

SYSCO CORP  
Form S-4/A  
July 11, 2014  
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As filed with the Securities and Exchange Commission on July 11, 2014

Registration No. 333-196585

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

AMENDMENT NO. 1  
TO  
FORM S-4  
REGISTRATION STATEMENT  
*UNDER*  
*THE SECURITIES ACT OF 1933*

SYSCO CORPORATION  
(Exact name of registrant as specified in its charter)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>5140</b> (Primary Standard Industrial Classification Code Number) <b>1390 Enclave Parkway</b> <b>Houston, TX 77077-2099</b> <b>(281) 584-1390</b>	<b>74-1648137</b> (I.R.S. Employer Identification Number)
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(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Russell T. Libby**

**Executive Vice President Corporate Affairs and Chief Legal Officer**

**Sysco Corporation**

**1390 Enclave Parkway**

**Houston, TX 77077-2099**

**(281) 584-1390**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

**Andrew R. Brownstein**

**B. Joseph Alley, Jr.**

**Marni J. Lerner**

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**Simpson Thacher & Bartlett LLP**

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**51 West 52nd Street**

**Atlanta, GA 30309**

**New York, NY 10017**

**New York, NY 10019**

**(404) 873-8500**

**(212) 455-2502**

**(212) 403-1000**

**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after the effective date of this Registration Statement and upon completion of the merger described in the enclosed consent solicitation/prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

### CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered <sup>(1)</sup>	Proposed maximum offering price per share	Proposed maximum aggregate offering price <sup>(2)</sup>	Amount of registration fee <sup>(3)(4)</sup>
Common Stock, \$1.00 par value per share	89,100,089	N/A	\$1,320,560,000.00	\$170,088.13

- (1) Represents the estimated maximum number of shares of the Registrant's common stock estimated to be issued in connection with the merger described herein. The number of shares of common stock represents the number of shares of Registrant's common stock issuable in respect of USF Holding Corp. common stock issued as of March 29, 2014 and the estimated number of shares of the Registrant's common stock that holders of USF Holding Corp. restricted stock awards and RSU awards will be entitled to receive at the effective time of the merger.
- (2) Based on the sum of the aggregate book value of USF Holding Corp. equity securities and restricted stock awards and RSU awards to be cancelled in the merger described herein as of March 29, 2014, the last practicable date prior to the date of the filing of this registration statement, reduced by estimated cash to be paid per Rule 457(f)(3). USF Holding Corp. is a private company and no market exists for its equity securities.
- (3) Determined in accordance with Section 6(b) of the Securities Act and Rule 457(f)(2) and (3) thereunder at a rate equal to \$128.80 per \$1.0 million of the proposed aggregate offering price or 0.0001288 of the proposed maximum aggregate offering price.
- (4) Previously paid.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this consent solicitation statement/prospectus is not complete and may be changed. We may not sell the securities discussed herein until the Registration Statement filed with the Securities and Exchange Commission is effective. This consent solicitation statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION DATED JULY 11, 2014**

CONSENT SOLICITATION STATEMENT OF USF HOLDING CORP. PROSPECTUS OF SYSCO CORPORATION  
2014

To Stockholders of USF Holding Corp.:

As you may be aware, USF Holding Corp. (which we refer to as USF) entered into an Agreement and Plan of Merger, dated as of December 8, 2013 (which we refer to as the merger agreement), among Sysco Corporation (which we refer to as Sysco) and two of Sysco's wholly owned subsidiaries, pursuant to which, through a series of mergers, USF will become a wholly owned subsidiary of Sysco (which we collectively refer to as the merger).

The aggregate purchase price paid by Sysco will consist of \$500 million in cash and approximately 89.1 million shares of Sysco's common stock, subject to downward adjustment pursuant to the merger agreement (which we refer to as the merger consideration). The precise amount of the aggregate merger consideration and the resulting per share merger consideration will not be known until shortly before the closing of the merger.

Sysco's common stock is traded on the New York Stock Exchange under the symbol `SY`. On December 6, 2013, the last trading day prior to the announcement of the merger, the last reported sale price of Sysco common stock on the NYSE was \$34.31. On July 11, 2014, the most recent practicable date prior to the printing of this consent solicitation statement/prospectus, the last reported sale price of Sysco common stock on the NYSE was \$34.31. We urge you to obtain current stock price quotations for Sysco common stock from a newspaper, the internet or your broker.

The USF board of directors has carefully considered the merger and the terms of the merger agreement and has determined that the merger and the merger agreement are fair, advisable and in the best interest of USF and its stockholders. Accordingly, the USF board of directors has unanimously approved the merger and the merger agreement. However, the approval of USF stockholders holding a majority of the outstanding USF common stock is required for the merger to close, and you are being sent this document to ask you to adopt and approve the merger agreement and the merger by executing and returning the written consent furnished with this consent solicitation statement/prospectus. No vote of Sysco stockholders is required to complete the merger.

Certain stockholders of USF, representing approximately 98% of the outstanding shares of USF common stock, have entered into a voting agreement with Sysco under which they have agreed to execute and return consents with respect to their shares of USF common stock adopting and approving the merger agreement and the merger. Therefore, under the voting agreement, we expect to receive a number of consents sufficient to satisfy the majority approval requirement described above.

The USF board of directors has set \_\_\_\_\_, 2014 as the record date for determining holders of USF common stock entitled to execute and deliver written consents with respect to this solicitation. If you are a record holder of outstanding USF common stock on that date, you are urged to complete, date and sign the enclosed written consent and promptly return it to USF. See Solicitation of Written Consents.

**We encourage you to read carefully this consent solicitation statement/prospectus and the documents incorporated by reference into this consent solicitation statement/prospectus in their entirety, including the section entitled Risk Factors beginning on page 22.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this consent solicitation statement/prospectus, or determined if this consent solicitation statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This consent solicitation statement/prospectus is dated \_\_\_\_\_, 2014, and is first being mailed to USF stockholders on or about \_\_\_\_\_, 2014.

John A. Lederer  
President and Chief Executive Officer

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**USF Holding Corp.**

9399 W. Higgins Rd.

Rosemont, Illinois 60018

**Notice of Solicitation of Written Consent**

To Stockholders of USF Holding Corp.:

Pursuant to an Agreement and Plan of Merger, dated as of December 8, 2013 (which we refer to as the merger agreement), among Sysco Corporation (which we refer to as Sysco), Scorpion Corporation I, Inc., a wholly owned subsidiary of Sysco (which we refer to as Merger Sub One), Scorpion Company II, LLC, a wholly owned subsidiary of Sysco (which we refer to as Merger Sub Two) and USF Holding Corp. (which we refer to as USF), Merger Sub One will be merged with and into USF, with USF continuing as the surviving corporation and a wholly owned subsidiary of Sysco, immediately followed by the merger of USF with and into Merger Sub Two, with Merger Sub Two continuing as the surviving entity and a wholly owned subsidiary of Sysco (which we collectively refer to as the merger).

This consent solicitation statement/prospectus is being delivered to you on behalf of the USF board of directors to request that holders of USF common stock as of the record date of \_\_\_\_\_, 2014 execute and return written consents to adopt and approve the merger agreement and the merger.

This consent solicitation statement/prospectus describes the proposed merger and the actions to be taken in connection with the merger and provides additional information about the parties involved. Please give this information your careful attention. A copy of the merger agreement is attached as Annex A to this consent solicitation statement/prospectus.

A summary of the appraisal rights that may be available to you is described in Appraisal Rights. Please note that if you wish to exercise appraisal rights you must not sign and return a written consent approving the merger, or a consent that fails to indicate a decision on the proposal. However, so long as you do not return a consent form at all, it is not necessary to affirmatively vote against or disapprove the merger. In addition, you must take all other steps necessary to perfect your appraisal rights.

**The USF board of directors has carefully considered the merger and the terms of the merger agreement and has determined that the merger and the merger agreement are fair, advisable and in the best interests of USF and its stockholders.**

**Please complete, date and sign the written consent furnished with this consent solicitation statement/prospectus and return it promptly to USF by one of the means described in Solicitation of Written Consents.**

By Order of the Board of Directors,

Juliette W. Pryor





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**ADDITIONAL INFORMATION**

This document, which forms part of a registration statement on Form S-4 filed by Sysco with the Securities and Exchange Commission, which we refer to as the SEC, constitutes a prospectus of Sysco under Section 5 of the Securities Act of 1933, as amended, which we refer to as the Securities Act, with respect to the shares of Sysco common stock to be issued to USF stockholders pursuant to the merger agreement. This document also constitutes a consent solicitation statement of USF with respect to the proposal to adopt the merger agreement.

This consent solicitation statement/prospectus incorporates important business and financial information about Sysco that is contained in documents filed with SEC and that is not included in or delivered with this document. You may obtain this information without charge through the SEC's website ([www.sec.gov](http://www.sec.gov)) or upon your written or oral request from Sysco at [www.sysco.com/investors](http://www.sysco.com/investors), by emailing [investor\\_relations@corp.sysco.com](mailto:investor_relations@corp.sysco.com) or telephoning (281) 584-2615. **To ensure timely delivery, any request should be made no later than \_\_\_\_\_, 2014.** For additional details about where you can find information about Sysco, see [Where You Can Find More Information](#).

Information on the internet websites of Sysco or USF, or any subsidiary of Sysco or USF, is not part of this document. You should not rely on that information in deciding whether to approve the merger and adopt and approve the merger agreement and the transactions contemplated thereby unless that information is in this document or has been incorporated by reference into this document.

You should rely only on the information contained or incorporated by reference in this document. We have not authorized anyone to provide you with different information. This document is dated \_\_\_\_\_, 2014. You should not assume that information contained in this document is accurate as of any date other than that date. Neither the mailing of this document to USF stockholders nor the issuance by Sysco of common stock in the merger will create any implication to the contrary.

**This consent solicitation statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a consent, in any jurisdiction in which or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.** Sysco has supplied all information relating to Sysco contained or incorporated by reference in this document, and USF has supplied all information relating to USF in this document.

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**QUESTIONS AND ANSWERS**

The following are some questions that you, as a stockholder of USF, may have regarding the merger and the merger agreement, and brief answers to those questions. USF urges you to read carefully the remainder of this consent solicitation statement/prospectus because the information in this section may not provide all the information that might be important to you with respect to the merger. Additional important information is also contained in the annexes and exhibits to, and the documents incorporated by reference in, this consent solicitation statement/prospectus. See [Where You Can Find More Information](#).

**Q: What is the proposed transaction?**

A: USF has entered into an agreement with Sysco pursuant to which Sysco will acquire USF on the terms and subject to the conditions set forth in the merger agreement. The merger will take place in two steps. First, Merger Sub One, a wholly owned subsidiary of Sysco, will merge with and into USF, with USF continuing as a wholly owned subsidiary of Sysco. Second, USF will merge with and into Merger Sub Two, a wholly owned subsidiary of Sysco, immediately following the initial merger, with Merger Sub Two surviving the second merger as a wholly owned subsidiary of Sysco. Except as the context otherwise requires, we refer herein to the initial merger and the second merger together as the merger. In connection with the merger, Sysco will also assume or refinance all of USF's outstanding debt.

The merger agreement is included as Annex A to this information statement/prospectus. It is the legal document that governs the merger.

**Q: Who is soliciting my written consent?**

A: The USF board of directors is providing these consent solicitation materials to you. These materials also constitute a prospectus with respect to the Sysco common stock issuable to USF stockholders in connection with the merger.

**Q: What am I being asked to approve?**

A: You are being asked to adopt and approve the merger agreement and the merger.

**Q: Who is entitled to give a written consent?**

A: The USF board of directors has set [November 10, 2014](#) as the record date for determining holders of shares of USF common stock entitled to execute and deliver written consents with respect to this solicitation. Holders of USF common stock on the record date will be entitled to give or withhold a consent using the written consent furnished with this consent solicitation statement/prospectus. If you are a USF stockholder on the record date and you are entitled to vote on the proposal, you will be able to give or withhold consent with respect to the proposal.

**Q: What will I receive in the merger?**

A: Under the merger agreement, Sysco will pay to USF common stockholders and equity award holders an aggregate amount equal to approximately 89.1 million shares of Sysco common stock and \$500 million in cash, subject to reduction pursuant to the terms of the merger agreement. See [The Merger Agreement](#) [Merger Consideration](#); [Purchase Price Adjustments](#). The precise amount of the aggregate merger consideration and the resulting per share merger consideration will not be known until shortly before the closing of the merger.

The aggregate merger consideration will be allocated among USF's outstanding common stock and equity awards. Each outstanding USF restricted stock award and RSU award will fully vest upon closing of the merger and will convert into the right to receive the merger consideration on the same basis as the outstanding shares of

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USF common stock. Each outstanding USF option and equity appreciation right, which we refer to as an EAR, will fully vest at closing and will convert into the right to receive an amount in cash approximately equal to the difference between the value of the per share merger consideration and the exercise price of the respective option or EAR. The exact amount of the consideration to be paid to each holder of USF common stock or equity awards will vary, depending on the total purchase price and the number of shares and equity awards outstanding at the time of closing of the merger. For illustrative purposes only, if there were no adjustments to the aggregate merger consideration and the capitalization of USF at closing was the same as on the date of the merger agreement, each USF stockholder or holder of a USF restricted stock award or RSU award would receive \$        in cash and        shares of Sysco common stock per share of USF common stock and the holder of each USF option or EAR would receive an amount in cash equal to \$        minus the relevant exercise price of such option or EAR. If there were adjustments to the aggregate merger consideration resulting in a reduction to approximately        million shares of Sysco common stock and \$        in cash, and the capitalization of USF at closing was the same as on the date of the merger agreement, each USF stockholder or holder of a USF restricted stock award or Restricted Stock Unit or RSU award would receive \$        in cash and        shares of Sysco common stock per share of USF common stock and the holder of each USF option or EAR would receive an amount in cash equal to \$        minus the relevant exercise price of such option or EAR.

**Q: What is the recommendation of the USF board of directors?**

A: The USF board of directors has determined that the merger agreement and the merger are advisable and fair to and in the best interests of USF and its stockholders, and unanimously recommends that USF's stockholders adopt and approve the merger agreement and the merger.

**Q: What stockholder consent is required to approve the merger?**

A: We cannot complete the merger unless USF stockholders adopt and approve the merger agreement and the merger. Adoption and approval of the merger agreement and the merger require the approval of the holders of a majority of the outstanding shares of USF common stock.

Certain stockholders of USF, representing approximately 98% of the outstanding shares of USF common stock, have entered into a voting agreement with Sysco under which they have agreed to execute and return consents with respect to their shares of USF common stock adopting and approving the merger agreement and the merger. Therefore, under the voting agreement, we expect to receive consents representing a sufficient number of shares to satisfy the majority approval requirement described above.

As of the record date, all directors and executive officers of USF as a group owned and were entitled to grant consents with respect to        shares of USF common stock, or approximately        % of the issued and outstanding shares of USF common stock on that date. USF currently expects that its directors and executive officers will deliver written consents in favor of the adoption and approval of the merger agreement and the merger.

**Q: How can I return my written consent?**

A: If you hold shares of USF common stock as of the record date for granting written consent and you wish to submit your consent, you must fill out the enclosed written consent, date and sign it, and promptly return it to USF. Once you have completed, dated and signed your written consent, deliver it to USF by faxing your written consent to USF Holding Corp., Attention: Juliette Pryor, General Counsel and Chief Compliance Officer at (847) 720-1761, by emailing a .pdf copy of your written consent to legal@usfoods.com, or by mailing your written consent to USF Holding Corp. at 9399 W. Higgins Road, Suite 500, Rosemont, IL, 60018, Attention: Juliette Pryor, General Counsel

and Chief Compliance Officer. USF will not be holding a stockholders meeting to consider this proposal, and therefore you will be unable to vote in person by attending a stockholders meeting.



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**Q: What happens if I do not return my written consent?**

A: If you are a record holder of shares of USF common stock and you do not return your written consent, that will have the same effect as a vote against the proposal to adopt and approve the merger agreement and the merger.

**Q: What if I am a record holder and I do not indicate a decision with respect to the proposal?**

A: If you are a record holder and you return a signed written consent without indicating your decision on a proposal, you will have given your consent to adopt and approve the merger agreement and the merger.

**Q: What is the deadline for returning my written consent?**

A: The USF board of directors has set \_\_\_\_\_, 2014 as the targeted final date for receipt of written consents, which is the date on which USF expects to receive consents under the Voting Agreement. USF reserves the right to extend the final date for receipt of written consents beyond \_\_\_\_\_, 2014. Any such extension may be made without notice to USF stockholders. Once a sufficient number of consents to adopt and approve the merger agreement and the merger have been received, the consent solicitation will conclude.

**Q: Can I change or revoke my written consent?**

A: Yes. If you are a record holder on the record date of shares of USF common stock, you may change or revoke your consent to a proposal at any time before the consents of a sufficient number of shares to approve and adopt such proposal have been filed with the corporate secretary of USF. If you wish to change or revoke your consent before that time, you may do so by sending in a new written consent with a later date by one of the means described in the section entitled Solicitation of Written Consents Submission of Consents, or delivering a notice of revocation to the corporate secretary of USF.

**Q: Can I exercise appraisal rights?**

A: If you are a USF stockholder who does not approve the merger via written consent, you may, by strictly complying with Section 262 of the Delaware General Corporation Law, be entitled to the appraisal rights described therein. Section 262 of the Delaware General Corporation Law is attached to this consent solicitation statement/prospectus as Annex C. Failure to follow precisely any of the statutory procedures set forth in Annex C may result in the loss or waiver of appraisal rights under Delaware law. Delaware law requires that, among other things, you send a demand for appraisal to the surviving company in the merger *after* receiving a notice from Sysco or USF that appraisal rights are available to you, which notice will be sent to non-consenting stockholders in the future. **This consent solicitation/prospectus is not intended to constitute such a notice. Do not send in your demand prior to mailing of such notice because any demand for appraisal made prior to your receipt of such notice may not be effective to perfect your rights.** See Appraisal Rights.

**Q: What are the material United States federal income tax consequences of the merger?**

A: The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). Assuming that the merger does qualify as a reorganization for U.S. federal income tax purposes, a U.S. holder of shares of USF common stock generally will recognize gain (but not loss) in an amount not to exceed the cash received as part of the merger consideration and will recognize gain or loss with respect to any cash received in lieu of fractional shares of Sysco common stock. See Material United States Federal Income Tax Consequences of the Merger.

**Q: When do you expect to complete the merger?**

A: We currently expect to complete the merger during the third quarter of 2014. However, we cannot assure you when or if the merger will occur. We must first obtain the requisite approval of USF stockholders and satisfy other conditions, including regulatory clearances and approvals, before we can complete the merger.

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**Q: Whom should I contact if I have questions?**

A: If you have questions about the merger or the process for returning your written consent, or if you need additional copies of this document or a replacement written consent, please contact: USF Holding Corp., Attention: Juliette Pryor, General Counsel and Chief Compliance Officer, 9399 W. Higgins Rd., Rosemont, IL 60018.

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**SUMMARY**

*This summary highlights selected material information from this consent solicitation statement/prospectus and may not contain all of the information that is important to you. To understand the merger agreement fully and for a more complete description of the legal terms of the merger, you should carefully read the entire documents to which we have referred you, including the complete merger agreement included with this consent solicitation statement/prospectus as Annex A. See *Where You Can Find More Information*.*

**Parties to the Merger Agreement**

***USF Holding Corp.***

USF, through its operating subsidiary, US Foods, Inc., is a leading foodservice distributor, with approximately \$22 billion in net sales for fiscal year 2013. US Foods provides a link between over 5,000 suppliers and its 200,000 foodservice customers nationwide. US Foods offers an array of food and non-food products with approximately 350,000 stock-keeping units or SKUs as well as value-added distribution services. US Foods has also developed a private label product portfolio representing approximately 30,000 SKUs and approximately \$7 billion in net sales in fiscal year 2013. In addition, many of US Foods' customers depend on it for business functions such as product selection, menu preparation and costing strategies.

USF common stock is not listed on an exchange or quoted on any automated services, and there is no established trading market for shares of USF common stock.

