, L.P., (b) 35,902 shares of common stock held by Mr. Maredia in relation to previous restricted stock unit and restricted stock award vesting, (c) 763,996 shares issuable upon exercise of stock options that are currently vested or will become vested within 60 days after March 6, 2017, and (d) 35,069 shares of common stock issuable upon the vesting of restricted stock units, performance share units or restricted stock awards within 60 days of March 6, 2017. Mr. Maredia serves as the President of Maredia Management, Inc., which is the general partner of the Amin Maredia Family Growth Fund, L.P. and (i) may be deemed to have beneficial ownership of the shares owned of record, and (ii) has shared voting and investment power with respect to such shares.
- (3) The amount listed includes (a) 28,175 shares of common stock, and (b) 13,679 shares issuable upon exercise of stock options that are currently vested or will become vested within 60 days after March 6, 2017.
- (4) The amount listed includes (a) 5,839 shares of common stock, (b) 531,121 shares issuable upon exercise of stock options that are currently vested or will become vested within 60 days after March 6, 2017, and (c) 4,319 shares of common stock issuable upon the vesting of restricted stock units, performance share units or restricted stock awards within 60 days of March 6, 2017.
- (5) The amount listed includes (a) 841 shares of common stock, (b) 12,037 shares issuable upon exercise of stock options that are currently vested or will become vested within 60 days after March 6, 2017, and (c) 1,645 shares of common stock issuable upon the vesting of restricted stock units or performance share units within 60 days of March 6, 2017.
- (6) The amount listed includes (a) 10,238 shares of common stock, (b) 182,743 shares issuable upon exercise of stock options that are currently vested or will become vested within 60 days after March 6, 2017, and (c) 3,323 shares of common stock issuable upon the vesting of restricted stock units or performance share units within 60 days of March 6, 2017.
- (7) The amount listed includes (a) 4,590 shares of common stock, (b) 54,521 shares issuable upon exercise of stock options that are currently vested or will become vested within 60 days after March 6, 2017, and (c) 471 shares of common stock issuable upon the vesting of restricted stock units or performance share units within 60 days of March 6, 2017.
- (8) The amount listed includes 1,541,583 shares issuable upon exercise of stock options that are currently vested or will become vested within 60 days after March 7, 2016. Excludes 7,773,484 shares owned of record by Premier Grocery, Inc. Mr. Boney currently has no power to individually direct the voting or disposition of such shares, and accordingly, no beneficial ownership of such shares. See Note (18) below.
- (9) The amount listed includes (a) 7,500 shares of common stock and (b) 11,388 shares issuable upon exercise of stock options that are currently vested or will become vested within 60 days after March 6, 2017.
- (10) The amount listed includes (a) 5,000 shares of common stock and (b) 11,388 shares issuable upon exercise of stock options that are currently vested or will become vested within 60 days after March 6, 2017.
- (11) The amount listed includes (a) 25,000 shares of common stock and (b) 11,388 shares issuable upon exercise of stock options that are currently vested or will become vested within 60 days after March 6, 2017.
- (12) The amount listed includes (a) 30,000 shares of common stock, and (b) 11,388 shares issuable upon exercise of stock options that are currently vested or will become vested within 60 days after March 6, 2017.
- (13) Based upon information contained in Schedule 13G/A filed by the beneficial owner with the SEC on February 7, 2017. Consists of 16,680,701 shares of common stock of which T. Rowe Price Associates, Inc. ( Price Associates ) has sole dispositive power, including 4,499,787 shares of common stock of which Price Associates has sole voting power. The address of Price Associates is 100 E. Pratt Street, Baltimore, Maryland 21202.

- (14) Based upon information contained in Schedule 13G filed by the beneficial owner with the SEC on February 10, 2017. The Vanguard Group reports sole voting power with respect to 77,957 shares, sole dispositive power with respect to 10,331,794 shares, shared voting power with respect to 15,100 shares and shared dispositive power with respect to 85,757 shares. As the parent holding company, The Vanguard Group, Inc. reports that its wholly-owned subsidiary, Vanguard Fiduciary Trust Company is the beneficial owner of 70,657 shares as a result of its serving as investment manager of collective trust accounts, and its wholly-owned subsidiary, Vanguard Investments Australia, Ltd. is the beneficial owner of 22,400 shares as a result of its serving as investment manager of Australian investment offerings. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.
- (15) Based upon information contained in Schedule 13G filed by the beneficial owner with the SEC on January 30, 2017. Includes 9,495,308 shares of which Blackrock, Inc. has sole voting power and 9,991,693 shares of which Blackrock, Inc. has sole dispositive power as a parent holding company. The address of BlackRock, Inc. is 40 East 52nd Street, New York, New York, 10022.
- (16) Based upon information contained in Schedule 13G/A filed by the beneficial owner with the SEC on January 10, 2017. Consists of 9,280,965 shares of common stock of which Capital Research Global Investors ( Capital Research ) has sole dispositive power and sole voting power as a result of acting as investment adviser to various registered investment companies. The address of Capital Research is 333 South Hope Street, Los Angeles, CA 90071.
- (17) Based upon information contained in Schedule 13G filed by each of Jennison Associates LLC ( Jennison ) and Prudential Financial, Inc. ( Prudential ) with the SEC on February 3, 2017 and January 30, 2017, respectively. Prudential indirectly owns 100% of equity interests of Jennison. As a result, Prudential may be deemed to have the power to exercise or to direct the exercise