USF is organized under the laws of Delaware. The address and telephone number of USF's principal executive offices are 9399 W. Higgins Road, Suite 500, Rosemont, Illinois, 60018 and (847) 720-8000.

***Sysco Corporation***

Sysco Corporation, acting through its subsidiaries and divisions, is the largest North American distributor of food and related products primarily to the foodservice or food-away-from-home industry. Sysco provides products and related services to approximately 425,000 customers, including restaurants, healthcare and educational facilities, lodging establishments and other foodservice customers.

Sysco Corporation is organized under the laws of Delaware. Sysco's common stock (NYSE: SYY) is listed on the New York Stock Exchange, which we refer to as the NYSE. The address and telephone number of Sysco's principal executive offices are 1390 Enclave Parkway, Houston, Texas, 77077-2099 and (281) 584-1390.

***Scorpion Corporation I, Inc.***

Scorpion Corporation I, Inc., which we refer to as Merger Sub One, is a Delaware corporation, and a wholly owned subsidiary of Sysco formed solely for the purpose of implementing the merger. It has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the merger agreement.

The address and telephone number of the principal executive offices of Scorpion Corporation I, Inc. are 1390 Enclave Parkway, Houston, Texas, 77077-2099 and (281) 584-1390.

***Scorpion Company II, LLC***

Scorpion Company II, LLC, which we refer to as Merger Sub Two, is a Delaware company and a wholly owned subsidiary of Sysco formed solely for the purpose of implementing the merger. It has not carried on any

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activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the merger agreement.

The address and telephone number of the principal executive offices of Scorpion Company II, LLC are 1390 Enclave Parkway, Houston, Texas, 77077-2099 and (281) 584-1390.

## **The Merger**

### ***The Merger***

At the effective time of the merger, Merger Sub One will merge with and into USF, so that USF, as the surviving corporation, will become a wholly owned subsidiary of Sysco. Immediately thereafter, USF will merge with and into Merger Sub Two, with Merger Sub Two continuing as the surviving company in the merger. We refer to Merger Sub One and Merger Sub Two together as the merger subs. We refer to the two mergers collectively as the merger.

Under the merger agreement, Sysco will pay to USF common stockholders and equity award holders an aggregate amount equal to approximately 89.1 million shares of Sysco common stock and \$500 million in cash, in each case subject to reduction pursuant to the terms of the merger agreement. See *The Merger Agreement Merger Consideration; Purchase Price Adjustments*. The precise amount of the aggregate merger consideration and the resulting per share merger consideration will not be known until shortly before the closing of the merger.

The aggregate merger consideration will be allocated among USF's outstanding common stock and equity awards. The exact amount of the consideration to be paid to each holder of USF common stock or equity awards will vary, depending on the total purchase price and the number of shares and equity awards outstanding at the time of the closing of the merger.

For illustrative purposes only, if there were no adjustments to the aggregate merger consideration and the capitalization of USF at closing was the same as on the date of the merger agreement, each USF stockholder or holder of a USF restricted stock award or RSU award would receive \$        in cash and        shares of Sysco common stock per share of USF common stock and the holder of each USF option or EAR would receive an amount in cash equal to \$        minus the relevant exercise price of such option or EAR. If there were adjustments to the aggregate merger consideration resulting in a reduction to approximately        million shares of Sysco common stock and \$        in cash, and the capitalization of USF at closing was the same as on the date of the merger agreement, each USF stockholder or holder of a USF restricted stock award or RSU award would receive \$        in cash and shares of Sysco common stock per share of USF common stock and the holder of each USF option or EAR would receive an amount in cash equal to \$        minus the relevant exercise price of such option or EAR. See *The Merger Agreement Allocation of Aggregate Merger Consideration*.

### ***Treatment of USF Equity Awards***

Each outstanding USF restricted stock award and RSU award will fully vest upon closing of the merger and will convert into the right to receive the merger consideration on the same basis as the outstanding shares of USF common stock. Each outstanding USF option and EAR will fully vest at closing and will convert into the right to receive an amount in cash approximately equal to the difference between the value of the per share merger consideration and the exercise price of the respective option or EAR. See *The Merger Agreement Treatment of USF Equity Awards*.

### ***USF's Reasons for the Merger***

The USF board of directors has unanimously approved the merger and the merger agreement. The USF board of directors reviewed several factors in reaching its decision to approve the merger and the merger

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agreement and believes that the merger is advisable and fair to and in the best interests of USF and its stockholders. See The Merger USF s Reasons for the Merger; Recommendations of the USF Board.

### ***Recommendation of the Board of Directors of USF***

The USF Board recommends that USF stockholders adopt and approve the merger agreement and the merger by executing and delivering the written consent furnished with this consent solicitation/prospectus. The USF Board believes the merger consideration to USF stockholders is fair, advisable and in the best interests of USF and its stockholders. See The Merger USF s Reasons for the Merger; Recommendation of the USF Board.

### ***Interests of Certain Executive Officers of Sysco in the Merger***

Certain of the executive officers of Sysco have interests in the merger that may be different from, or in addition to, the interests of Sysco stockholders generally.

These interests include the following:

In light of their respective efforts in connection with the execution of the merger agreement, certain of Sysco s executive officers received cash awards following the execution of the merger agreement.

In recognition of their respective contributions and ongoing efforts related to the planning of the integration of Sysco and USF, certain of Sysco s executive officers were granted cash incentive awards, the receipt of which is conditioned generally upon (a) the closing of the merger, (b) the approval of a definitive integration plan, (c) successful completion of the project objectives for the executive officer s assigned role, and (d) the executive officer s employment in good standing with Sysco on the date that the merger closes (unless the executive officer retires on or after December 31, 2014, is at least 55 years of age, and has no less than 10 years of service with Sysco).

For more information pertaining to the interests of certain Sysco executive officers in the merger, see the section entitled The Merger Interests of Certain Executive Officers of Sysco in the Merger.

### ***Interests of Directors and Executive Officers of USF in the Merger***

The directors and executive officers of USF have certain interests in the merger that may be different from, or in addition to, the interests of USF stockholders generally. The members of the USF board of directors were aware of these interests and considered them, among other matters, in approving the merger agreement and the merger and in determining to recommend to USF stockholders to adopt and approve the merger agreement and the merger.

These interests include the following:

Each outstanding USF restricted stock award and RSU award will fully vest upon the closing of the merger and will convert into the right to receive the merger consideration on the same basis as the outstanding shares of USF common stock. Each outstanding USF option will fully vest upon the closing of the merger and will convert into the right to receive an amount in cash approximately equal to the excess, if any, of the



value of the per share merger consideration upon the closing of the merger over the exercise price of the respective USF option.

USF's executive officers are parties to severance agreements that provide for cash severance payments and benefits in the event of certain terminations of employment.

USF has awarded transaction and retention bonus opportunities to certain employees of USF, including certain executive officers. Transaction bonuses are payable on the closing date of the merger, so long

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as the employee remains employed through such date or experiences an earlier qualifying termination of employment. Retention bonuses are payable on the later of (x) December 31, 2014 and (y) 180 days after the closing of the merger, so long as the employee remains employed through such date; however, if the employee experiences a qualifying termination of employment after the closing of the merger but before the date the retention bonus would otherwise be paid, the employee will receive the retention bonus upon the date of the employee's termination of employment.

The chief executive officer of USF may grant, in his discretion, additional cash bonuses to employees of USF, including executive officers other than himself, in an aggregate amount not to exceed \$3,000,000.

Sysco has agreed to pay a prorated portion of the annual bonus otherwise due in respect of the USF fiscal year in which closing of the merger occurs to USF employees who participate in the annual bonus plan of USF, including the executive officers.

Sysco has agreed to pay each employee of USF who is not covered by a collective bargaining agreement, including the executive officers, from the closing of the merger through December 31, 2014, base salary or wages that are the same as those provided as of immediately prior to the closing date.

USF's directors and executive officers are entitled to continued indemnification and insurance coverage under the merger agreement.

As of the record date, all directors and executive officers of USF as a group owned and were entitled to grant consents with respect to \_\_\_\_\_ shares of USF common stock, or approximately \_\_\_\_\_ % of the issued and outstanding shares of USF common stock on that date. USF currently expects that its directors and executive officers will deliver written consents in favor of the adoption and approval of the merger agreement and the merger.

For more information pertaining to the interests of certain USF stockholders, executive officers and directors in the merger, see the sections entitled "The Merger," "Interests of Directors and Executive Officers of USF in the Merger," and "Principal Stockholders of USF."

## ***Board of Directors and Management***

Pursuant to the stockholders agreement, Sysco has agreed to increase the size of the Sysco board of directors by two members at the consummation of the merger, and certain of USF's primary stockholders will be entitled to designate candidates for appointment to the additional seats on the terms and conditions set forth in the stockholders agreement. See "Stockholders Agreement."

## ***Comparison of the Rights of Stockholders of Sysco and USF***

If USF stockholders approve the merger and exchange their stock for Sysco stock and cash, they will become Sysco stockholders and will have rights different from those they currently have as USF stockholders. See "Comparison of Rights of Stockholders."

**The Merger Agreement**

The merger agreement is attached as Annex A to this consent solicitation statement/prospectus. USF and Sysco encourage you to read the merger agreement carefully in its entirety, as well as the section of this consent solicitation statement/prospectus entitled The Merger Agreement. The merger agreement is the principal document governing the merger and the related transactions.

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***Conditions to the Merger***

USF and Sysco currently expect to complete the transaction during the third quarter of 2014, subject to receipt of the required USF stockholder approval and required regulatory approvals and the satisfaction or waiver of the other conditions to the merger in the merger agreement.

The obligation of each of USF and Sysco to complete the merger is subject to the satisfaction or waiver of a number of customary conditions, including the following:

the approval of the merger by USF stockholders;

the waiting period (including any extension thereof) applicable to the consummation of the merger under the Hart-Scott-Rodino ( HSR ) Act having terminated or expired without the imposition of a burdensome condition;

the absence of any law or injunction that restrains, enjoins or otherwise prohibits the consummation of the merger;

the accuracy of the other party's representations and warranties, subject to certain standards, including materiality and material adverse effect qualifications;

the other party having performed or complied with, in all material respects, their obligations under the merger agreement required to be performed or complied with prior to the closing of the merger; and

the effectiveness of the registration statement on Form S-4 of which this consent solicitation statement/prospectus forms a part.

In addition, USF's obligation to complete the merger is subject to the satisfaction or waiver of the following:

the authorization for listing on the NYSE, subject to official notice of issuance, of the shares of Sysco common stock that will be issued or reserved for issuance pursuant to the merger agreement; and

receipt by USF of an opinion from its counsel, dated as of the closing date, to the effect that, on the basis of certain facts, representations and assumptions set forth as referred to in such opinion, the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

See The Merger Agreement Conditions to the Consummation of the Merger.

***Termination of the Merger Agreement***

Either Sysco or USF may terminate the merger agreement prior to the closing date, before or after USF stockholder approval has been received, for the following reasons:

by mutual written consent;

if the closing of the merger does not occur on or before March 8, 2015, with certain permitted extensions of such date by either party if all conditions to closing other than the receipt of regulatory approvals have been satisfied, for 60 days at a time, up to September 8, 2015;

if the other party materially breaches its representations or warranties or fails to perform its covenants, and such breach is not cured, or is not capable of being cured, within a designated period after receipt of a notice of breach; or

if there is a law that makes consummation of the merger illegal or if any government authority issues an order or takes any other action permanently restraining, enjoining or otherwise prohibiting the merger.

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See The Merger Agreement Termination of the Merger Agreement and Termination Fee.

### *Termination Fee*

Generally, if the merger agreement is terminated by either party as a result of failure to obtain the required regulatory approvals, Sysco must pay USF a termination fee of \$300 million, payable within two business days after written notice of such termination.

### *Non-Solicitation by USF of Alternative Proposals*

USF and its subsidiaries and representatives may not solicit, initiate, knowingly encourage or assist, or respond to the submission of any proposal or offer, or participate in or provide information to any person with respect to any liquidation, dissolution or recapitalization, merger or consolidation, acquisition or purchase of all or a significant portion of the assets or equity of USF or its subsidiaries or any similar transaction or business combination.

See The Merger Agreement Covenants.

### *Accounting Treatment of the Merger*

Sysco and USF prepare their financial statements in accordance with accounting principles generally accepted in the United States (which we refer to as GAAP ). The merger will be accounted for in accordance with FASB ASC Topic 805, Business Combinations, with Sysco considered as the accounting acquirer and USF as the accounting acquiree. Accordingly, consideration to be given by Sysco to complete the merger with USF will be allocated to assets and liabilities of USF based on their estimated fair values as of the completion date of the merger, with any excess purchase price being recorded as goodwill.

### *Material United States Federal Income Tax Consequences*

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to the completion of the merger, which condition is waivable by USF, that USF receive a written opinion from its counsel to the effect that the merger will so qualify. Assuming that the merger does qualify as a reorganization for U.S. federal income tax purposes, a U.S. holder of shares of USF common stock generally will recognize gain (but not loss) in an amount not to exceed the cash received as part of the merger consideration and will recognize gain or loss with respect to any cash received in lieu of fractional shares of Sysco common stock. **USF stockholders should consult their tax advisors for a full understanding of all of the tax consequences of the merger to them.**

See Material United States Federal Income Tax Consequences of the Merger.

### *Regulatory Approval*

The merger is subject to certain filing requirements and applicable waiting periods under United States antitrust laws. The Federal Trade Commission ( FTC ), the Department of Justice, a state attorney general or a private party may challenge the merger at any time before or after it is completed. On January 17, 2014, Sysco and USF made pre-merger notification filings under the HSR Act. The completion of the merger is conditioned upon the expiration or termination of the HSR Act waiting period and receipt of all required antitrust clearances, consents and approvals. On February 18, 2014, Sysco and USF received a second request from the FTC for additional information with respect to the merger and are complying with this request. Sysco and USF have also been notified that several state attorneys

general are investigating the merger under antitrust laws and Sysco and USF are cooperating with those state investigations. See The Merger Regulatory Approvals.

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### ***Appraisal Rights***

Under the General Corporation Law of the State of Delaware, which we refer to as the DGCL, if you do not wish to accept the consideration provided for in the merger agreement and the proposed merger is consummated, you have the right (assuming all statutory conditions are met) to seek appraisal of your shares of USF common stock and to receive payment in cash for the fair value of your USF common stock as determined by the Delaware Court of Chancery. To exercise your appraisal rights, you must (among other things) submit a written demand for appraisal to USF or to the surviving company in the merger, as applicable, within 20 days after the date of mailing of a separate notice that will be mailed to non-consenting stockholders following USF's receipt of the requisite written consents. **The demand for appraisal must not be sent prior to the date of such separate notice; under Delaware case law, a demand submitted prior to the date of the notice may not be effective to perfect your appraisal rights.** Only the stockholder of record may submit a demand for appraisal; therefore, if your shares are not registered in your name, you will not be able to take these steps yourself, but must have them done by the record holder. To preserve your right to demand appraisal of your shares, you must not submit a written consent approving the proposal to adopt the merger agreement, or otherwise consent to or vote FOR the proposal to adopt the merger agreement, and you must not submit a written consent form that fails to indicate a decision, as such a consent form will be treated as an approval. However, so long as you do not return a consent form at all, it is not necessary to affirmatively vote against or disapprove the merger. In addition, you must hold your shares continuously through the effective date of the proposed merger, meet other statutory conditions and take all other steps to perfect your appraisal right, which are not all listed here. A copy of the relevant statute, Section 262 of the DGCL, is appended to this consent solicitation statement/prospectus as Annex C for information purposes only. This consent solicitation statement/prospectus is not intended to constitute the notice of appraisal rights under Section 262. See Appraisal Rights.

### **Solicitation of Written Consents**

Adoption and approval of the merger agreement and the merger requires the approval of the holders of a majority of the outstanding shares of USF common stock. See Solicitation of Written Consents.

No stockholder approval of Sysco is required by the merger agreement or applicable law.

### **Voting Agreement**

Following the execution of the merger agreement, certain stockholders of USF, who collectively hold approximately 98% of the outstanding shares of USF common stock, entered into a voting agreement with Sysco pursuant to which they have agreed to execute and return consents with respect to their shares of USF common stock adopting and approving the merger agreement and the merger. The voting agreement provides for a sufficient number of consents to be executed and delivered by such holders that would suffice to constitute effective adoption and approval of the merger agreement and the merger. See Principal Stockholders of USF.

### **Risk Factors**

In evaluating the merger, merger agreement and transactions contemplated thereby, you should carefully read this consent solicitation statement/prospectus, the documents incorporated by reference into this consent solicitation statement/prospectus and especially consider the factors discussed in the section entitled Risk Factors.





**Table of Contents****SELECTED HISTORICAL FINANCIAL DATA OF SYSCO**

The following selected financial information is intended to aid you in understanding certain financial aspects of Sysco. The annual historical information for Sysco set forth below is derived from its audited consolidated financial statements as of and for fiscal years 2009 through 2013. The information for Sysco as of and for the 39 weeks ended March 30, 2013 and March 29, 2014 set forth below is derived from its unaudited consolidated interim financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring adjustments, that the management of Sysco considers necessary for a fair presentation of the financial position and results of operations for such periods in accordance with GAAP.

The information regarding Sysco that is set forth below is only a summary and should be read together with Sysco's historical consolidated financial statements and related notes. Sysco's fiscal year ends on the Saturday nearest to June 30<sup>th</sup>. This resulted in a 52-week year ending on June 29, 2013 for fiscal 2013, June 30, 2012 for fiscal 2012, July 2, 2011 for fiscal 2011 and June 27, 2009 for fiscal 2009. Sysco's fiscal year ending July 3, 2010 for fiscal 2010, contained 53 weeks. Sysco's historical consolidated financial statements and related notes are contained in its Annual Report on Form 10-K for the year ended June 29, 2013 and its Quarterly Report on Form 10-Q for the quarter ended March 29, 2014, as well as other information filed by Sysco with the SEC. See [Where You Can Find More Information](#).

The historical results set forth below and elsewhere in this consent solicitation statement/prospectus are not necessarily indicative of the future performance of Sysco or USF. All amounts are in U.S. dollars.

	<b>39 Weeks Ended</b>		<b>Fiscal Years</b>				
	<b>March 29, 2014</b>	<b>March 30, 2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010 (53 weeks)</b>	<b>2009</b>
<b>Income Statement:</b>	<b>(Unaudited)</b>		<b>(in thousands, except per share data)</b>				
	<b>(in thousands, except per share data)</b>		<b>(in thousands, except per share data)</b>				
Sales	\$ 34,229,720	\$ 32,810,177	\$ 44,411,233	\$ 42,380,939	\$ 39,323,489	\$ 37,243,495	\$ 36,853,330
Operating income <sup>(1)</sup>	1,162,600	1,198,635	1,658,478	1,890,632	1,931,502	1,975,868	1,872,211
Earnings before income taxes	1,075,091	1,108,950	1,547,455	1,784,002	1,827,454	1,849,589	1,770,834
Income taxes	397,729	399,566	555,028	662,417	675,424	669,606	714,886
Net earnings	677,362	709,384	992,427	1,121,585	1,152,030	1,179,983	1,055,948
Basic earnings per share:							
Basic earnings per share	\$ 1.16	\$ 1.21	\$ 1.68	\$ 1.91	\$ 1.96	\$ 1.99	\$ 1.77

Diluted  
earnings per  
share:

Diluted earnings per share	\$	1.15	\$	1.20	\$	1.67	\$	1.90	\$	1.96	\$	1.99	\$	1.77
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Dividends  
declared per  
common  
share

	\$	.86	\$	.83	\$	1.11	\$	1.07	\$	1.03	\$	.99	\$	.94
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	As of		Fiscal Year Ends				
	March 29, 2014 (Unaudited)	March 30, 2013	2013	2012	2011	2010	2009
<b>Balance Sheet:</b>	(in thousands)		(in thousands)				
Total assets	\$ 13,138,264	\$ 12,657,210	\$ 12,663,947	\$ 12,137,207	\$ 11,427,190	\$ 10,336,436	\$ 10,160,321
Long-term debt	2,986,613	2,557,314	2,639,986	2,763,688	2,279,517	2,472,662	2,467,486

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(1) Sysco's results have been impacted by a number of charges and adjustments during the periods presented within the selected historical financial data. A summary of certain of these charges and adjustments and the impact on Sysco's operating income is as follows:

	<b>39 Weeks Ended</b>		<b>Fiscal Year</b>				
	<b>March 29, 2014 (Unaudited) (in thousands)</b>	<b>March 30, 2013 (in thousands)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010 (53 Weeks)</b>	<b>2009</b>
(Negative) / positive impact							
Impact of restructuring executive retirement plans	\$ (2,323)	\$ (17,608)	\$ (20,990)	\$	\$	\$	\$
Impact of multiemployer pension charge	(1,451)	(43,201)	(41,876)	(21,899)	(41,544)	(2,944)	
Impact of severance charges	(5,109)	(15,341)	(23,206)	(14,452)	(8,735)		
Impact of US Foods merger and integration costs	(36,769)						
Impact of change in estimate of self insurance	(23,841)						
Impact of contingency accrual	(20,000)						
Impact of facility closure charges	(2,497)	(1,974)	(2,645)				
Impact of corporate owned life insurance					28,197	21,544	
Impact of 53rd week						41,720	
Impact of one-time acquisition-related charge			(5,998)				
<b>Total selected items impacting operating income</b>	<b>\$ (91,990)</b>	<b>\$ (78,124)</b>	<b>\$ (94,715)</b>	<b>\$ (36,351)</b>	<b>\$ (22,082)</b>	<b>\$ 60,320</b>	<b>\$</b>

**Market Values of Sysco Securities**

Sysco's common stock is listed and quoted on the NYSE under the symbol SYO. The table below sets forth, for the calendar quarters indicated, the high and low per share sale prices of Sysco common stock as reported by the NYSE and cash dividends declared.

	<b>High</b>	<b>Low</b>	<b>Dividends Declared Per Share</b>
<b>Fiscal Year Ended July 2, 2011</b>			
First Quarter	\$ 31.55	\$ 27.13	0.25
Second Quarter	30.18	28.22	0.26
Third Quarter	30.54	27.31	0.26
Fourth Quarter	32.76	27.81	0.26

**Fiscal Year Ended June 30, 2012**

First Quarter	31.73	25.48	0.26
Second Quarter	29.62	25.09	0.27
Third Quarter	31.18	28.70	0.27
Fourth Quarter	30.20	27.05	0.27

**Fiscal Year Ended June 29, 2013**

First Quarter	31.41	28.23	0.27
Second Quarter	32.40	29.75	0.28
Third Quarter	35.62	30.55	0.28
Fourth Quarter	35.40	33.07	0.28

**Fiscal Year Ending June 28, 2014**

First Quarter	36.05	31.37	0.28
Second Quarter	43.40	31.13	0.28
Third Quarter	37.08	34.07	0.29
Fourth Quarter			

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On December 6, 2013, the last trading day prior to the announcement of the merger, the last reported sale price of Sysco common stock on the NYSE was \$34.31. On \_\_\_\_\_, 2014, the most recent practicable date prior to the printing of this consent solicitation statement/prospectus, the last reported sale price of Sysco common stock on the NYSE was \$ \_\_\_\_\_. We urge you to obtain current stock price quotations for Sysco common stock from a newspaper, the internet or your broker.

There is no established public trading market for USF's common stock. USF has not declared any dividends during the periods set forth in the table above.

**Table of Contents****SELECTED HISTORICAL FINANCIAL DATA OF USF**

USF operates on a 52-53-week fiscal year, with all periods ending on Saturday. When a 53-week fiscal year occurs, USF reports the additional week in the fourth fiscal quarter. Fiscal years 2013, 2012, 2011, 2010 and 2009 ended on December 28, 2013, December 29, 2012, December 31, 2011, January 1, 2010, and January 2, 2009, respectively. All years presented were 52 weeks, except for fiscal 2009, which consisted of 53 weeks. The following table presents selected consolidated financial data for the last five fiscal years and the 13 weeks ended March 29, 2014 and March 30, 2013:

	13 Weeks Ended March 29, March 30, 2014      2013 (Unaudited) (in millions)		2013	2012	Fiscal Year 2011      2010 (in millions)		2009 (53 Weeks)
<b>Consolidated Statements of Operations Data:</b>							
Net sales	\$ 5,457	\$ 5,405	\$ 22,297	\$ 21,665	\$ 20,345	\$ 18,862	\$ 18,961
Cost of goods sold	4,562	4,496	18,474	17,972	16,840	15,452	15,508
Gross profit	895	909	3,823	3,693	3,505	3,410	3,453
Operating expenses:							
Distribution, selling and administrative costs	878	884	3,494	3,350	3,194	3,055	3,095
Restructuring and tangible asset impairment charges		2	8	9	72	11	47
Intangible asset impairment charges							21
Total operating expenses	878	886	3,502	3,359	3,266	3,066	3,163
Operating income	17	23	321	334	239	344	290
Interest expense net	73	82	306	312	307	341	359
Loss on extinguishment of debt		24	42	31	76		
Gain on repurchase of senior subordinated notes							(11)
(Loss) income before income taxes	(56)	(83)	(27)	(9)	(144)	3	(58)
Income tax (provision) benefit	(9)	(12)	(30)	(42)	42	(16)	14
Net loss	\$ (65)	\$ (95)	\$ (57)	\$ (51)	\$ (102)	\$ (13)	\$ (44)
<b>Other Data:</b>							
Cash flows from operating activities	\$ 31	\$ (10)	\$ 322	\$ 316	\$ 419	\$ 481	\$ 89
	(40)	(51)	(187)	(380)	(338)	(258)	(146)

Cash flows from investing activities							
Cash flows from financing activities							
	1	(32)	(197)	103	(301)	(30)	(363)
Capital expenditures	41	55	191	294	304	272	165
EBITDA <sup>(a)</sup>	117	93	667	659	506	652	597
Adjusted EBITDA <sup>(a)</sup>	169	156	845	841	812	736	690
<b>Balance Sheet Data:</b>							
Cash and cash equivalents	\$ 172	\$ 149	\$ 180	\$ 242	\$ 203	\$ 423	\$ 230
Total assets	9,290	9,255	9,186	9,263	8,916	9,054	8,976
Total debt	4,818	4,858	4,770	4,814	4,641	4,855	4,886

- (a) USF management uses EBITDA and Adjusted EBITDA to measure operating performance. EBITDA is defined as Net loss, plus Interest expense net, Income tax (provision) benefit, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for (1) Sponsor fees; (2) Restructuring and tangible, and Intangible asset impairment charges; (3) share-based compensation expense; (4) other gains,



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losses, or charges as specified under USF's debt agreements; and (5) the non-cash impact of LIFO adjustments. EBITDA and Adjusted EBITDA, are supplemental measures of USF's performance. They are not required by or presented in accordance with GAAP. They are not measurements of USF's performance under GAAP. In addition, they should not be considered as alternatives to net income (loss) or any other performance measures derived in accordance with GAAP, or as alternatives to cash flows from operating activities as measures of USF's liquidity. See additional information for the use of these measures and Non-GAAP reconciliations below.

***Non-GAAP Reconciliations***

EBITDA and Adjusted EBITDA are not measures of USF's financial condition, liquidity or profitability. They should not be considered as a substitute for net income (loss) from continuing operations, operating profit or any other performance measures derived in accordance with GAAP, nor are they a substitute for cash flow from operating activities as a measure of USF's liquidity. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow, as they do not take into account items such as interest and principal payments on USF's indebtedness, working capital needs, tax payments and capital expenditures.

USF presents EBITDA because it considers EBITDA to be an important supplemental measure of USF's performance. It also is frequently used by securities analysts, investors and other interested parties to evaluate companies in USF's industry. USF presents Adjusted EBITDA because it excludes items that are not related to USF's ongoing performance. This makes it easier to compare USF's performance between periods and to similar companies. Adjusted EBITDA is the key metric used by USF's Chief Operating Decision Maker to assess operating performance. USF believes these non-GAAP financial measures provide meaningful supplemental information about USF's operating performance because they exclude amounts that USF's management and board of directors do not consider part of core operating results. USF's management uses these non-GAAP financial measures to evaluate USF's historical financial performance, establish future operating and capital budgets, and determine variable compensation for management and employees.

USF's debt agreements specify items that should be added to EBITDA in arriving at Adjusted EBITDA. These include Sponsor fees, share-based compensation expense, impairment charges, restructuring charges, the non-cash impact of LIFO, and gains and losses on debt transactions. When there are other small, specified costs to add to EBITDA to arrive at Adjusted EBITDA, USF combines those items under Other.

The charge resulting from lump-sum payment settlements to retirees and former employees participating in several of USF's subsidiary, US Foods-sponsored pension plans, and direct and incremental costs related to the merger agreement, were also added back to EBITDA to arrive at Adjusted EBITDA. Costs to optimize USF's business were also added back to EBITDA to arrive at Adjusted EBITDA. These business transformation costs include third party and duplicate or incremental internal costs. Those items are related to functionalization, and significant process and systems redesign in US Foods' replenishment, finance, category management and human resources functions; company rebranding; cash & carry retail store strategy; and implementation and process and system redesign related to US Foods' sales model.

These items are added to EBITDA to arrive at Adjusted EBITDA as part of US Foods' debt agreements. Accordingly, USF's management includes those adjustments when assessing USF's operating performance. USF cautions readers that amounts presented in accordance with USF's definitions of EBITDA and Adjusted EBITDA may not be comparable to similar measures used by other companies, because not all companies and analysts calculate EBITDA and Adjusted EBITDA in the same manner.



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The following table reconciles EBITDA and Adjusted EBITDA to the most directly comparable GAAP financial performance measure, which is net income (loss) for the last five fiscal years and for the 13 weeks ended March 29, 2014 and March 30, 2013:

	2013	2012	2011	2010	2009 (53 Weeks)
	(in millions)				
<b>Net loss</b>	<b>\$ (57)</b>	<b>\$ (51)</b>	<b>\$ (102)</b>	<b>\$ (13)</b>	<b>\$ (44)</b>
Interest expense net	306	312	307	341	359
Income tax provision (benefit)	30	42	(42)	16	(14)
Depreciation and amortization expense	388	356	343	308	296
<b>EBITDA</b>	<b>667</b>	<b>659</b>	<b>506</b>	<b>652</b>	<b>597</b>
Adjustments:					
Sponsor fees <sup>(1)</sup>	10	10	10	11	8
Restructuring and tangible asset impairment charges <sup>(2)</sup>	8	9	72	11	47
Intangible asset impairment charges <sup>(3)</sup>					21
Share-based compensation expense <sup>(4)</sup>	8	4	15	3	4
LIFO reserve change <sup>(5)</sup>	12	13	59	30	(38)
Loss on extinguishment of debt <sup>(6)</sup>	42	31	76		
Pension settlement <sup>(7)</sup>	2	18			
Business transformation costs <sup>(8)</sup>	61	75	45	18	
Legal <sup>(9)</sup>			3	1	43
Gain on repurchase of senior subordinated notes <sup>(10)</sup>					(11)
Other <sup>(11)</sup>	35	22	26	10	19
<b>Adjusted EBITDA</b>	<b>\$ 845</b>	<b>\$ 841</b>	<b>\$ 812</b>	<b>\$ 736</b>	<b>\$ 690</b>

(1) Consists of management fees paid to the USF Sponsors.

(2) Consists primarily of facility closing, severance and related costs, and tangible asset impairment charges.

(3) Intangible asset impairment charges for private label brand names.

(4) Share-based compensation represents costs recorded for vesting of USF stock option awards, restricted stock and restricted stock units.

(5) Consists of changes in the LIFO reserve.

(6) Includes fees paid to debt holders, third party costs, early redemption premiums, and the write-off of old debt facility unamortized debt issuance costs. See Note 11 Debt in the Notes to USF's Audited Consolidated Financial Statements for a further description of debt refinancing transactions.

(7) Consists of charges resulting from lump-sum payment settlements to retirees and former employees participating in several US Foods sponsored pension plans.

(8) Consists primarily of costs related to functionalization and significant process and systems redesign.

(9) Includes settlement costs accrued in 2011 and 2009 for class action matters and costs incurred for Ahold-related legal matters in 2010 and 2009. See Note 21 Commitments and Contingencies in the Notes to USF's Audited Consolidated Financial Statements for a further description of legal matters and the indemnification by Ahold for certain matters.

- (10) Consists of a gain from an open market purchase of USF's senior subordinated notes, net of the unamortized debt issuance costs write-off.
- (11) Other includes gains, losses or charges, including \$4 million of 2013 direct and incremental costs related to the merger agreement, as specified under US Foods' debt agreements.

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	13-Weeks Ended	
	March 29, 2014	March 30, 2013
	(Unaudited) (in millions)	
<b>Net income</b>	<b>\$ (65)</b>	<b>\$ (95)</b>
Interest expense, net	73	82
Income tax provision (benefit)	9	12
Depreciation and amortization expense	100	94
<b>EBITDA</b>	<b>117</b>	<b>93</b>
Adjustments:		
Sponsor fees <sup>(1)</sup>	3	3
Restructuring and tangible asset impairment charges <sup>(2)</sup>		2
Share-based compensation expense <sup>(3)</sup>	3	4
LIFO reserve change <sup>(4)</sup>	25	2
Loss on extinguishment of debt <sup>(5)</sup>		24
Business transformation costs <sup>(6)</sup>	12	14
Other <sup>(7)</sup>	9	14
<b>Adjusted EBITDA</b>	<b>\$ 169</b>	<b>\$ 156</b>

(1) Consists of management fees paid to the USF sponsors.

(2) Primarily consists of facility closing, severance and related costs, and tangible asset impairment charges.

(3) Share-based compensation represents costs recorded for vesting of USF stock option awards, restricted stock and restricted stock units.

(4) Consists of changes in the LIFO reserve.

(5) Includes fees paid to debt holders, third party costs, early redemption premium, and the write off of old debt facility unamortized debt issuance costs. See Note 9 Debt in the Notes to USF's Unaudited Consolidated Financial Statements for a further description of debt refinancing transactions.

(6) Consists primarily of costs related to functionalization and significant process and systems redesign.

(7) Other includes gains, losses or charges as specified under the US Foods' debt agreements, including \$4 million of direct and incremental costs for the 13-weeks ended March 29, 2014, related to the merger.

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**SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED**

**FINANCIAL DATA**

The Unaudited Pro Forma Combined Financial Statements have been developed from the historical consolidated financial statements of Sysco and USF. Sysco's financials are incorporated by reference into this document and USF's financials are included in this document. Sysco and USF have different fiscal year ends, with the most recent annual period of Sysco ended on June 29, 2013, and the most recent annual period of USF ended on December 28, 2013. As such, amounts related to the historical operations of USF have been adjusted to align the periods over which those operations occurred with the periods presented by adding the necessary quarterly results together to match Sysco's fiscal reporting periods. The Unaudited Pro Forma Combined Statements of Operations for the nine months ended March 29, 2014 and for the year ended June 29, 2013 combine the historical consolidated statements of operations of Sysco and USF, giving effect to the merger as if it had been consummated on July 1, 2012, the beginning of the earliest period presented. The Unaudited Pro Forma Combined Balance Sheet combines the consolidated balance sheets of Sysco and US Foods, giving effect to the merger as if it had been consummated on March 29, 2014.

The Unaudited Pro Forma Combined Financial Statements are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Sysco would have been if the merger had occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position. Sysco expects to incur significant costs associated with integrating the operations of Sysco and USF. The Unaudited Pro Forma Combined Financial Statements do not reflect the costs of any integration activities including planning costs or any benefits that may result from realization of future cost savings from operating efficiencies or revenue synergies expected to result from the merger, except to the extent that such integration costs have been incurred during the periods presented. In addition, the Unaudited Pro Forma Combined Financial Statements (excluding the balance sheet) do not include one-time costs directly attributable to the transaction or professional fees incurred by Sysco or USF pursuant to provisions contained in the merger agreement as those costs are not considered part of the purchase price. The Unaudited Pro Forma Combined Financial Statements do not include the effect of any divestitures or other requirements that may be imposed by the Federal Trade Commission.

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The following information has been derived from, and should be read in conjunction with, the Unaudited Pro Forma Condensed Combined Financial Statements and the related notes included in this registration statement.

**39 Weeks Ended March 29, 2014 and 52 Weeks Ended June 29, 2013**

(in thousands, except per share data)

	<b>39 weeks ended March 29, 2014</b>	<b>52 weeks ended June 29, 2013</b>
Sales	\$ 50,919,863	\$ 66,417,107
Operating income	1,348,094	1,886,255
Earnings before income taxes	1,050,281	1,412,963
Income taxes	391,341	502,682
Net earnings	658,940	910,281
Basic earnings per share:		
Basic earnings per share	\$ 0.98	\$ 1.35
Diluted earnings per share:		
Diluted earnings per share	\$ 0.97	\$ 1.34

	<b>As of March 29, 2014</b>
Total assets	\$ 24,486,241
Long-term debt	8,039,991

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**RISK FACTORS**

*In addition to general investment risks and the other information contained in or incorporated by reference into this consent solicitation statement/prospectus, including the matters addressed under the section **Cautionary Statement Regarding Forward-Looking Statements**, you should carefully consider the following risk factors in deciding whether to grant your consent to the proposal presented in this consent solicitation statement/prospectus. In addition, you should read and consider the risks associated with each of the businesses of Sysco and USF because these risks will relate to the surviving company. Descriptions of some of these risks can be found in the Annual Report on Form 10-K filed by Sysco for the year ended June 29, 2013, as updated by other reports filed with the SEC, which is filed with the SEC and incorporated by reference into this consent solicitation statement/prospectus. You should also consider the other information in this consent solicitation statement/prospectus and the other documents incorporated by reference into this consent solicitation statement/prospectus. See **Where You Can Find More Information**.*

**Risks Relating to the Merger**

***The closing and consummation of the merger is subject to receipt of regulatory approval and the satisfaction of certain other conditions, and we cannot predict whether or when such conditions will be satisfied or waived or whether the merger will be completed.***

The completion of the merger is subject to receipt of regulatory approvals, including antitrust approval, and other customary conditions, including, without limitation:

the approval of the stockholders of USF;

the effectiveness of the registration statement on Form S-4 of which this consent solicitation statement/prospectus forms a part;

the expiration or termination of the applicable waiting period under the HSR Act (including any extension thereof);

the accuracy of the representations and warranties in the merger agreement and compliance with the respective covenants of the parties, subject to certain qualifiers;

the absence of any law or injunction that prohibits the consummation of the merger; and

the receipt by USF of a customary tax opinion with respect to the merger.

Sysco and USF may fail to secure the requisite approvals in a timely manner or on terms desired or anticipated, and the merger may not close in the anticipated time frame, if at all. Sysco and USF have no control over certain conditions in the merger agreement, and cannot predict whether such conditions will be satisfied or waived. Regulatory authorities may impose conditions on the completion of the merger or require changes to the terms of the transaction. Such conditions or changes may prevent the closing of the merger or cause the merger to be delayed, and



delays may cause the parties to incur additional, potentially burdensome transaction costs. Sysco and USF have also been notified that several state attorneys general are investigating the merger under antitrust laws and Sysco and USF are cooperating with those state investigations. Additionally, in February 2014, the Federal Trade Commission (the FTC ) requested additional information and documentary materials in connection with the merger under notification requirements of the HSR Act, which is frequently referred to as a second request, and Sysco and USF are continuing to work closely and cooperate with the FTC as it conducts its review of the merger. Sysco and USF can agree at any time to terminate the merger agreement, even if USF stockholders have already approved the merger and the merger agreement. Sysco and USF can also terminate the merger agreement under other specified circumstances.