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- of such voting and/or dispositive power that Jennison may have with respect to the common stock held by Jennison; as such, shares reported on Jennison's 13G may be included in the shares reported on the 13G filed by Prudential. The shares held by Jennison consist of 8,117,024 shares of common stock of which Jennison has sole dispositive power and 7,865,604 shares of common stock of which Jennison has sole voting power as a result of acting as investment adviser to various managed portfolios. The shares held by Prudential consist of 31,022 shares of common stock of which Prudential has sole dispositive and voting power, 8,159,032 shares of common stock of which Prudential has shared dispositive power and 7,907,612 shares of common stock of which Prudential has shared voting power. The address of Jennison is 466 Lexington Avenue, New York, New York, 10017 and the address of Prudential is 751 Broad Street, Newark, New Jersey, 07102-3777.
- (18) Based upon information contained in Amendment No. 2 to Schedule 13D filed by the beneficial owner with the SEC on April 29, 2015. The Board of Directors of Premier Grocery, Inc., a Nevada corporation, ( PGI ) is comprised of the following four members: Stanley A. Boney, Shon A. Boney, Kevin R. Easler, and Scott T. Wing. The Board of Directors of PGI makes the voting and investment decisions regarding the shares owned by PGI, and a voting or investment decision requires the approval of a majority of the Board. Accordingly, none of the foregoing individuals is deemed a beneficial owner of the shares owned by PGI. PGI was the managing member of our predecessor ( Sprouts Arizona ) from 2001 until 2011. Shon A. Boney served as a member of the Sprouts Arizona Board of Directors from 2002 to 2011 and has served as a member of the Sprouts Board of Directors since 2011. Each of the other members of the Board of PGI previously served in executive management positions with Sprouts Arizona. Amounts listed for PGI excludes 1,541,583 shares beneficially owned by Shon A. Boney (see Note (8) above).
- (19) Based upon information contained in Schedule 13G/A filed by the beneficial owner with the SEC on October 12, 2016. Consists of 7,109,220 shares of common stock which Wells Fargo & Company ( Wells Fargo ) beneficially owns, including 14,858 shares of which Wells Fargo has sole voting and dispositive power, 1,404,560 shares of which Wells Fargo has shared voting power, and 7,094,362 shares of which Wells Fargo has shared dispositive power, in each case through one or more investment adviser subsidiaries. The address of Wells Fargo is 420 Montgomery Street, San Francisco, CA 94105.

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**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Other than compensation arrangements, we describe below transactions and series of similar transactions during our last three fiscal years to which we were a party or will be a party, in which:

the amounts involved exceeded or will exceed \$120,000; and

any of our directors, executive officers, or holders of more than 5% of our capital stock, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest.

Compensation arrangements for our directors and named executive officers are described elsewhere in this proxy statement.

**Volcanic Red**

We purchased coffee from Volcanic Red, LLC (dba Volcanic Red Coffees), a company in which Shon Boney (together with his immediate family members) owns a 15% interest. Our purchases from this company in fiscal 2016 totaled \$9.8 million. As of January 1, 2017, we had recorded accounts payable due to this vendor of \$0.7 million.

**TRUNO, Retail Technology Solutions**

J. Douglas Sanders, who was our Executive Chairman until February 20, 2017, is Chief Executive Officer, an equity investor, and lender to TRUNO, Retail Technology Solutions, a technology supplier to our company. Our purchases from this company and its predecessors in fiscal 2016 totaled \$7.9 million. As of January 1, 2017, we had recorded accounts payable due to this vendor of \$0.3 million.

**Indemnification of Officers and Directors**

Our certificate of incorporation and bylaws provide that we will indemnify each of our directors and officers to the fullest extent permitted by Delaware law. In addition, in connection with our IPO, we entered into indemnification agreements with each of our directors and executive officers.