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***Sysco and USF may be required to accept certain remedies to obtain regulatory approval for the merger, and any such remedies could reduce the projected benefits of the merger and negatively impact the combined company.***

The imposition of remedies as a condition to obtaining regulatory approval for the transaction could limit the revenues of the combined company and negatively impact the combined company. The potential remedies may negatively impact the projected benefits of the proposed merger, including any potential synergies or cost savings, along with the business, financial condition and competitiveness of Sysco, as the combined company. Even if regulatory approval for the merger is obtained, any remedies could result in the total revenues of the combined post-merger entity being less than the combined historical revenues of Sysco and USF. Additionally, neither party will be obligated to continue to seek regulatory approval if such approval would require the divestiture of assets representing in excess of \$2 billion of revenue generated in calendar year 2013.

***The value of the merger consideration at the closing may not be the same as at the time of signing or on the date of this consent solicitation/prospectus.***

If the merger is completed, up to 89.1 million shares of Sysco common stock may be issued to USF stockholders and RSU holders. Any change in the price of Sysco common stock prior to the completion of the merger will affect the dollar value of the merger consideration that USF stockholders and RSU holders will receive upon completion of the merger.

The market price of Sysco common stock is subject to general price fluctuations in the market for publicly traded equity securities and has experienced volatility in the past. Changes in the price of Sysco common stock could result from a variety of factors, including general market and economic conditions, changes in Sysco's business, operations and prospects and regulatory considerations. Market assessments of the benefits of the proposed merger and the likelihood that the proposed merger will be completed, as well as general and industry-specific market and economic conditions, may also impact the market price of Sysco common stock. Many of these factors are beyond Sysco's control. USF stockholders should obtain current market quotations for shares of Sysco common stock.

***The market price of Sysco's common stock may decline as a result of the merger.***

The market price of Sysco's common stock may decline as a result of the merger for a number of reasons, including:

the integration of USF by Sysco may not be as successful as expected or may take longer than expected;

there may be sales of substantial amounts of Sysco common stock after the merger;

Sysco may not achieve the perceived benefits of the merger as rapidly as, or to the extent, anticipated by financial or industry analysts; or

the effect of the merger on Sysco's financial results may not be consistent with the expectations of financial or industry analysts.

These factors are, to some extent, beyond Sysco's control.

***The issuance of shares of Sysco common stock to USF stockholders in the merger may have a negative impact on Sysco's financial results, including earnings per share.***

If the merger is completed, up to approximately 89.1 million shares of Sysco common stock may be issued to USF stockholders, holders of USF restricted stock and RSU holders, representing approximately % of the number of shares of Sysco common stock expected to be outstanding following the consummation of the merger. Once shares of Sysco common stock are issued in connection with the merger, Sysco's earnings per share may be

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lower than would have been reported by Sysco in the absence of the merger. There can be no assurance that any increase in Sysco's earnings per share will occur, even over the long-term. Any increase in Sysco's earnings per share as a result of the merger is likely to require, among other things, Sysco to successfully manage the operations of USF and increase the consolidated earnings of Sysco after the merger.

***USF stockholders will have substantially different rights with respect to their stockholdings following the merger.***

Upon consummation of the merger, the USF stockholders, who presently hold stock in a private Delaware corporation, will become stockholders of Sysco, a public Delaware corporation. There are material differences between the rights of USF stockholders under the USF governing documents and the rights of Sysco stockholders under the Sysco governing documents. See Comparison of Rights of Stockholders.

***The proposed merger may adversely impact Sysco's and/or USF's current business operations and relationships with employees, vendors and customers.***

The announcement of the merger could cause disruptions in and create uncertainty surrounding Sysco's and/or USF's businesses. This could affect Sysco's and/or USF's relationships with customers, vendors and employees, which could have an adverse effect on Sysco's and/or USF's business, financial results and operations. Prospective suppliers, customers or other third parties may delay or decline to enter into agreements with Sysco and/or USF as a result of the merger. Sysco and/or USF may also lose current suppliers and customers, or current suppliers or customers could modify their relationships with Sysco and/or USF in an adverse manner, in either case as a result of the merger. Furthermore, uncertainties as to the effect of the merger transaction may adversely impact employee morale and impede Sysco's and/or USF's ability to retain key employees. The loss of key employees could impact Sysco's ability to successfully integrate the businesses of Sysco and USF and fully realize the anticipated benefits of the merger. In addition, Sysco and USF have devoted, and will continue to devote, significant management resources to complete the merger, which may cause Sysco's and/or USF's business and operating results to suffer.

The merger agreement also places restrictions on how USF conducts its business before the merger is completed. These restrictions could result in USF's inability to respond effectively, and in a timely manner, to competitive pressures, industry developments and future opportunities. This could harm USF's business, financial results and operations.

***The integration of the businesses of Sysco and USF may be more difficult, costly or time-consuming than expected, and the merger may not result in any or all of the anticipated benefits, including cost synergies.***

The success of the merger between Sysco and USF, including the realization of the anticipated benefits, will depend, in part, on the ability of Sysco, as the combined company, to successfully integrate the businesses of Sysco and USF. Failure to effectively integrate the businesses could adversely impact the expected benefits of the merger, including cost synergies stemming from supply chain efficiencies, merchandising activities and overlapping general and administrative functions.

The integration of two large independent companies will be complex and time-consuming, and Sysco and USF will be required to devote significant management attention and incur substantial costs to integrate Sysco's and USF's business practices, policies, cultures and operations. The integration process could also result in the loss of key employees and the disruption of each company's ongoing businesses, which could materially impact the combined company's future financial results.

Furthermore, during the integration planning process and after the closing of the merger, Sysco and USF may encounter additional challenges and difficulties, including those related to, without limitation, managing a larger combined company; streamlining supply chains, consolidating corporate and administrative infrastructures and eliminating overlapping operations; retaining Sysco's existing vendors and customers; unanticipated issues in integrating information technology, communications and other systems; and unforeseen and unexpected

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liabilities related to the merger or USF's business. Delays encountered in the integration could adversely impact the business, financial condition and operations of the combined company.

***Directors and officers of USF may have conflicts of interest that may influence them to support or approve the merger.***

USF stockholders should be aware that certain members of the USF board and executive officers of USF have interests in the transaction contemplated by the merger agreement that may be different from, or are in addition to, the general interests of USF stockholders, as described in "The Merger - Interests of Directors and Executive Officers of USF in the Merger."

***Sysco may not be able to retain some of the vendors and customers used by USF after the proposed merger, which could negatively impact the anticipated benefits of the merger.***

The vendors or customers of USF may have termination rights that are triggered upon completion of the merger, and such vendors or customers may decide not to renew their existing relationship with the combined company, and may instead select one of Sysco's competitors. If Sysco is unable to retain and maintain these vendor and customer relationships, then the business, financial condition and operations of Sysco, as the combined company, could be adversely impacted.

***Consummation of the merger will require Sysco to incur significant additional indebtedness, which could adversely impact Sysco's financial condition and may hinder Sysco's ability to obtain additional financing and pursue other business and investment opportunities.***

USF's outstanding debt, which was approximately \$4.8 billion at the time the merger agreement was signed, will become debt of Sysco or a Sysco subsidiary (including indebtedness which remains the obligation of USF) if the merger is completed. The purchase price, as well as any refinancing of USF's indebtedness, is expected to be financed with a combination of new debt and cash on Sysco's balance sheet. Sysco has secured fully committed bridge financing.

Sysco is party to a 364-day bridge term loan agreement with a syndicate of banks and other lending institutions, pursuant to which Sysco may borrow up to \$3.3865 billion in term loans on the closing date of the merger to fund the merger consideration, refinance certain indebtedness of USF and pay related fees and expenses, subject to the conditions set forth therein. There is a risk that these conditions will not be satisfied and that the bridge facility may not be funded when required.

Any outstanding debt of USF that is assumed upon the closing of the merger may include restrictive covenants that, among other things, could limit Sysco's ability to engage in certain business transactions or incur additional indebtedness.

The incurrence of additional indebtedness could have negative consequences, including increasing Sysco's vulnerability to adverse economic and industry conditions, and limiting Sysco's ability to obtain additional financing and implement and pursue strategic initiatives and opportunities. Additionally, if Sysco does not achieve the expected benefits and cost savings from the merger with USF, or if the financial performance of Sysco, as the combined company, does not meet current expectations, then Sysco's ability to service the debt may be adversely impacted. Sysco's credit ratings may also be impacted as a result of the incurrence of additional acquisition-related indebtedness. Currently, certain credit rating agencies have put Sysco on watch for a potential downgrade.



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*The unaudited pro forma financial data for Sysco and USF included in this consent solicitation statement/prospectus are preliminary, and Sysco's actual financial position and operations after the completion of the merger may differ materially from the unaudited pro forma financial data included in this consent solicitation statement/prospectus.*

The unaudited pro forma financial data for both Sysco and USF in this consent solicitation statement/prospectus are presented for illustrative purposes only and are not necessarily indicative of what Sysco's actual financial position or operations would have been had the merger been completed on the dates indicated. For more information, see Pro Forma Financial Statements.



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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Information included in this consent solicitation statement/prospectus (including information included or incorporated by reference in this document) that look forward in time or that express beliefs, expectations or hopes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are all statements other than statements of historical facts. Generally, the words anticipates, may, can, plans, believes, estimates, expects, projects, intends, likely, will, expressions or other words of similar meaning are intended to identify those assertions as forward-looking statements. Such forward-looking statements reflect the views of management at the time such statements are made and are subject to a number of known and unknown risks, uncertainties, estimates and assumptions that are difficult to predict and that may cause actual results to differ materially from current expectations, including, but not limited to, those factors set forth under the section entitled Risk Factors, as well as, among others, risks and uncertainties relating to:

the ability of the parties to satisfy the conditions precedent and consummate the proposed merger;

the timing of the consummation of the proposed merger;

the ability of the parties to secure regulatory approvals in a timely manner or on the terms desired or anticipated;

the ability of Sysco to integrate the acquired operations;

the ability to realize the anticipated benefits of the merger;

fluctuations in the market value of Sysco common stock;

the effects of the merger on Sysco's financial results;

the ability of the combined company to retain and hire key personnel;

the results of financing efforts, including Sysco's ability to obtain financing on favorable terms;

the potential for adverse changes in the ratings given to Sysco's and USF's debt by nationally accredited ratings organizations;

the ability to implement the anticipated business plans of the combined company following closing and achieve anticipated benefits and savings;

disruption of management's attention from ongoing business operations due to the pending merger and the integration of the businesses of Sysco and USF following the merger;

the effect of the announcement of the proposed merger or the consummation of the merger on either party's relationships with its respective customers, vendors, employees, lenders, operating results and businesses generally;

Sysco's and USF's ability to effectively manage their regulatory compliance and service quality;

the outcome of any legal proceedings;

the effects of any unfavorable outcome with respect to any of Sysco's or USF's current or future legal, governmental or regulatory proceedings, audits or disputes;

interruption of supplies due to lack of long-term contracts;

the effect of intense competition on the business of Sysco, USF and/or the combined company;

changes in industry pricing practices;

changes in competitors' cost structures;

the impact of severe weather and of crop conditions;

the impact of natural disasters or terrorist acts;

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potential labor issues, including work stoppages;

increased medical, retiree and pension expenses and related funding requirements;

general economic conditions, including inflation risk, changes in consumer confidence and the risk that decreases in consumer spending, particularly on food-away-from-home, may not reverse;

changes in accounting policies or practices;

costs and risks associated with government laws and regulations, including environmental, health, safety, food safety, transportation, labor and employment, laws and regulations, and changes in existing laws or regulations; and

changes in fuel prices.

For a discussion of additional factors impacting Sysco's business, see Sysco's Annual Report on Form 10-K for the year ended June 29, 2013, as filed with the SEC and Sysco's subsequent filings with the SEC. Neither Sysco nor USF undertakes to update or revise any forward-looking statements, based on new information or otherwise.

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**THE COMPANIES**

**Sysco Corporation**

Sysco, acting through its subsidiaries and divisions, is the largest North American distributor of food and related products primarily to the foodservice or food-away-from-home industry. It provides products and related services to approximately 425,000 customers, including restaurants, healthcare and educational facilities, lodging establishments and other foodservice customers.

Founded in 1969, Sysco commenced operations as a public company in March 1970, when the stockholders of nine companies exchanged their stock for Sysco common stock. Since its formation, Sysco has grown from \$115.0 million to \$44.4 billion in annual sales, both through internal expansion of existing operations and through acquisitions.

Sysco is organized under the laws of Delaware. The address and telephone number of its executive offices are 1390 Enclave Parkway, Houston, Texas, 77077-2099 and (281) 584-1390.

**Scorpion Corporation I, Inc.**

Merger Sub One is a Delaware corporation, and a wholly owned subsidiary of Sysco formed solely for the purpose of implementing the merger. It has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the merger agreement.

The address and telephone number of the principal executive offices of Scorpion Corporation I, Inc. are 1390 Enclave Parkway, Houston, Texas, 77077-2099 and (281) 584-1390.

**Scorpion Company II, LLC**

Merger Sub Two is a Delaware company and a wholly owned subsidiary of Sysco formed solely for the purpose of implementing the merger. It has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the merger agreement.

The address and telephone number of the principal executive offices of Scorpion Company II, LLC are 1390 Enclave Parkway, Houston, Texas, 77077-2099 and (281) 584-1390.

**USF Holding Corp.**

USF, through its operating subsidiary, US Foods, is a leading foodservice distributor, with about \$22 billion in net sales for fiscal year 2013. US Foods provides a link between over 5,000 suppliers and its 200,000 foodservice customers nationwide. US Foods offers an array of food and non-food products with approximately 350,000 stock-keeping units or SKUs as well as value-added distribution services. US Foods has also developed a private label product portfolio representing approximately 30,000 SKUs and approximately \$7 billion in net sales in fiscal year 2013. In addition, many of US Foods' customers depend on it for business functions such as product selection, menu preparation and costing strategies.

A sales force of approximately 5,000 associates market USF's products to a diverse customer base. USF's principal customers include independently owned, single and multi-location restaurants, regional concepts, national chains, hospitals, nursing homes, hotels and motels, country clubs, fitness centers, government and military organizations, colleges and universities, and retail locations. USF has standardized its operations across the country. That allows

USF to manage the business as a single operating segment with 61 divisions nationwide. USF supports its business with one of the largest private refrigerated fleets in the U.S., with roughly 6,000 trucks traveling an average of approximately 200 million miles each year. For business segment information, see Note 16 Business Segment Information in the Notes to USF's Consolidated Financial Statements (unaudited).

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In 2011, US Foods defined a new long-term vision: To create a great American food company focused solely on foodservice. This statement serves as a guide for USF's corporate strategy, summarized in four words: food, food people, and easy.

**Food:** To be a great American food company, USF's strategy focuses on offering customers great brands and innovative products, supported by an industry-leading category management capability. USF strives to be the first to market with meaningful advances in product taste, quality, affordability or ease of use. USF is building a cost-competitive, differentiated and efficient product assortment in every market, which corresponds to the needs of each individual customer category.

**Food People:** USF's business model emphasizes local relationships with customers. To support this, USF's selling and marketing approach enables salespeople to easily share USF's wide assortment, and help customers select the products that fit their needs. They also are able to present value-added services that allow customers to better operate their businesses.

**Easy:** USF offers customers a variety of tools and services so they can succeed in a competitive and challenging market. For example, USF's mobile and Internet-enabled ordering tools allow customers to place orders, track shipments, and quickly and efficiently see product details.

USF has also focused on making US Foods more efficient. That resulted in significant improvements in centralizing US Foods' operations and organizing them along functional lines. This includes customer-facing areas (such as category management and merchandising functions) as well as support functions (such as finance).

USF's investments in the business reflect these strategic priorities. In 2014, USF plans to enhance its category management and merchandising initiatives, and to optimize supply chain management. USF continues to look for opportunities to provide its customers with new and innovative products and services.

## ***Business***

USF conducts all of its operations through its wholly owned subsidiary, US Foods. All of the indebtedness, as further described in Note 11- Debt in the Notes to USF's Audited Consolidated Financial Statements, is an obligation of US Foods, and its subsidiaries. US Foods completed the registration of \$1,350 million aggregate principal amount of outstanding 8.5% Senior Notes due 2019 ( Senior Notes ) and became subject to rules and regulations of the Securities and Exchange Commission, including periodic and current reporting requirements under the Securities Exchange Act of 1934, as amended, and rules and regulations promulgated there under. US Foods did not receive any proceeds from the registration of the Senior Notes. The Senior Notes due 2019 are traded over the counter and are not listed on any stock exchange. USF, the parent company, is not a public filer and its common stock is not publicly traded.

## ***Corporate History***

US Foods' roots date back over 150 years to a number of heritage companies, including Monarch Foods, founded in 1853, and White Swan, founded in 1872. During the 20th century, through acquisition and organic growth, three organizations emerged that would eventually become US Foods. These companies were US Foodservice, PYA/Monarch, and Alliant Foodservice. In 2000, Koninklijke Ahold N.V. ( Ahold ) entered the U.S. foodservice distribution industry, embarking on a period of rapid growth through acquisition. Ahold purchased US Foods and PYA/Monarch in April and December of 2000, respectively. In November 2001, Ahold acquired Alliant Foodservice. With this acquisition, US Foods established itself as the second largest broadline foodservice distribution company in the U.S. In 2007, USF formed and controlled by investment funds associated with or managed by Clayton, Dubilier &

Rice, LLC, which we refer to as CDR, and Kohlberg Kravis Roberts & Co., L.P, which we refer to as KKR, (collectively the Sponsors ) acquired all of the outstanding common shares of US Foods.

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### ***Customers and Products***

USF's sales force of approximately 5,000 associates serves a diverse group of customers. These include independently owned single- and multi-unit location restaurants, regional concepts, national chains, hospitals, nursing homes, hotels and motels, country clubs, fitness centers, government and military organizations, colleges and universities, and retail locations. In fiscal 2013, no individual customer represented more than 4% of total customer sales, and USF's top 50 customers represented approximately 45% of customer sales.

USF's customers rely on it for support in many areas, including product expertise and selection, menu preparation, recipe ideas and pricing strategies. They also require nationally branded and private label products, value-added offerings, and customer service. USF's customers typically purchase products from multiple foodservice distributors.

USF has relationships with group purchasing organizations (GPOs) that act as agents for their members, negotiating pricing, delivery, and other terms. Some of USF's customers who are members of GPOs purchase their products directly from USF pursuant to the terms negotiated by their GPOs. In fiscal 2013, about 24% of USF's total customer purchases came from customers pursuant to terms negotiated by GPOs. GPOs primarily focus on healthcare, hospitality, education, government/military and restaurant chains.

The sales mix for USF's principal product categories for the years ended December 28, 2013, December 29, 2012 and December 31, 2011 are: meats and seafood (34%); dry grocery products (19%); refrigerated and frozen grocery products (16%); equipment, disposables and supplies (10%); dairy (10%); beverage products (6%); and produce (5%).

### ***Merchandising***

USF's Merchandising Group manages procurement and USF's portfolio of products, including private label and national brands. It is responsible for setting and executing product and category strategies and working with each division to ensure USF's category vision is implemented. It concentrates on optimizing economies of scale and leveraging USF's purchasing scale. USF implemented a strategic vendor management process to ensure its supplier partners provide the most effective combination of quality, service and price over the long-term. This allows USF to use a national marketing calendar to more effectively reach its diverse customer base.

The Merchandising Group's test kitchen facilitates product research and development. A team of chefs and product developers works closely with USF's category managers and supplier partners to develop products that only are available from USF, and serve to differentiate USF's offerings. This product innovation and marketing program is a centerpiece of USF's strategy of becoming a leading food company. The Merchandising Group also uses extensive food safety and quality assurance resources to ensure consistency, integrity, and high standards of excellence in the products USF distributes.

### ***Logistics***

USF's Logistics Group focuses on increasing company-managed inbound freight, freight reduction and freight optimization initiatives. This group includes national operations and logistics support teams in Chicago, and a field-based logistics team. The national logistics team handles the building, tracking and execution of inbound transportation loads, using USF's centralized transactional processing. The logistics support team works with operations and divisions to identify opportunities, reduce costs, and manage broader strategic initiatives associated with managing inbound freight. The logistics support team also manages carrier and vendor relationships, such as the inbound freight component of a vendor relationship, versus the product cost component which is managed by USF's Merchandising Group. The Logistics Group's goal is to improve overall service levels and reduce inbound freight



expenses, as well as investigate and implement network-wide opportunities.

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### ***Suppliers***

USF purchases from over 5,000 individual suppliers, none of which accounts for more than 10% of USF's aggregate purchases. USF's supplier base consists generally of large corporations, selling national brand name and private label products. Additionally, regional suppliers support targeted geographic initiatives and private label programs requiring regional distribution. USF generally negotiates supplier agreements on a centralized basis.

### ***Product Brands and Other Intellectual Property***

To meet the needs of its customers, USF offers a broad assortment of categories and brands. In many categories, USF offers products under USF's own brands and trademarks.

USF's brands are positioned in a variety of ways, primarily to support the requirements of its customers. Some are value brands, which offer a wide variety of lower cost products for customers who demand consistent quality and superior value. Others are positioned to match or exceed the quality of comparable manufacturer brand products. USF increasingly focuses on bringing unique, innovative products with exclusive, differentiated brands to its customers. USF has applied to register the trademark US Foods and has registered the trademarks Food Fanatics and ChefStore in connection with its overall US Foods brand strategy and with its new retail outlets. USF has also registered or applied to register the following trademarks in the United States in connection with its brand portfolio: Chef's Line, Rykoff Sexton, Stock Yards and Metro Deli in its Best tier; Monarch, Monogram, Molly's Kitchen and Glenview Farms, among others, in its Better tier; and Valu+Plus and Harvest Value in its Good Tier. Other than the US Foods trademark, and the trademarks for USF's brand portfolio, USF does not believe that trademarks, patents, copyrights or trade secrets are material to its business.

### ***Regulation***

As a marketer and distributor of food products in the United States, USF is subject to regulation by numerous federal, state and local regulatory agencies. At the federal level, USF is subject to the Federal Food, Drug and Cosmetic Act, the Bioterrorism Act and regulations promulgated by the U.S. Food and Drug Administration (the "FDA"). The FDA regulates manufacturing and holding requirements for foods, specifies the standards of identity for certain foods, and prescribes the format and content of certain information required to appear on food product labels. For certain product lines, USF is also subject to the Federal Meat Inspection Act, the Poultry Products Inspection Act, the Perishable Agricultural Commodities Act, the Country of Origin Labeling Act, and regulations promulgated under this by the U.S. Department of Agriculture (the "USDA"). The USDA imposes standards for product quality and sanitation, including the inspection and labeling of meat and poultry products and the grading and commercial acceptance of produce shipments from USF's vendors.

USF and its products are also regulated through measures as the licensing of its facilities, enforcement by state and local health agencies of state and local standards for its products and facilities, and regulation of its trade practices in connection with the sale of its products.

USF's facilities are generally inspected at least annually by federal and/or state authorities. These facilities are also subject to inspections and regulations issued pursuant to the Occupational Safety and Health Act by the U.S. Department of Labor, which requires USF to comply with certain manufacturing, health and safety standards to protect its employees from accidents, and to establish hazard communication programs to transmit information about the hazards of certain chemicals present in some of the products USF distributes.

USF is also subject to regulation by numerous federal, state and local regulatory agencies. In particular, among other things, USF services certain federal government agencies including the Department of Defense and Department of Veterans Affairs facilities as well as certain state and local entities. This subjects USF to government contractor regulation at those respective levels. USF's operations are subject to zoning, environmental and building regulations, as well as laws that prohibit discrimination in employment on the basis

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of disability including the Americans with Disabilities Act and other laws relating to accessibility and the removal of barriers. USF's workers' compensation and workers' compensation self-insurance are subject to regulation by state regulatory agencies.

### ***Environmental, Health and Safety Matters***

USF's operations are subject to a broad range of federal, state and local laws and regulations, including those governing environmental issues (e.g., discharges to air, soil and water, the handling and disposal of solid and hazardous wastes, and the investigation and remediation of contamination resulting from releases of petroleum products and other regulated substances), employee health and safety and fleet safety. Compliance with environmental, health and safety laws and/or regulations is not currently requiring USF to incur material expenditures. However, the discovery of currently unknown conditions, new laws or regulations or changes in the enforcement of existing requirements, could require USF to incur additional costs or result in unexpected liabilities that could be significant.

### ***Seasonality***

USF's business does not fluctuate significantly from quarter to quarter and, as a result, is not considered seasonal.

### ***Research and Development***

As noted above, the Merchandising Group's test kitchen facilitates product research and development, with a focus on exclusive product development and product performance attributes. The cost of these activities is not considered material to USF's operations.

### ***Employees***

USF's subsidiary, US Foods, employs a large and diverse workforce, of which approximately 64% are non-exempt employees. As of December 28, 2013, USF had approximately 25,000 employees. USF's non-exempt employee base is primarily comprised of warehouse and driver labor, consisting of approximately 16,000 non-exempt employees. Approximately 4,500 of USF's employees were members of local unions associated with the International Brotherhood of Teamsters and other labor organizations. In fiscal year 2013, eight agreements covering approximately 900 employees were renegotiated. In fiscal year 2014, 12 agreements covering approximately 1,600 employees will be subject to renegotiation. USF believes that it has good relations with both union and non-union employees and that it is well-regarded in the communities in which it operates.

USF is organized under the laws of Delaware. The address and telephone number of USF's principal executive offices are 9399 W. Higgins Road, Suite 500, Rosemont, Illinois, 60018 and (847) 720-8000.

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**SOLICITATION OF WRITTEN CONSENTS**

The USF board of directors is providing these consent solicitation materials. USF stockholders are being asked to adopt and approve the merger agreement and the merger by executing and delivering the written consent furnished with this consent solicitation statement/prospectus.

***Shares Entitled to Consent and Consent Required***

Only USF stockholders of record at the close of business on the record date of , 2014 will be notified of and be entitled to execute and deliver a written consent. On the record date, the outstanding securities of USF eligible to consent with respect to the proposal consisted of shares of USF common stock. Under USF's certificate of incorporation and the DGCL, each holder of USF common stock is entitled to one vote for each share of common stock held of record.

Adoption and approval of the merger agreement and the merger requires the approval of the holders of a majority of the outstanding shares of USF common stock.

On December 9, 2013, certain stockholders of USF, representing approximately 98% of the outstanding shares of USF common stock, entered into a voting agreement with Sysco under which they agreed to execute and return consents with respect to their shares of USF common stock adopting and approving the merger agreement and the merger. Therefore, under the voting agreement, we expect to receive a number of consents sufficient to satisfy the majority approval requirement described above. For additional information, see The Merger Voting Agreement.

***Submission of Consents***

You may consent to the proposal with respect to your shares by completing and signing the written consent furnished with this consent solicitation statement/prospectus and returning it to USF.

If you hold shares of USF common stock as of the record date and you wish to give your written consent, you must fill out the enclosed written consent, date and sign it, and promptly return it to USF. Once you have completed, dated and signed the written consent, you may deliver it to USF by faxing it to USF Holding Corp., Attention: Juliette Pryor, General Counsel and Chief Compliance Officer, at (847) 720-1761, by emailing a pdf copy of your written consent to legal@usfoods.com, or by mailing your written consent to USF Holding Corp. at 9399 W. Higgins Road, Suite 500, Rosemont, IL 60018, Attention: Juliette Pryor, General Counsel and Chief Compliance Officer.

The USF board of directors has set , 2014 as the targeted final date for receipt of written consents, which is the date on which USF expects to receive consents under the Voting Agreement. USF reserves the right to extend the final date for receipt of written consents beyond , 2014. Any such extension may be made without notice to USF stockholders. Once a sufficient number of consents to adopt and approve the merger agreement and the merger have been received, the consent solicitation will conclude.

***Executing Consents; Revocation of Consents***

You may execute a written consent to approve the proposal (which is equivalent to a vote FOR the proposal) or disapprove the proposal (which is equivalent to a vote AGAINST the proposal). If you do not return your written consent, it will have the same effect as a vote against the proposal. If you are a record holder and you return a signed written consent without indicating your decision on a proposal, you will have given your consent to adopt and approve the merger agreement and the merger.

Your consent to a proposal may be changed or revoked at any time before the consents of a sufficient number of shares to approve the proposal have been filed with the Secretary of USF. If you wish to change or

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revoke a previously given consent before that time, you may do so by delivering a notice of revocation to the corporate secretary of USF or by delivering a new written consent with a later date.

***Solicitation of Consents; Expenses***

The expense of preparing, printing and mailing these consent solicitation materials is being borne by Sysco. Officers and employees of USF may solicit consents by telephone and personally, in addition to solicitation by mail. These persons will receive their regular salaries but no special compensation for soliciting consents.

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**THE MERGER**

**The Merger**

At the effective time of the merger, Merger Sub One will merge with and into USF, so that USF, as the surviving corporation, will become a wholly owned subsidiary of Sysco. Immediately thereafter, USF will merge with and into Merger Sub Two, with Merger Sub Two continuing as the surviving company in the merger.

Under the merger agreement, Sysco will pay to USF common stockholders and equity award holders an aggregate amount equal to approximately 89.1 million shares of Sysco common stock and \$500 million in cash, subject to potential reduction pursuant to the terms of the merger agreement. See The Merger Agreement Merger Consideration; Purchase Price Adjustments. The precise amount of the aggregate merger consideration and the resulting per share merger consideration will not be known until shortly before the closing of the merger.

The aggregate merger consideration will be allocated among USF's outstanding common stock and equity awards. The exact amount of the consideration to be paid to each holder of USF common stock or equity awards will vary, depending on the total purchase price and the number of shares and equity awards outstanding at the time of closing of the merger.

For illustrative purposes only, if there were no adjustments to the aggregate merger consideration and the capitalization of USF at closing was the same as on the date of the merger agreement, each USF stockholder or holder of a USF restricted stock award or RSU award would receive \$ in cash and shares of Sysco common stock per share of USF common stock and the holder of each USF option or EAR would receive an amount in cash equal to \$ minus the relevant exercise price of such option or EAR. If there were adjustments to the aggregate merger consideration resulting in a reduction to approximately million shares of Sysco common stock and \$ in cash, and the capitalization of USF at closing was the same as on the date of the merger agreement, each USF stockholder or holder of a USF restricted stock award or RSU award would receive \$ in cash and shares of Sysco common stock per share of USF common stock and the holder of each USF option or EAR would receive an amount in cash equal to \$ minus the relevant exercise price of such option or EAR.

**Background of the Merger**

Each of USF and Sysco periodically evaluate opportunities to achieve their long-term operational and financial goals and to enhance stockholder value through potential strategic transactions, including business combinations, divestitures, acquisitions and similar transactions.

During the late summer and early fall of 2012, representatives of USF, KKR and CDR, consisting principally of John A. Lederer, President and Chief Executive Officer USF, David Schreiber, Executive Vice President, Strategy USF, Michael Calbert, at the time, Member KKR and Richard J. Schnall, Partner CDR, and representatives of Sysco, consisting principally of William DeLaney, President and Chief Executive Officer, Robert Kreidler, Executive Vice President and Chief Financial Officer, and Russell T. Libby, Senior Vice President, General Counsel and Secretary, held exploratory discussions regarding the possibility of a strategic combination of USF and Sysco. On August 13, 2012, Sysco and USF entered into a confidentiality agreement relating to a potential transaction. Discussions did not progress to the point of any definitive proposals being made and discussions terminated on or about October 12, 2012 primarily due to the view of Sysco management that it was not the appropriate time for Sysco to undertake an acquisition of the magnitude of USF.



In August 2013, in connection with USF's ongoing periodic review of potential strategic alternatives, representatives of KKR and CDR, consisting principally of Mr. Calbert and Mr. Schnall, contacted Mr. Kreidler to re-initiate discussions regarding a possible transaction. On September 13, 2013, Mr. Kreidler and Mr. Schnall of CDR met in person in New York City and Mr. Calbert of KKR participated in the meeting by phone. Following these preliminary conversations, on September 23, 2013 the Sysco board of directors held an in-person meeting and determined to authorize Sysco management and Sysco's advisors, including Goldman Sachs, to continue discussions with USF and its advisors regarding a potential strategic combination of USF and Sysco. Following this board meeting, Mr. Kreidler and Goldman Sachs, Sysco's financial advisor, contacted

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representatives of KKR and CDR, consisting principally of Mr. Calbert and Mr. Schnell, to indicate Sysco's willingness to resume discussions regarding a potential transaction.

On September 25, 2013, Goldman Sachs, on behalf of Sysco, sent a preliminary transaction term sheet for a potential acquisition of USF by Sysco to representatives of USF. The term sheet provided for, among other things, an acquisition of USF for consideration consisting of a combination of cash and Sysco common stock, with purchase price adjustments based on USF's 2013 financial performance. Following receipt of the term sheet, representatives of Sysco, consisting principally of Mr. Kreidler and Mr. Libby, and assisted by Goldman Sachs and Wachtell, Lipton, Rosen & Katz, referred to as Wachtell Lipton, legal advisors to Sysco, and representatives of USF, KKR and CDR, consisting principally of Mr. Lederer, Mr. Schreiber, Mr. Calbert and Mr. Schnell, engaged in periodic discussions regarding the terms of a potential transaction. As part of these discussions, representatives of KKR and CDR, consisting principally of Mr. Calbert and Mr. Schnell, indicated that USF would be unwilling to pursue any transaction that did not include a termination fee payable by Sysco to USF in the event that the transaction failed to close due to the failure to obtain the required antitrust approvals. In connection with such discussions and over the course of the following weeks, certain members of the USF board of directors reviewed the proposed transaction and the term sheet and participated in periodic discussions with USF management and outside counsel with respect to issues raised thereby, including with respect to the proposed treatment of the required antitrust approvals. Members of the USF board of directors who did not participate in such discussions were regularly updated as to the status of the discussions.

On October 8, 2013, Goldman Sachs, on behalf of Sysco, sent a revised draft transaction term sheet to representatives of USF. The revised term sheet provided for, among other things, a \$300 million termination fee payable by Sysco in the event that the transaction failed to close due to the failure to obtain the required antitrust approvals.

Sysco and USF entered into a revised confidentiality agreement, dated as of October 9, 2013, relating to the potential transaction. Throughout this period, each party engaged in due diligence investigations of the business and financial condition of the other party, including through online data rooms made available by each party.

On October 14, 2013, representatives of Sysco, including Mr. DeLaney, Mr. Kreidler and Mr. Libby, representatives of USF, including Mr. Lederer, Mr. Schreiber, Fareed Kahn, Chief Financial Officer and Juliette Pryor, Executive Vice President, General Counsel and Compliance Officer, representatives of KKR, including Nathaniel H. Taylor, Member, and representatives of CDR, including Robert Volpe, Principal, and their respective financial and legal advisors met at the offices of Wachtell Lipton in New York City to discuss the terms of a potential transaction, including the proposed purchase price, which at that time was being discussed as an aggregate equity value of \$3.5 billion, subject to adjustment, payable in a mix of cash and Sysco common stock plus the assumption of all USF indebtedness, and the requirement to pursue necessary regulatory approvals and to present information about the respective businesses of USF and Sysco.

On October 16, 2013, representatives of Sysco, including Ajoy Karna, Senior Vice President-Finance and Treasurer, Matthew Whitney, Vice President-Business Transformation Initiatives and Jesse Morris, Vice President-Finance and Chief Financial Officer for Foodservice Operations, and representatives of USF, including Mr. Schreiber, Mr. Khan, and Dirk Locascio, Senior Vice President-Financial Planning and Analysis, and certain of their respective advisors met in Atlanta, Georgia to conduct in-person discussions regarding financial due diligence relating to the transaction.

On October 23, 2013, representatives of Sysco, including Mr. DeLaney, Mr. Kreidler and Mr. Libby, and representatives of USF, including Mr. Lederer, Mr. Khan, Mr. Locascio and Mr. Schreiber, Mr. Taylor of KKR and Mr. Volpe of CDR, who participated in the meeting by telephone, and certain of their respective advisors met in

Atlanta, Georgia to continue such discussion. On October 23, 2013, the parties discontinued discussions regarding the potential transaction, due to a disagreement as to the appropriate purchase price calculation.

On October 26, 2013, the Sysco board of directors held a telephonic meeting to discuss the potential transaction and authorized Sysco's representatives to resume discussions with USF and its representatives.

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On October 31, 2013, the Sysco board of directors held a telephonic meeting to approve Sysco management's continued pursuit of a potential transaction based on the then-current version of the draft transaction term sheet.

On November 1, 2013, Goldman Sachs, on behalf of Sysco, sent a revised draft transaction term sheet to representatives of USF. The term sheet provided for, among other things, a mechanism that would have resulted in a downward adjustment to the purchase price equal to 9.5 times the amount by which USF's 2013 adjusted EBITDA was less than \$850 million (but no adjustment unless USF's 2013 adjusted EBITDA was \$845 million or less). Sysco further requested that the parties resume discussions regarding a potential transaction on the terms set forth in the term sheet, which subsequently occurred. During this period, the parties continued to discuss the structure and terms of a potential acquisition of USF by Sysco, including exchanging comments on the draft transaction term sheet.

On November 5, 2013, the Sysco board of directors held a telephonic meeting to receive an update on the status of discussions regarding the potential transaction. Following the meeting, Sysco sent a revised draft transaction term sheet to representatives of USF.

On November 9, 2013, representatives of Sysco, including Mr. DeLaney, Mr. Kreidler and Michael Green, Executive Vice President-Foodservice Operations, and representatives of USF, including Mr. Lederer, Mr. Schreiber, Ms. Pryor, Mr. Khan, Mr. Locascio, Stuart Schuette, Chief Operating Officer, Pietro Satriano, Chief Merchandising Officer, Mark Scharbo, Chief Supply Chain Officer, Keith Roland, Chief Information Officer and Dave Esler, Chief Human Resources Officer, and certain of their respective advisors met in Atlanta, Georgia to conduct in-person discussions regarding business due diligence related to the transaction.

On November 13, 2013, Wachtell Lipton sent drafts of a merger agreement and a stockholders agreement to be executed by KKR and CDR to Simpson Thacher & Bartlett LLP, referred to as Simpson Thacher, legal advisor to USF. The draft merger agreement provided, among other things, that Sysco could elect to pay certain USF stockholders an amount in cash equal to the value of the merger consideration as of the signing date, in lieu of the mix of cash and stock consideration that would be received by the other USF stockholders at closing. Subsequently, the parties and their advisors held ongoing discussions regarding the draft agreements. In connection with such discussions and during the following weeks, members of the USF board of directors reviewed the proposed transaction and drafts of the merger agreement and related documents and participated in various discussions with USF management and counsel with respect to issues raised thereby, including with respect to the form of the merger consideration to be paid to USF stockholders in the merger. Members of the USF board of directors not participating in such discussions were regularly updated as to the status of the discussions.

On November 15, 2013, the Sysco board of directors held an in-person meeting in Houston, Texas to receive an update on the status of discussions regarding the potential transaction.

On November 20, 2013, certain members of the USF board of directors, namely Mr. Calbert and Mr. Schnall, and certain members of the Sysco board of directors, including Jackie Ward, Joe Hafner, Richard Tilghman, Judith Craven, Hans Koerber and Mr. Libby, met in Houston, Texas to discuss the proposed transaction, including with respect to the governance of the combined company upon consummation of the proposed transaction.

On November 22, 2013, representatives of KKR, including Mr. Calbert and Mr. Taylor, representatives of CDR, including Mr. Schnall, Nate Sleeper, Partner, and Mr. Volpe, representatives of Sysco, including Mr. DeLaney, Mr. Kreidler and Mr. Libby, and certain of Sysco's advisers met in Houston, Texas to conduct in-person discussions regarding financial due diligence relating to the transaction. On the same day, Simpson Thacher sent a revised draft of the merger agreement to Wachtell Lipton, which provided, among other things, that all USF stockholders would receive the same merger consideration consisting of a combination of cash and Sysco stock, eliminating the possibility

that certain USF stockholders would receive disparate value if the price of Sysco common stock fluctuated between signing and closing and enabling all stockholders to share in the ownership of the combined company. On November 24, 2013, Simpson Thacher sent a revised draft of the

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stockholders agreement to Wachtell Lipton. Subsequently, the parties continued to discuss and exchange drafts of such documents. As part of these discussions, Sysco and USF agreed that all USF stockholders would receive the same form of merger consideration and Sysco would file a registration statement with the SEC to register the issuance of Sysco common stock to the USF stockholders in the merger.