**Policies and Procedures for Related Party Transactions**

We have adopted a policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock, and any members of the immediate family of any of the foregoing persons are not permitted to enter into a related person transaction with us without the prior consent of our audit committee. Any request for us to enter into a transaction with an executive officer, director, nominee for election as a director, beneficial owner of more than 5% of any class of our common stock, or any member of the immediate family of any of the foregoing persons, in which the amount involved exceeds \$120,000 and such person would have a direct or indirect interest, must first be presented to our audit committee for review, consideration, and approval. In approving or rejecting any such proposal, our audit committee is to consider the material facts of the transaction, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction. All of the transactions described above were entered into after presentation, consideration, and approval by our audit committee.

**DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS**

Pursuant to Rule 14a-8 under the Exchange Act, any proposal that a stockholder of our company wishes to have included in the proxy statement in connection with our 2018 annual meeting of stockholders must be submitted to us no later than November 20, 2017. All such stockholder proposals must comply with the procedures outlined in Rule 14a-8.

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In accordance with our current bylaws, stockholder proposals, including stockholder nominations for candidates for election as directors, that are intended to be presented by stockholders at the 2018 annual meeting of stockholders but not submitted for inclusion in the proxy statement for our 2018 annual meeting of Stockholders pursuant to Rule 14a-8, must be received by us no earlier than December 3, 2017 and no later than January 2, 2018, unless we change the date of our 2018 annual meeting more than 30 days before or more than 70 days after May 2, 2018, in which case stockholder proposals must be received by us no earlier than the close of business on the 150th day prior to such annual meeting and not later than the close of business on the later of (x) the 120th day prior to such annual meeting or (y) the 10th day following the day on which we first make a public announcement of the date of such meeting. These time limits also apply in determining whether notice is timely for purposes of rules adopted by the SEC relating to the exercise of discretionary voting authority. All such stockholder proposals must include the specified information described in our bylaws.

Proposals and other items of business should be directed to the attention of our Corporate Secretary at our principal executive offices, 5455 East High Street, Suite 111, Phoenix, Arizona 85054.

### **DIRECTOR NOMINATIONS FOR INCLUSION IN OUR 2018 PROXY MATERIALS (PROXY ACCESS)**

Under our new proxy access bylaw, if a stockholder (or a group of up to 20 stockholders) who has owned at least 3% of our shares for at least three years and has complied with the other requirements set forth in our bylaws wants us to include director nominees (up to the greater of two nominees or 20% of the Board) in our 2018 proxy materials for election at our 2018 Annual Meeting of Stockholders, the nominations must be directed to the attention of our Corporate Secretary at our principal executive offices, 5455 East High Street, Suite 111, Phoenix, Arizona 85054, no earlier than December 3, 2017 and no later than January 2, 2018.

Any shareholder considering a proxy access nomination should carefully review our bylaws, which were included as Exhibit 3.2 to our Current Report on Form 8-K, filed with the SEC on January 30, 2017.

### **OTHER MATTERS**

We know of no other matters to be submitted at the meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as our board of directors may recommend.

Dated: March 20, 2017



Table of Contents**APPENDIX A****RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**

This proxy statement contains financial measures, Plan EBITDA and Plan EBIT, that were used as performance targets in certain of our performance-based compensation items during 2016. These measures are not calculated in accordance with accounting principles generally accepted in the United States of America (referred to as *GAAP* ).

We define Adjusted EBIT as net income before interest expense and provision for income tax, excluding store closure and exit costs, gains and losses from disposal of assets, public offering expenses and the loss on extinguishment of debt and certain other items we do not consider representative of our ongoing financial performance. We define Adjusted EBITDA as Adjusted EBIT, before depreciation, amortization and accretion. We believe the presentation of Adjusted EBITDA and Adjusted EBIT aids in the understanding of our business performance but is not intended to be an alternative to GAAP measures. Plan EBIT and Plan EBITDA contain further adjustments, as determined by our compensation committee. For the fiscal year ended January 1, 2017, the adjustments to EBIT and EBITDA used to determine Adjusted EBIT and EBITDA were immaterial, and there were no further adjustments used by our compensation committee to determine Plan EBIT and Plan EBITDA; thus only EBIT and EBITDA are presented below.

These non-GAAP measures are intended to provide additional information only and do not have any standard meaning prescribed by GAAP. Use of these terms below may differ from similar measures reported by other companies. Because of their limitations, EBITDA and EBIT should not be considered as measures of discretionary cash available to use to reinvest in growth of our business, or as measures of cash that will be available to meet our obligations. These non-GAAP measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP.

The following table shows a reconciliation of EBITDA and EBIT to net income for the fifty-two weeks ended January 1, 2017.

	(in thousands) (unaudited) <b>Fifty-Two Weeks Ended January 1, 2017</b>
Net income	\$ 124,306
Income tax provision	74,286
Interest expense, net	14,791
Earnings before interest and taxes (EBIT)	213,383
Depreciation, amortization and accretion	80,723
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 294,106



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