On November 25, 2013, the Sysco board of directors held a meeting in Atlanta, Georgia to receive an update on the status of discussions regarding the potential transaction.

On December 2, 2013, representatives of Sysco, including Mr. DeLaney, Mr. Thomas Bené, Executive Vice President and Chief Commercial Officer, and Mr. William Goetz, Senior Vice President Marketing and Chief Marketing Officer, and representatives of USF, including Mr. Lederer, Mr. Schuette, Mr. Satriano and Mr. Esler, met in Dallas, Texas to discuss matters relating to communications (but not negotiations over transaction terms) with respect to the proposed transaction.

On December 5, 2013, Wachtell Lipton sent a draft voting agreement to be entered into by KKR and CDR to Simpson Thacher. Subsequently, the parties and their advisors continued to discuss and exchange revised drafts of such agreement.

On December 7, 2013, the Sysco board of directors held a telephonic meeting to consider the proposed transaction. At the request of the Sysco board of directors, representatives of Goldman Sachs and Wachtell Lipton participated in the meeting. The Sysco board of directors reviewed and discussed the proposed acquisition of USF. Representatives of Wachtell Lipton then reviewed the terms of the proposed merger agreement, stockholders agreement and other transaction documents to be entered into with USF and its stockholders. Following discussion, the Sysco board of directors unanimously approved the merger agreement and related documents, and other matters in connection with the transactions.

Following various discussions between members of the USF board of directors and USF's management and counsel over the course of the preceding days to consider the proposed transaction, the merger agreement and related documents, on December 8, 2013, the USF board of directors, by written consent in lieu of a meeting, unanimously approved the merger agreement and related documents, and other matters in connection with the transactions.

On December 8, 2013, the parties finalized and executed the merger agreement, stockholders agreement, voting agreement and other transaction documents. On December 9, 2013, Sysco and USF issued a joint press release announcing the transaction.

## **USF's Reasons for the Merger; Recommendation of the USF Board**

On December 8, 2013, the USF board of directors, by written consent in lieu of a meeting, unanimously approved the merger agreement, the merger and the other transactions contemplated thereby and unanimously recommended that the USF stockholders adopt the merger agreement and approve the merger and the other transactions contemplated thereby.

In considering USF's reasons for the merger, you should be aware that USF's directors may have interests in the merger that may be different from, or in addition to, the interests of USF stockholders generally. These interests are described in [Interests of Directors and Executive Officers of USF in the Merger](#).

In the course of reaching their decision, the members of the USF board of directors consulted with US Foods management and legal advisors, reviewed a significant amount of information and considered a number of factors,

including, among others, the following:

the value to be received by USF stockholders as merger consideration;

the fact that, because the merger consideration consists mostly of stock, USF stockholders will be able to participate in the future growth of the combined entity;

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the fact that the transaction is expected to be partially tax-free to USF stockholders for U.S. federal income tax purposes;

the opportunity for USF stockholders to benefit from an increase in the price of Sysco common stock between the announcement and completion of the transaction because the stock consideration consists of a fixed number of shares of Sysco common stock (subject to purchase price adjustments);

the fact that the inclusion of a cash portion of the merger consideration allows USF stockholders to achieve some immediate liquidity;

USF's financial condition, results of operations, business, competitive position and business strategy, on both a historical and prospective basis, as well as current industry, economic and market conditions and trends;

USF's future prospects if USF were to remain independent, including the competitive landscape and the business, financial and execution risks, relationships with customers and suppliers and increasing competition, and other risks associated with continued independence;

the historical financial condition, results of operations, business and prospects of Sysco, and the business reputation and capabilities of Sysco and its management;

the belief that Sysco would have the resources needed to complete the merger and the fact that the transaction was not subject to a financing contingency;

the analysis of other potential alternatives involving USF, including continued growth as an independent company, an initial public offering of USF common stock and the absence of other likely acquirers of USF, and the timing and likelihood of accomplishing such alternatives;

the strategic benefits of a transaction with Sysco, including the complementary nature of USF and Sysco with respect to personnel, product portfolio, supply chains and geographic coverage;

the understanding that the terms of the merger agreement and the other transaction documents, taken as a whole, provide a significant degree of certainty that the transaction will be completed, including the facts that (i) the merger agreement provides for a reverse termination fee payable to USF in certain circumstances if the merger agreement is terminated as a result of failure to obtain the required regulatory approvals, (ii) the merger agreement requires USF and Sysco to use reasonable best efforts to obtain regulatory approvals, including by agreeing to the divestiture or holding separate of assets representing an aggregate amount of revenue not to exceed a designated threshold, (iii) the merger agreement does not include a financing condition to Sysco's obligation to consummate the merger and (iv) there are limited circumstances in which Sysco may terminate the merger agreement; and



the determination that the terms of the merger agreement (including the parties' representations, warranties and covenants and the conditions to their respective obligations) are fair and reasonable.

In the course of reaching its decision, the members of the USF board of directors also considered a number of potentially negative factors including, among others, the following:

the fact that there can be no assurance that all conditions to the parties' obligations to consummate the merger will be satisfied and, as a result, the merger might be delayed or not be completed, including due to a failure to obtain required antitrust approvals in accordance with the terms agreed upon by the parties, or due to a failure of other closing conditions, and the resulting risks to USF and its stockholders (including with respect to the diversion of management and employee attention, potential employee attrition and potential adverse effects on USF's customer or other commercial relationships following the announcement of a transaction);

the restrictions on USF's business during the pendency of a transaction (which may delay or prevent USF from undertaking certain opportunities that may arise during such time);

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the risk that, because the stock portion of the consideration is a fixed number of shares (subject to purchase price adjustments), USF stockholders could be adversely affected by a decrease in the trading price of Sysco common stock;

the fact that the receipt of the merger consideration will be partially taxable to USF stockholders for U.S. federal income tax purposes;

the risks that the financial results or stock price of the combined entity might decline, including the possible adverse effects on the stock price and financial results of the combined entity if any expected benefits or synergies are not obtained on a timely basis or at all;

the challenges involved in combining the businesses, personnel and operations of the two entities and realizing any anticipated cost savings or operating synergies;

the fact that some of USF's directors and US Foods' executive officers may have interests in such a transaction that may be different from, or in addition to, those of USF's stockholders generally, including as result of employment and compensation arrangements and the manner in which they could be affected by the transaction;

the fact that the merger agreement does not provide USF with a termination right with respect to any decrease in Sysco's stock price;

the restrictions on USF's ability to negotiate alternative transactions and the inability of USF to terminate the merger agreement even if the USF board of directors were to change its recommendation, both of which the members of the USF board of directors understood were conditions to Sysco's willingness to enter into a transaction, although having the effect (in combination with the voting agreement) of preventing USF stockholders from accepting a competing business combination transaction, but which the members of the USF board of directors determined were fair and reasonable to USF and its stockholders in light of (among other things) the benefits of the merger to the USF stockholders; and

other risks and uncertainties as described in the section entitled "Cautionary Statement Regarding Forward-Looking Statements."

While the members of the USF board of directors considered potentially positive and potentially negative factors, they concluded that, overall, the potentially positive factors outweighed the potentially negative factors. Accordingly, the USF board of directors unanimously determined that the merger agreement, the merger and the transactions contemplated thereby are advisable and fair to, and in the best interests of, USF and its stockholders and unanimously recommended that the USF stockholders adopt and approve the merger agreement and the merger.

The foregoing discussion is not intended to be an exhaustive list of the information and factors considered by the members of the USF board of directors in their consideration of the merger, but is merely a summary of the material positive factors and material negative factors considered by the members of the USF board of directors in that regard.

In view of the number and variety of factors and the amount of information considered, the members of the USF board of directors did not find it practicable to, and did not make specific assessments of, quantify, or otherwise assign relative weights to, the specific factors considered in reaching its determination. In addition, the members of the USF board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, and individual members of the USF board of directors may have given different weights to different factors. Based on the totality of the information presented, the members of the USF board of directors reached the unanimous decision to approve the merger agreement and the merger in light of the factors described above and other factors that the members of the USF board of directors felt were appropriate.

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This explanation of USF's reasons for the merger and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the section entitled "Cautionary Statement Regarding Forward-Looking Statements."

### **Sysco's Reasons for the Merger**

The following discussion includes the material reasons and factors considered by the Sysco board of directors in making its decision:

the assessment of the Sysco board of directors and Sysco's senior management that the combined company would be more effective at leveraging customer insights, enhancing and expanding channels, increasing customer retention and building human capital than Sysco on a standalone basis;

the potential opportunity to achieve efficiencies with suppliers, create exclusive products and offer lower product prices;

the opportunity to reduce operating costs, lower product costs, further develop enterprise structure and integrate higher margin products;

the possibility that the merger would create enhanced stockholder value with strong earnings per share growth and substantial cash flow in excess of Sysco's base strategic plan; and

the results of the due diligence review of USF's business.

Sysco's board of directors also considered potential risks and potentially negative factors concerning the merger in connection with its deliberations on the proposed transaction, including the following material factors:

the possibility that any economic risks of the transaction could be amplified by Sysco's expansion in the sector due to slow growth in the industry;

the potential risk that Sysco's ability to engage in additional domestic acquisitions may be more limited after the merger;

the risk that the merger would potentially face heightened regulatory scrutiny, that the regulatory approval process could be protracted and could result in remedies;

the risk that the anticipated synergies would be more difficult to achieve or would take longer to achieve than anticipated;

the risk that, as a result of the merger, the combined company might experience customer attrition; and

the potential challenges of integrating Sysco's and USF's complex information technology systems.

The foregoing discussion of factors considered by Sysco's board of directors is not intended to be exhaustive. In view of the wide variety of the factors considered in connection with its evaluation of the merger and the complexity of these matters, Sysco's board of directors did not find it useful, and did not attempt, to qualify, rank or otherwise assign relative weights to these factors. In considering the factors described above, the individual members of Sysco's board of directors may have given different weights to different factors. Sysco's board of directors conducted an overall analysis of the factors described above, including through discussions with, and questioning of, Sysco's management and Sysco's legal and financial advisors, and considered the factors overall to be favorable to, and to support, its determination.

### **Interests of Certain Executive Officers of Sysco in the Merger**

Certain of the executive officers of Sysco have interests in the merger that may be different from, or in addition to, the interests of Sysco stockholders generally.

**Table of Contents*****Cash Awards Paid Following the Execution of the Merger Agreement***

In light of the respective efforts of the executive officers identified below in connection with the execution of the merger agreement, the compensation committee of the board of directors of Sysco approved the following lump sum cash awards, each of which were paid within 30 days of the committee's approval on March 21, 2014.

<b>Executive Officer</b>	<b>Award (\$)</b>
Robert C. Kreidler	\$ 429,000
Executive Vice President and Chief Financial Officer	
Michael W. Green	\$ 143,000
Executive Vice President and President of Foodservice Operations	
Wayne R. Shurts	\$ 117,400
Executive Vice President and Chief Technology Officer	
William B. Day	\$ 104,000
Executive Vice President, Merchandising	
All Other Executive Officers (5 persons)	\$ 570,000

***Cash Incentive Awards***

In addition, in recognition of the respective contributions and ongoing efforts of the executive officers identified below related to the planning of the integration of Sysco and USF, the compensation committee of the board of directors of Sysco approved lump sum cash awards in the amounts disclosed below. Each executive officer's receipt of his respective award is conditioned upon (a) the closing of the merger, (b) the approval of a definitive integration plan, (c) successful completion of the project objectives for the executive officer's assigned role (except in the case of Joel Grade, Sysco's Senior Vice President-Finance and Chief Accounting Officer who did not have an assigned role), and (d) the executive officer's employment in good standing with Sysco on the date that the merger closes (unless the executive officer retires on or after December 31, 2014, is at least 55 years of age, and has no less than 10 years of service with Sysco).

<b>Executive Officer</b>	<b>Award (\$)</b>
Robert C. Kreidler	\$ 715,000
Executive Vice President and Chief Financial Officer	
Michael W. Green	\$ 536,250
Executive Vice President and President of Foodservice Operations	
Wayne R. Shurts	\$ 440,250

Executive Vice President and Chief Technology Officer	
William B. Day	\$ 208,080
Executive Vice President, Merchandising	
All Other Executive Officers (5 persons)	\$ 1,466,782

**Interests of Directors and Executive Officers of USF in the Merger**

The directors and executive officers of USF have interests in the merger that may be different from, or in addition to, the interests of USF stockholders generally. The USF board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the merger and in determining to recommend to USF stockholders to adopt and approve the merger agreement and the merger.

USF's current executive officers are: John A. Lederer, President, Chief Executive Officer; Fareed Khan, Chief Financial Officer; Mark Scharbo, Chief Supply Chain Officer; Pietro Satriano, Chief Merchandising

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Officer; Stuart Schuette, Chief Operating Officer; Juliette W. Pryor, Executive Vice President, General Counsel and Chief Compliance Officer; Dave Esler, Chief Human Resources Officer; Keith Roland, Chief Information Officer; and David Schreiber, Executive Vice President, Strategy.

***Treatment of USF Equity Awards in the Merger***

Each outstanding USF restricted stock award and RSU award, including those held by the directors and executive officers of USF, will fully vest upon the closing of the merger and will convert into the right to receive the merger consideration on the same basis as outstanding shares of USF common stock. Each outstanding USF option and EAR, including those held by the directors and executive officers of USF, will fully vest upon the closing of the merger and convert into the right to receive an amount in cash approximately equal to the excess, if any, of the value of the per share merger consideration upon the closing of the merger over the exercise price of the respective USF option. See The Merger Agreement Treatment of USF Equity Awards.

For illustrative purposes, the tables below show the value the executive officers would receive in respect of their outstanding equity awards upon the closing of the merger, based on an assumed closing date of April 30, 2014, and an assumed price per share of USF common stock of \$8.03 (based on a price per share of Sysco common stock of \$36.81, which is the average closing market price of a share of Sysco common stock on the NYSE over the first five business days following the first public announcement of the merger agreement). The directors do not hold any equity awards.

***Stock Options***

<b>Executive Officer</b>	<b>Unvested Options (#)</b>	<b>Value of Unvested Options (\$)</b>
<b>John Lederer</b>	2,180,190	6,175,791
<b>Fareed Khan</b>	218,750	444,063
<b>Mark Scharbo</b>	463,385	940,672
<b>Pietro Satriano</b>	593,384	1,544,570
<b>Stuart Schuette</b>	340,717	822,655
<b>All Other Executive Officers as a Group (4 persons)</b>	1,057,982	2,440,952

***Restricted Stock and RSUs***

<b>Executive Officer</b>	<b>Outstanding Unvested Restricted Stock (#)</b>	<b>Outstanding Unvested RSU Awards (#)</b>	<b>Aggregate Value of Unvested Restricted Stock and RSUs (\$)</b>
<b>John Lederer</b>	166,667	125,000	2,342,086



<b>Fareed Khan</b>	111,111	0	892,221
<b>Mark Scharbo</b>	55,556	31,256	697,100
<b>Pietro Satriano</b>	44,444	31,256	607,871
<b>Stuart Schuette</b>	17,778	31,256	393,743
<b>All Other Executive Officers as a Group (4 persons)</b>	37,000	100,000	1,100,110

**Table of Contents*****Transaction, Retention and Discretionary Bonuses***

Each of the executive officers, except Mr. Lederer, is entitled to a transaction bonus and a retention bonus in the amounts set forth in the table below. The transaction bonuses are payable on the closing date of the merger, so long as the executive officer remains employed through such date or is terminated without cause (as defined in the executive officer's severance agreement) by USF prior to such date. Retention bonuses are payable on the later of (x) December 31, 2014 and (y) 180 days after the closing of the merger, so long as the executive officer remains employed through such date; however, if the executive officer's employment is terminated by USF without cause after the closing of the merger but before the date the retention bonus would otherwise be paid, the executive officer will receive the retention bonus upon the date of his or her termination of employment.

USF's chief executive officer is also authorized to grant, in his discretion, additional cash bonuses to employees of USF, including the executive officers (other than himself), in an aggregate amount not to exceed \$3,000,000.

<b>Executive Officer</b>	<b>Transaction Bonus</b>	<b>Retention Bonus</b>	<b>Aggregate All Bonuses</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)<sup>(1)</sup></b>
<b>John Lederer</b>			
<b>Fareed Khan</b>	250,000	600,000	850,000
<b>Mark Scharbo</b>	250,000	450,000	700,000
<b>Pietro Satriano</b>	1,000,000	500,000	1,500,000
<b>Stuart Schuette</b>	1,000,000	600,000	1,600,000
<b>All Other Executive Officers as a Group (4 persons)</b>	3,000,000	1,830,000	4,830,000

- (1) This amount does not include any portion of the \$3,000,000 discretionary bonus pool that Mr. Lederer is authorized to allocate to employees of USF, including the executive officers (other than himself) because this amount has not been allocated yet.

***Payment of Annual Bonus Opportunity***

Sysco has agreed to pay, within 75 days following the closing of the merger, a prorated portion of the annual bonus otherwise due in respect of the USF fiscal year in which the merger occurs to USF employees who participate in the annual bonus plan of USF, including the executive officers of USF.

For illustrative purposes, if the closing of the merger had occurred on April 30, 2014, the table below shows the prorated amount of the annual bonuses that each of the executive officers would receive, assuming a target level payout.

<b>Executive Officer</b>	<b>Prorated Annual Bonus</b>
	<b>(\$)</b>

<b>John Lederer</b>	430,833
<b>Fareed Khan</b>	150,000
<b>Mark Scharbo</b>	112,500
<b>Pietro Satriano</b>	125,000
<b>Stuart Schuette</b>	150,000
<b>All Other Executive Officers as a Group (4 persons)</b>	457,500

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***Potential Severance Payments and Benefits to Executive Officers***

USF has entered into severance agreements with each of its executive officers. Under the severance agreements, the executive officers are employed at will but are required to provide 45 days notice of termination of employment. The severance agreements allow for automatic renewal for successive one-year periods absent notice of non-renewal at least 90 days prior to end of the term.

In the event that (1) an executive officer's employment is terminated by USF other than for cause (as such term is defined in the severance agreement) or (2) the executive officer resigns with good reason (as such term is defined in the severance agreement), the executive officer is entitled to the following compensation and benefits under the severance agreements:

all accrued but unpaid base salary through the date of the executive officer's termination of active employment;

then current year USF annual incentive plan award pro-rated to the date of the executive officer's termination of active employment, based on actual performance of USF based on the then current year annual incentive plan metrics;

continuation of base salary, as in effect immediately before the termination, for 18 months (24 months in the case of Mr. Lederer), payable in accordance with USF's normal payroll cycle and procedures (lump sum payment in the case of Mr. Lederer if his termination occurs within 24 months after the closing of the merger);

payment of a fixed bonus amount, calculated by multiplying (x) the product of the dollar amount of the executive officer's then target annual bonus opportunity and a percentage equal to the average of the percentage of the executive officer's annual target bonus actually achieved in each of the two years preceding the date of termination of the executive officer's active employment, by (y) 1.5 (two in the case of Mr. Lederer), which amount will be payable in equal installments for 18 months in accordance with USF's normal payroll cycle and procedures (lump sum payment in the case of Mr. Lederer if his termination occurs within 24 months after the closing of the merger);

continuation of medical and dental coverage through COBRA, with the aggregate cost of premiums for 18 months (24 months for Mr. Lederer) and a gross-up for related income taxes, payable in a lump sum;

lump sum payment for unused vacation accrued during the calendar year of the executive officer's termination;

12 months of career transition and outplacement services; and

tax gross-up if payments trigger excess parachute payment excise tax; however, pursuant to the terms of the merger agreement, USF has agreed to submit to a vote of its stockholders payments that might otherwise be subject to excise taxes. Such vote will require that certain executive officers waive payments that would otherwise be subject to excise taxes. As a result, no tax gross-up payments would be payable.

In connection with the merger, Mr. Lederer has agreed to reduce his prorated incentive plan award, continuation of base salary payments and fixed bonus amount by \$3,000,000.

As a condition for receiving these severance payments and benefits, the executive must execute, deliver and not revoke a release of claims and abide by the restrictive covenants below. Pursuant to the terms of their severance agreements, for 18 months (24 months for Mr. Lederer), the executive officer may not (1) compete in the foodservice distribution industry, (2) solicit any employees of USF or its affiliates, or (3) disparage USF or its affiliates in any way. Additionally, the executive officer may not use confidential information of USF or its affiliates at any time.

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Good reason is deemed to exist in these cases:

there is a material diminution in title and/or duties, responsibilities or authority, including a change in reporting responsibilities;

USF changes the geographic location of the executive officer's principal place of business to a location that is at least 50 miles away from the geographic location prior to the change;

there is a willful failure or refusal by USF to perform any material obligation under the severance agreement; or

there is a reduction in the executive's annual rate of base salary or annual bonus target, other than a reduction which is part of a general cost reduction affecting at least 90% of the executives holding positions of comparable levels of responsibility and that does not exceed 10% of the executive officer's annual base salary and target bonus percentage, in the aggregate, when combined with any such prior reductions.

Upon any event described above, the executive officer will have 90 days from the date the triggering event arises to provide written notice of the grounds for a good reason termination, and USF will have 30 days to cure the claimed event. Resignation by the executive officer following USF's cure, or before the expiration of the 30-day cure period, constitutes a voluntary resignation and not a termination for good reason.

See *Quantification of Potential Payments to USF Named Executive Officers in Connection with the Merger* below for an estimate of the amount of the potential severance compensation and benefits payable to USF's named executive officers under their severance agreements. The total amount of severance compensation and benefits that the USF executive officers, other than USF's named executive officers, may potentially receive in connection with the merger is \$4,745,931, as follows:

<b>Type of Compensation</b>	<b>Total Amount (\$)</b>
<b>Cash Severance (with pro-rated annual incentive plan bonus assuming target level payout)</b>	4,555,877
<b>Lump Sum for Continuation of Medical and Dental Coverage</b>	90,054
<b>Value of Outplacement Services</b>	100,000
<b>Total</b>	<b>4,745,931</b>

***Indemnification; Directors and Officers Insurance***

Following the consummation of the merger, the surviving entity in the merger will indemnify and hold harmless all past and present employees, agents, officers and directors of USF and its subsidiaries for actions taken by those individuals prior to the effective time of the merger to the same extent USF provided indemnification to those

directors and officers pursuant to USF's and its subsidiaries' organizational documents in effect as of the date of the merger agreement. Under the terms of the merger agreement, Sysco will maintain for six years following the closing of the merger, directors and officers insurance covering the persons currently covered under USF's directors and officers insurance for events occurring at or prior to the closing of the merger.

***Consents***

As of the record date, all directors and executive officers of USF as a group owned and were entitled to grant consents with respect to shares of USF common stock, or approximately % of the issued and outstanding shares of USF common stock on that date. USF currently expects that its directors and executive officers will deliver written consents in favor of the adoption and approval of the merger agreement and the merger.

**Table of Contents*****Quantification of Potential Payments to USF Named Executive Officers in Connection with the Merger***

Set forth below is information about the compensation for each USF named executive officer that is based on or otherwise relates to the merger. Under applicable SEC rules, USF named executive officers are required to consist of USF's executive officers who, during 2013, served as USF's principal executive officer and principal financial officer and the three most highly compensated executive officers who were serving as such at the end of 2013. For 2013, the named executive officers were: John A. Lederer, President, Chief Executive Officer; Fareed Khan, Chief Financial Officer; Mark Scharbo, Chief Supply Chain Officer; Pietro Satriano, Chief Merchandising Officer; and Stuart Schuette, Chief Operating Officer. In addition, Allan D. Swanson, former Chief Financial Officer, was a named executive officer in 2013, but is not receiving any compensation or benefits in connection with the merger apart from those due to him in his capacity as a USF stockholder and those due to him in respect of his vested equity awards.

The amounts set forth in the table below, which represent an estimate of each named executive officer's golden parachute compensation, assume the following:

That consummation of the merger constitutes a change in control for purposes of the applicable compensation plan or agreement;

That the change in control was consummated on April 30, 2014;

Each named executive officer's employment is terminated without cause or with good reason immediately following the change in control; and

The value of the vesting acceleration of the named executive officers' equity awards is calculated assuming a price per share of USF common stock of \$8.03 (based on a price per share of Sysco common stock of \$36.81, which is the average closing market price of a share of Sysco common stock on the NYSE over the first five business days following the first public announcement of the merger agreement).

The amounts reported below are estimated based on multiple assumptions that may or may not actually occur, including the assumptions described above, and elsewhere in this joint consent solicitation statement/prospectus. As a result, the golden parachute compensation, if any, to be received by a named executive officer may materially differ from the amounts set forth below.

**Golden Parachute Compensation**

Named Executive Officer	Cash (1)	Equity (2)	Perquisites/ Benefits (3) \$	Other (4)(5)	Totals
<b>John Lederer</b>	917,716	8,517,877	39,307		9,474,900
Chief Executive Officer and President					



<b>Fareed Khan</b>	1,770,428	1,336,284	54,325	850,000	4,011,037
Chief Financial Officer					
<b>Mark Scharbo</b>	1,190,121	1,637,772	54,967	700,000	3,582,860
Chief Supply Chain Officer					
<b>Pietro Satriano</b>	1,122,388	2,152,441	54,967	1,500,000	4,829,796
Chief Merchandising Officer					
<b>Stuart Schuette</b>	1,346,865	1,216,398	54,801	1,600,000	4,218,064
Chief Operating Officer					

(1) The amounts in this column reflect continuation of annual base salary, as in effect immediately before the termination, for 18 months for Messrs. Khan, Scharbo, Satriano and Schuette and 24 months for Mr. Lederer

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and a fixed bonus amount (described below), each of which is payable in equal monthly installments over 18 months for Messrs. Khan, Scharbo, Satriano and Schuette and in a lump sum for Mr. Lederer. The named executive officers' base salaries in effect at the time of this filing are as follows: Mr. Lederer (\$1,175,000), Mr. Khan (\$600,000), Mr. Scharbo (\$450,000), Mr. Satriano (\$500,000) and Mr. Schuette (\$600,000). The fixed bonus amount is calculated by multiplying (x) the product of the dollar amount of the named executive officer's then target annual bonus opportunity and a percentage equal to the average of the percentage of the named executive officer's annual target bonus actually achieved in each of the two years preceding the date of termination by (y) 1.5 (2 in the case of Mr. Lederer). The relevant percentage for each of the named executive officers and the most recent target annual bonuses are as follows: Mr. Lederer (43.98% and \$1,292,500), Mr. Khan (106.73% and \$450,000), Mr. Scharbo (79.53% and \$337,500), Mr. Satriano (43.98% and \$375,000) and Mr. Schuette (43.98% and \$450,000). The relevant percentages for Messrs. Khan and Scharbo reflect the percentages from the most recent annual bonus cycle because each of them has not been employed by USF long enough to have received two annual bonus payouts. These severance amounts are double trigger payments, payable if the named executive officer resigns for good reason or is terminated by USF or any successor without cause, and executes a release of claims and complies with certain restrictive covenants (as described above). The amounts above also include a pro-rata bonus for the year of termination as required by the merger agreement, which is payable single-trigger (i.e., automatically as a result of the closing of the merger) within 75 days following the closing of the merger. The pro-rata bonus amounts have been determined assuming a target level payout. In connection with the merger, Mr. Lederer has agreed to reduce his continuation of base salary payments, fixed bonus amount and pro-rata bonus by \$3,000,000.

<b>Named Executive Officer</b>	<b>Base Salary Continuation (\$)</b>	<b>Bonus Continuation (\$)</b>	<b>Pro-Rata Bonus (\$)</b>
<b>John Lederer</b> Chief Executive Officer and President		486,883	430,833
<b>Fareed Khan</b> Chief Financial Officer	900,000	720,428	150,000
<b>Mark Scharbo</b> Chief Supply Chain Officer	675,000	402,621	112,500
<b>Pietro Satriano</b> Chief Merchandising Officer	750,000	247,388	125,000
<b>Stuart Schuette</b> Chief Operating Officer	900,000	296,865	150,000

- (2) The amounts in this column reflect the value (spread value in the case of options) in respect of unvested options, restricted stock and RSU awards, in each case, that vest upon the closing of the merger and are settled in accordance with the terms of the merger agreement. The amounts payable to each named executive officer in

respect of each type of equity award are set forth in the table below. Such amounts are single-trigger .

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<b>Named Executive Officer</b>	<b>Options (\$)</b>	<b>Restricted Stock (\$)</b>	<b>RSU Awards (\$)</b>
<b>John Lederer</b>	6,175,791	1,338,336	1,003,750
Chief Executive Officer and President			
<b>Fareed Khan</b>	444,063	892,221	
Chief Financial Officer			
<b>Mark Scharbo</b>	940,672	446,115	250,985
Chief Supply Chain Officer			
<b>Pietro Satriano</b>	1,544,570	356,885	250,986
Chief Merchandising Officer			
<b>Stuart Schuette</b>	822,655	142,757	250,986
Chief Operating Officer			

- (3) The amounts in this column reflect a payment for the continuation of health and welfare benefits for an 18-month period for Messrs. Khan (\$29,325), Schuette (\$29,801), Satriano (\$29,967) and Scharbo (\$29,967) and for a 24-month period for Mr. Lederer (\$14,307). The amounts in this column also include \$25,000 for 12 months of career transition and outplacement services. These benefits are double trigger, payable if the named executive officer resigns for good reason or is terminated by USF or any successor without cause, and executes a release of claims and complies with certain restrictive covenants (as described above).
- (4) The amounts in this column reflect the sum of the transaction bonus and retention bonus granted to the named executive officers by Mr. Lederer, as discussed under Transaction, Retention and Discretionary Bonuses above. These amounts do not include any bonuses that have not yet been allocated. The amounts payable in respect of each type of bonus are set forth in the table below. The transaction bonuses are payable single-trigger on the closing date of the merger, so long as the named executive officer remains employed through such date or is terminated by USF without cause. The retention bonuses are payable on the later of (x) December 31, 2014 and (y) 180 days after the closing of the merger, so long as the named executive officer remains employed through such date; however, if the named executive officer's employment is terminated by USF without cause after the closing of the merger but before the date the retention bonus would otherwise be paid, the payment of the retention bonuses will accelerate double-trigger.

<b>Named Executive Officer</b>	<b>Transaction Bonus (\$)</b>	<b>Retention Bonus (\$)</b>
<b>John Lederer</b>		
Chief Executive Officer and President		
<b>Fareed Khan</b>	250,000	600,000

Chief Financial Officer		
<b>Mark Scharbo</b>	250,000	450,000
Chief Supply Chain Officer		
<b>Pietro Satriano</b>	1,000,000	500,000
Chief Merchandising Officer		
<b>Stuart Schuette</b>	1,000,000	600,000
Chief Operating Officer		

- (5) Pursuant to the terms of the merger agreement, USF has agreed to submit to a vote of its stockholders payments that might otherwise be subject to Sections 4999 and 280G of the Code to avoid the application of excise taxes or the loss of a deduction with respect to such amounts. Such vote will require Messrs. Lederer,

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Schuette, Scharbo and Satriano to waive payments that would otherwise be subject to excise taxes. As a result, no tax gross-up payments would be payable in respect of the excise taxes.

### **Board of Directors and Management After the Merger**

Pursuant to the stockholders agreement, Sysco has agreed to increase the size of the Sysco board of directors by two members at the consummation of the merger, and certain of USF's principal stockholders will be entitled to designate candidates for appointment to the additional seats on the terms and conditions set forth in the stockholders agreement. See Stockholders Agreement. The initial designees to the Sysco board of directors are currently expected to be Michael Calbert and Richard J. Schnall.

Mr. Calbert has been a USF director since 2007. He is a former member of KKR, which he joined in 2000. Previously, Mr. Calbert served as the Chief Financial Officer of Randall's Food Markets. He started his professional career as a consultant with Arthur Anderson Worldwide. Mr. Calbert is currently on the board of directors of Dollar General and Academy Sports & Outdoors. Mr. Schnall has been a USF director since 2007. He is a financial partner of CDR. Prior to joining CDR in 1996, he worked in the Investment Banking Division of Donaldson, Lufkin & Jenrette, Inc. and Smith Barney & Co. Mr. Schnall serves as a director of Envision Healthcare Corporation, and David's Bridal.

Information about Sysco's directors and executive officers, including biographical information, executive compensation and relationships and related transactions between management and Sysco, can be found in Sysco's proxy statement for the 2013 annual meeting of stockholders and annual report on Form 10-K for the fiscal year ended June 29, 2013, both of which are filed with the SEC and incorporated by reference herein. For more details about how you can obtain copies of Sysco's proxy statement and Form 10-K, see [Where You Can Find More Information](#).

### **Accounting Treatment**

Sysco and USF prepare their financial statements in accordance with U.S. GAAP. The merger will be accounted for in accordance with FASB ASC Topic 805, Business Combinations, with Sysco considered as the accounting acquirer and USF as the accounting acquiree. Accordingly, consideration to be given by Sysco to complete the merger with USF will be allocated to assets and liabilities of USF based on their estimated fair values as of the completion date of the merger, with any excess purchase price being recorded as goodwill.

### **Regulatory Approvals**

The merger is subject to review by the FTC under the HSR Act. Under the HSR Act, Sysco and USF are required to make pre-merger notification filings, and Sysco and USF must await the expiration of statutory waiting periods prior to completing the merger. On January 17, 2014, Sysco and USF made pre-merger notification filings under the HSR Act. The completion of the merger is conditioned upon the expiration or termination of the HSR Act waiting period and receipt of all required antitrust clearances, consents and approvals. On February 18, 2014, Sysco and USF each received a second request from the FTC for additional information with respect to the merger and are complying with this request. Sysco and USF have also been notified that several state attorneys general are investigating the merger under antitrust laws and Sysco and USF are cooperating with those state investigations.

Notwithstanding the possible expiration of the statutory waiting period and clearance of the merger, and even after completion of the merger, the FTC or a state attorney general could challenge or seek to block the merger under antitrust laws, as it deems necessary or desirable in the public interest. Moreover, a competitor, customer or other third party could initiate a private action under antitrust laws challenging or seeking to enjoin the merger, before or after it is completed. Sysco and USF do not believe that the completion of the merger will result in a violation of any applicable antitrust laws. However, there can be no assurance that a challenge to the



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merger on antitrust grounds will not be made or, if this challenge is made, what the result will be. See The Merger Agreement Conditions to the Consummation of the Merger for certain conditions to the merger.

**Treatment of Equity Awards**

Each outstanding USF restricted stock award and RSU award will fully vest upon closing of the merger and will convert into the right to receive the merger consideration on the same basis as the outstanding shares of USF common stock. Each outstanding USF option and EAR will fully vest at closing and will convert into the right to receive an amount in cash approximately equal to the difference between the value of the per share merger consideration and the exercise price of the respective option or EAR. See The Merger Agreement Treatment of USF Equity Awards.

**Voting Agreement**

On December 9, 2013, Sysco entered into a voting agreement with the holders of approximately 98% of USF's outstanding common stock, pursuant to which such stockholders agreed to deliver a written consent in favor of the approval of the merger following the delivery of an effective registration statement on Form S-4 filed by Sysco with respect to the shares of Sysco common stock to be issued in the merger.



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**THE MERGER AGREEMENT**

*The following is a summary of the material terms and provisions of the merger agreement. This summary does not purport to describe all of the terms and provisions of the merger agreement and is qualified in its entirety by the complete text of the merger agreement, which is included as Annex A to this consent solicitation statement/prospectus and which is incorporated by reference herein. All stockholders of USF are urged to read the merger agreement carefully and in its entirety, as well as this consent solicitation statement/prospectus, before making any decisions regarding the merger and the merger agreement, as the merger agreement is the principal legal document governing the merger and its express terms and conditions govern the rights and obligations of the parties to the merger.*

The merger agreement contains representations and warranties made by each of the parties to the merger agreement. These representations and warranties have been made solely for the benefit of the other parties to the merger agreement. Accordingly, in reviewing the representations and warranties in the merger agreement and the descriptions of them included or incorporated by reference in this consent solicitation statement/prospectus, it is important to bear in mind that such representations and warranties should not be treated as categorical statements of fact, but rather as a way of allocating risk between the parties. Such representations and warranties have been qualified by disclosures that were made to the other party in connection with the negotiation of the merger agreement, which disclosures are not reflected in the merger agreement, and may apply standards of materiality in a way that is different from what may be material to you or other investors.

Moreover, information concerning the subject matter of the representations and warranties may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in public disclosures by Sysco and USF. In any event, the representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read together with the information provided elsewhere in this consent solicitation statement/prospectus and in the documents incorporated by reference herein. See [Where You Can Find More Information](#).

**General**

The boards of directors of each of Sysco and USF have unanimously approved the merger agreement, which provides for the acquisition by Sysco of USF through the merger. The merger will take place in two steps. First, Merger Sub One will merge with and into USF. Immediately thereafter, USF will merge with and into Merger Sub Two, with Merger Sub Two as the surviving company and a wholly owned subsidiary of Sysco.

**Merger Consideration; Purchase Price Adjustments**

Under the merger agreement, Sysco will pay to USF common stockholders and equity award holders an aggregate amount equal to approximately 89.1 million shares of Sysco common stock and \$500 million in cash, subject to reduction pursuant to the terms of the merger agreement and as described herein.

The aggregate merger consideration will be reduced based on one or both of the following two factors:

*Transaction Bonus Pool.* USF may elect to allocate an amount up to \$10 million to be paid to certain of USF's executive officers and other key employees in connection with the closing of the merger. The cash portion of the merger consideration will be reduced in an amount equal to the amount paid pursuant to such provision. If the full \$10 million is paid, the cash portion of the merger consideration will be reduced from

\$500 million to \$490 million.

*Pension Plan Underfunding.* The number of shares of Sysco common stock to be included in the aggregate merger consideration will be reduced by an amount related to the amount by which USF's pension benefit obligations exceed the fair value of the related plan assets, as calculated pursuant to the

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merger agreement. The reduction will be based on the lesser of (1) such underfunding amount prior to the signing of the merger agreement (which was equal to \$68.9 million) and (2) such underfunding amount calculated as of the last day of the calendar quarter prior to the quarter in which the closing of the merger occurs (or, if the underfunding amount has not yet been calculated for such quarter, the last day of the immediately preceding calendar quarter). For example, if the lesser of such amounts remained equal to \$68.9 million, the reduction will be equal to 2,046,332 shares of Sysco common stock (calculated as \$68.9 million/\$33.67).

The merger agreement also provides for a potential reduction in the merger consideration based on USF's 2013 adjusted EBITDA. Based on the final results of USF's 2013 adjusted EBITDA as reported to Sysco, there will be no reduction in the merger consideration as a result of this provision.

**Allocation of Aggregate Merger Consideration**

The aggregate merger consideration will be allocated among USF's outstanding common stock and equity awards. Each outstanding USF restricted stock award and RSU award will fully vest upon closing of the merger and will convert into the right to receive the merger consideration on the same basis as the outstanding shares of USF common stock. Each outstanding USF option and EAR will fully vest at closing and will convert into the right to receive an amount in cash approximately equal to the difference between the value of the per share merger consideration and the exercise price of the respective option or EAR. The merger consideration that will be paid per share of common stock and per equity award will not be finally determined prior to closing and will depend on a number of factors, including purchase price adjustments and changes in USF's capitalization.

For illustrative purposes, if there were no adjustments to the aggregate merger consideration and the capitalization of USF at closing was the same as on the date of the merger agreement, each USF stockholder or holder of a USF restricted stock award or RSU award would receive \$      in cash and shares of Sysco common stock per share of USF common stock and the holder of each USF option or EAR would receive an amount in cash equal to \$      minus the relevant exercise price of such option or EAR. If there were adjustments to the aggregate merger consideration resulting in a reduction to approximately million shares of Sysco common stock and \$      in cash, and the capitalization of USF at closing was the same as on the date of the merger agreement, each USF stockholder or holder of a USF restricted stock award or RSU award would receive \$      in cash and shares of Sysco common stock per share of USF common stock and the holder of each USF option or EAR would receive an amount in cash equal to \$      minus the relevant exercise price of such option or EAR.

**The exact amount of the consideration to be paid to each holder of USF common stock or equity awards will vary, depending on the total purchase price, after adjustments, and the number of shares and equity awards outstanding at the time of closing of the merger.**

**USF 2013 Adjusted EBITDA**

USF's 2013 adjusted EBITDA for purposes of calculating the final purchase price is defined as the net income (loss), plus interest expense, net, provision (benefit) for income taxes and depreciation and amortization expense of USF's principal operating subsidiary for 2013, as adjusted, calculated in a manner consistent with the calculation of the equivalent defined terms in the documents filed with the SEC by USF's principal operating subsidiary prior to the date of the merger agreement. For purposes of this calculation, USF's 2013 adjusted EBITDA may not exceed USF's 2013 EBITDA by more than the sum of (1) \$161 million, (2) the non-cash impact of LIFO (but only to the extent that such non-cash impact of LIFO is included in the calculation of USF's 2013 EBITDA) and (3) the aggregate amount of the expenses incurred by USF and its subsidiaries as a result of the transactions contemplated by the merger agreement (solely to the extent such expenses have reduced USF's 2013 EBITDA, and excluding any amounts paid or payable to

certain of USF's significant stockholders). Based on the final results of USF's 2013 adjusted EBITDA as reported to Sysco, there will be no reduction in the merger consideration as a result of this provision.

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### **Treatment of USF Equity Awards**

Each outstanding USF restricted stock award and RSU award will fully vest at closing and will convert into the right to receive the merger consideration on the same basis as outstanding shares of common stock. Each outstanding USF option and EAR will fully vest at closing and convert into the right to receive an amount in cash approximately equal to the difference between the value of the per share merger consideration and the exercise price of the respective option or EAR.

### **Fractional Shares**

No fractional shares of Sysco common stock will be issued in connection with the merger and no dividends or other distributions with respect to Sysco common stock will be payable on or with respect to any fractional share. In lieu of the issuance of any such fractional share, Sysco will pay to each former USF stockholder who otherwise would be entitled to receive a fractional share of Sysco common stock an amount in cash, without interest, in the amount equal to such fractional amount multiplied by the average price of Sysco common stock on the last day preceding the closing date.

### **Closing and Effective Time of the Merger**

The closing of the merger is expected to take place at 10:00 a.m. on the fifth business day following the satisfaction or waiver of all conditions set forth in the merger agreement (other than such conditions as may, by their terms, only be satisfied at the closing, but subject to the satisfaction or waiver of those conditions at closing), or such other date as Sysco and USF may mutually agree. The date on which the closing of the merger occurs is referred to as the closing date.

The closing date will be delayed if USF has failed to deliver to Sysco audited annual financial statements of USF for USF's three most recently ended fiscal years that have ended at least 95 days (or 80 days in the case of any fiscal year ended after December 31, 2013) prior to such date, or failed to deliver USF's quarterly financials for each subsequent interim quarterly period that has ended at least 45 days prior to such date.

In the event of any delay due to USF's failure to timely deliver such financial statements, unless Sysco otherwise consents, the closing will occur no earlier than the date that is the later of (1) the 20th calendar day after all of such required financials have been delivered and (2) if the financials are delivered during any regular quarterly period during which directors and executive officers of Sysco are not permitted to trade Sysco securities under Sysco's then current insider trading policies in effect, the 10th business day after the end of such blackout period.

### **Conversion of Shares; Exchange Agent**

Prior to closing, Sysco will select an exchange agent. On the closing date, Sysco will deposit with the exchange agent certificates or book entry shares representing the shares of Sysco common stock issuable to USF stockholders and cash due to be paid to USF stockholders as merger consideration and in lieu of fractional shares.

On the closing date, Sysco will cause the exchange agent to pay the merger consideration to each record holder of USF common stock who has surrendered their stock certificates, if applicable, and properly completed and duly executed a letter of transmittal at least two business days prior to the closing date. Following the closing date, Sysco will cause the exchange agent to pay all other common stockholders the merger consideration following receipt of a completed and duly executed letter of transmittal.

As of the effective time of the merger and until surrendered, each certificate or book-entry share of USF common stock will represent for all purposes solely the right to receive the applicable merger consideration, including any cash in lieu of fractional shares of Sysco common stock related to such shares.

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**Appraisal Rights**

The merger agreement provides that shares of USF common stock which are held by stockholders who do not vote in favor of the merger or consent thereto in writing and who properly demand appraisal of such shares pursuant to Section 262 of the DGCL shall not be converted into the right to receive the merger consideration and instead shall be entitled to the rights provided under Section 262. Section 262 provides holders of USF common stock with the ability to seek the appraised value of their shares. A holder of record of USF common stock who properly seeks appraisal and complies with the applicable requirements under Delaware law will forego the merger consideration and instead be entitled to receive a cash payment equal to the fair value of his, her or its shares of USF common stock as determined by the Delaware Court of Chancery. Stockholders who follow this procedure are referred to below and elsewhere in this consent solicitation/prospectus as dissenting stockholders. Following an appraisal proceeding, the court will determine the fair value of the shares of USF common stock held by such holder, exclusive of any element of value arising from the accomplishment or expectation of the merger. Dissenting stockholders will not know the appraised fair value at the time such holders must elect whether to seek appraisal. The ultimate amount dissenting stockholders receive in an appraisal proceeding may be more or less than, or the same as, the amount such holders would have received under the merger agreement. Failure to follow exactly the procedures specified under Delaware law will result in the loss of appraisal rights. A detailed description of the appraisal rights available to holders of USF common stock and procedures required to exercise statutory appraisal rights is included in the section entitled Appraisal Rights.

**Indemnification of Directors and Officers**

For six years from the closing date, the surviving company must indemnify and hold harmless all past and present employees, agents, officers and directors of USF and its subsidiaries to the extent that each person is currently indemnified by USF and its subsidiaries, and must honor any indemnification agreements between USF or any of its subsidiaries and any such person. Additionally, for six years from the closing date, the surviving company must maintain directors and officers liability insurance covering all individuals who are currently covered by USF's directors and officers liability insurance, for events occurring at or prior to the closing and on terms no less favorable than such existing insurance, subject to a premium cap of 250% of USF's current annual premium. Alternatively, prior to the closing date and with Sysco's consent, USF may purchase a six-year tail policy.

**Representations and Warranties**

The merger agreement includes customary representations and warranties of USF to Sysco with respect to:

due incorporation and corporate organization;

capitalization;

due authorization to enter into the merger agreement and perform USF's obligations thereunder;

the inapplicability of certain anti-takeover laws;

absence of any conflict with or violation of organizational documents or applicable laws, and the absence of any violation or breach of, or default or consent requirements under, certain agreements as a result of USF entering into and performing under the merger agreement;

accuracy of USF's financial statements;

SEC filings and compliance with the Sarbanes-Oxley Act of 2002;

absence of undisclosed liabilities;

USF's pension underfunding amount;

ownership of USF's assets;



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intellectual property;

material contracts;

insurance;

certain employee benefits matters and compliance with applicable laws;

tax matters, including qualification of the merger as a reorganization within the meaning of Section 368(a) of the Code;

absence of certain litigation;

regulatory matters;

environmental matters;

absence of certain changes, events or developments since September 28, 2013, including the absence of any changes, events or developments that have had or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on USF;

certain labor and employee relations matters;

ownership of, and leases for, real property;

absence of brokers;

certain affiliate agreements; and

information supplied for purposes of this consent solicitation statement/prospectus.

The merger agreement also includes representations and warranties by Sysco and the merger subs to USF, including:

due incorporation and corporate organization;

capitalization;

due authorization to enter into the merger agreement and perform the obligations of Sysco and the merger subs thereunder;

absence of any conflict with or violation of organizational documents or applicable laws, and the absence of any violation or breach of, or default or consent requirements under, certain agreements as a result of Sysco and the merger subs entering into and performing under the merger agreement;

accuracy of Sysco's financial statements;

SEC filings and compliance with the Sarbanes-Oxley Act of 2002;

absence of undisclosed liabilities;

absence of certain litigation;

regulatory matters;

absence of certain changes, events or developments since June 29, 2013, including the absence of any changes, events or developments that have had or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on Sysco;

financial ability to fund the cash amount of the merger consideration;

operations of the merger subs;

absence of brokers;

information supplied for purposes of this consent solicitation statement/prospectus; and

tax matters.

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These representations and warranties are generally subject to materiality and/or material adverse effect (as described below) qualifiers, as well as by specific disclosures in the applicable party's disclosure letter.

**Definition of Material Adverse Effect**

For the purposes of the merger agreement, "material adverse effect" means any change, event, fact, effect or occurrence that has, or would reasonably be expected to have, a material adverse effect on the financial condition, business, assets or results of operations of USF or Sysco, or any of their subsidiaries, taken as a whole.

In determining whether there has been a Sysco material adverse effect or a USF material adverse effect, or whether such material adverse effect could or would occur, any change, event, fact, effect or occurrence attributable to, arising out of, or resulting from the any of the following are disregarded:

general political, economic, business, industry, credit, financial or capital market conditions in the United States or internationally, including conditions affecting generally the principal industries in which the applicable party and its respective subsidiaries operate, provided that such changes, events, effects or occurrences may be taken into account to the extent that such changes, events, facts, effects or occurrences negatively and disproportionately affect the applicable party and its subsidiaries, taken as a whole, in relation to other entities in their principal industries;

the taking of any action required by the merger agreement;

the announcement of the merger agreement or pendency of the merger, including any litigation arising from the merger and including any termination of, reduction in or similar negative impact on relationships, contractual or otherwise, with any customers, suppliers, distributors, partners, sales representatives or employees of the applicable party and its respective subsidiaries, in each case to the extent attributable to, arising out of or resulting from the announcement of the merger agreement or pendency of the merger;

the taking of any action by a party expressly with the prior written approval of the other party;

pandemics, earthquakes, tornados, hurricanes, floods and acts of god, provided that such changes, events, effects or occurrences may be taken into account to the extent that such changes, events, facts, effects or occurrences negatively and disproportionately affect the applicable party and its respective subsidiaries, taken as a whole, in relation to other entities in their principal industries;

acts of war (whether declared or not declared), sabotage, terrorism, military actions or the escalation thereof, provided that such changes, events, effects or occurrences may be taken into account to the extent that such changes, events, facts, effects or occurrences negatively and disproportionately affect the applicable party and its respective subsidiaries, taken as a whole, in relation to other entities in their principal industries;

any change in applicable law or GAAP (or authoritative interpretation or enforcement thereof) which is proposed, approved or enacted on or after the date of the merger agreement, provided that such changes, events, effects or occurrences may be taken into account to the extent that such changes, events, facts, effects or occurrences negatively and disproportionately affect the applicable party and its respective subsidiaries, taken as a whole, in relation to other entities in their principal industries; and

the failure, in and of itself, of the applicable party to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics before, on or after the date of the merger agreement (provided that the underlying facts giving rise or contributing to such occurrence may be taken into account in determining whether a material adverse effect has occurred).

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**Covenants**

***Covenants Relating to the Conduct of USF's Business***

USF has agreed that, prior to the closing date, other than as required or expressly permitted by the merger agreement, its business and the business of its subsidiaries will be conducted in the ordinary course of business consistent with past practice in all material respects, and that USF will, and will cause each of its subsidiaries to, use commercially reasonable efforts to preserve intact their business and assets. USF has also agreed that neither it nor its subsidiaries will, during the period between the execution of the merger agreement and the closing date, subject to certain limited exceptions as set forth in the merger agreement, without the prior written consent of Sysco or unless required by applicable law, do any of the following:

amend or otherwise change in any material respect their respective organizational documents;

sell, lease, transfer, license, assign or otherwise dispose of any asset with a value in excess of \$1 million or in the aggregate in excess of \$5 million other than the disposition of fleet, excess real property or inventory in the ordinary course of business consistent with past practice;

except as required by applicable law or as required under the terms of any collective bargaining agreement or benefit plan as in effect on the date of the merger agreement, increase compensation or benefits or pay amounts not required to be paid, other than certain customary and ordinary course adjustments to base salaries or base wages; grant, accelerate or modify the exercisability or vesting of equity compensation; establish or amend collective bargaining agreements other than in the ordinary course of business; hire or terminate without cause employees or consultants, other than in the ordinary course of business; promote employees, other than to fill positions or roles in existence at USF on the date of the merger agreement in the ordinary course of business consistent with past practice; establish, materially amend or terminate any benefit plan; or fund compensation or benefits under any benefit plan, other than in the ordinary course of business;

except in the ordinary course of business consistent with past practice, and with respect to actions required by the merger agreement, issue, sell or grant options, warrants or rights, redeem, repurchase or otherwise acquire, any USF or subsidiary securities or make any changes in the capital structure of USF or any of its subsidiaries;

incur any debt other than under current credit facilities required for working capital expenses of USF and its subsidiaries in the ordinary course of business, debt in a principal amount not in excess of \$20 million or indebtedness incurred by a subsidiary of USF to USF or to another wholly owned subsidiary of USF;

create or incur any lien on any asset, other than in the ordinary course of business consistent with past practice or permitted liens;

declare, set aside or pay any dividend or other distribution, other than dividends or distributions between USF and its subsidiaries;

split, combine, subdivide or reclassify or issue securities in substitution of the capital stock, other equity interests or voting securities, or convertible securities of USF or any of its subsidiaries;

repurchase, redeem, or otherwise acquire, or offer to repurchase, redeem or otherwise acquire, any capital stock or other equity interests or voting securities of USF or any of its subsidiaries, or any convertible security, or any warrants, calls, options or other rights to acquire any such capital stock, equity interests or voting securities, other than in the ordinary course of business consistent with past practice pursuant to management equity agreements in effect as of the date of the merger agreement;

merge or consolidate with any other entity, acquire a material amount of stock or assets of any other entity, or effect any business combination, recapitalization or similar transaction with a value in excess of \$25 million in the aggregate, other than between USF and any subsidiary or purchases of inventory or other assets in the ordinary course of business consistent with past practice or pursuant to agreements existing as of the date hereof;

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except in the ordinary course of business consistent with past practice (including extensions at the end of a term in the ordinary course of business consistent with past practice and entering into new customer agreements and supplier agreements), enter into, transfer or terminate (except for any termination upon expiration of a term in accordance with the terms and conditions thereof) or materially modify or amend, any material contract, release, assign or otherwise change any material right under any material contract, or waive any material right under or discharge any other party of any material obligation under any material contract;

make any material loan, advance or capital contribution to or investment in any person, other than loans, advances or capital contributions to or investments in its subsidiaries in the ordinary course of business consistent with past practice;

except for dispositions of excess real estate in the ordinary course of business consistent with past practice, acquire or dispose of any real property or any direct or indirect interest in any real property;

make any material change to its accounting methods, policies or practices with respect to the maintenance of books of account and records, except as required by GAAP or applicable law;

make any material changes with respect to tax reporting or enter into any material settlements or agreements with respect to certain tax matters, liabilities or enforcement actions;

make any capital expenditures or commitments for capital expenditures or enter into any fleet capital leases, in each case other than in the ordinary course of business consistent with past practice;

forgive, cancel or compromise any material debt or claim, or waive, release or assign any right or claim of material value, other than in the ordinary course of business consistent with past practice;

enter into any settlement, compromise or release contemplating or involving any admission of wrongdoing or misconduct or providing for any relief or settlement other than the payment of money not in excess of \$5 million individually or \$25 million in the aggregate;

adopt or enter into a plan or agreement of complete or partial liquidation or dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of USF or any of its subsidiaries; or

authorize any of, or agree or commit to do any of, the foregoing.

***Covenants Relating to the Conduct of Sysco's Business***

Sysco has agreed that neither it nor its subsidiaries will, during the period between the execution of the merger agreement and the closing date, subject to certain limited exceptions as set forth in the merger agreement, without the prior written consent of USF or unless required by applicable law, do any of the following:

amend or otherwise change its organizational documents so that the rights of the USF stockholders party to the stockholders agreement would not be given full effect (see Stockholders Agreement );

merge or consolidate with any other person, acquire a material amount of the stock or assets of any other person or effect any business combination, recapitalization or similar transaction, in each case if such action would reasonably be expected to materially delay or prevent the regulatory approval of the merger;

declare or pay any dividend on shares of Sysco common stock, other than ordinary course quarterly dividends in accordance with past practice (including increases in the amount thereof); or

engage in any action or activity that would require Sysco to obtain the approval of its stockholders in connection with the consummation of the transactions contemplated by the merger agreement.

***Non-Solicitation***

USF and its subsidiaries may not solicit, initiate, knowingly encourage or assist, or respond to the submission of any proposal or offer, or participate in or provide information to any person with respect to any



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liquidation, dissolution or recapitalization, merger or consolidation, acquisition or purchase of all or a significant portion of the assets or equity of USF or its subsidiaries or any similar transaction or business combination.

### ***Efforts***

Under the merger agreement, Sysco and USF agreed to use their reasonable best efforts to ensure the timely consummation of the merger. Additionally, Sysco and USF agreed that:

USF must use commercially reasonable efforts to obtain any transaction consents required pursuant to any material USF agreement and that Sysco will cooperate in this effort, but that USF is not obligated to make any payments to third parties to obtain these consents and will not commit to making such payments without Sysco's prior approval;

USF will use commercially reasonable efforts to provide all cooperation that is reasonably requested by Sysco to assist Sysco in arranging third party debt financing for the merger consideration and the repayment of USF's existing debt, and USF will take reasonable actions to effect the repayment of its existing credit facilities on the closing date;

USF and Sysco will cooperate, coordinate and consult with each other in all necessary regulatory filings, including with the United States Federal Trade Commission;

USF and Sysco will cooperate, coordinate and consult each other to resolve any objections to the transaction by government authorities pursuant to antitrust laws and to secure clearances for the transaction under antitrust laws;

in seeking to obtain government approval or to comply with government orders, neither Sysco or any of its subsidiaries, nor USF or any of its subsidiaries, must take any action with respect to their respective assets, businesses or product lines if such action (1) is not conditioned on the consummation of the merger or (2) would require the divestiture or holding separate of assets of Sysco, USF or their subsidiaries representing, in the aggregate, in excess of \$2 billion of revenue generated between January 1, 2013 and December 31, 2013; and

if there is no decree, order or injunction restricting or prohibiting the merger, but an appeal is pending, Sysco is not obligated to close the merger until the termination date, with applicable extensions, provided that all other conditions to the merger are satisfied. See Termination of the Merger Agreement and Termination Fee. Generally, if the merger agreement is terminated due to a failure to obtain regulatory approval prior to the termination date, provided that all of the other conditions to closing (other than certain conditions which by their nature may only be satisfied at the closing) are satisfied, Sysco will be obligated to pay USF a termination fee. See Termination of the Merger Agreement and Termination Fee.

### ***Employee Matters***

Upon closing of the merger, Sysco has agreed to provide to each employee of USF who is not covered by a collective bargaining agreement the following compensation and benefits:

from the closing date through December 31, 2014, base salary or wages that are the same as those provided as of immediately prior to the closing date;

a prorated annual bonus determined pursuant to the applicable USF benefit plan in respect of the fiscal year of USF in which the closing date occurs;

from the closing date through the last day of USF's 2014 fiscal year, employee benefits on the same terms and conditions as are provided immediately prior to the closing, except if the closing occurs following USF's 2014 fiscal year, employee benefits will be determined by Sysco in consultation with

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USF's senior management, provided that, in all cases, the U.S. Foodservice, Inc. Defined Pension Benefit Plan will be maintained through the last day of USF's 2014 fiscal year;

in the case of any such employee who is not entitled to severance under an individual severance, employment or similar agreement and who experiences a qualifying termination of employment prior to June 30, 2015, severance benefits at a level equal to the greater of those provided under the USF severance plan and those provided under the Sysco Involuntary Severance Plan; and

recognition of service credit to the same extent as recognized under any similar USF benefit plan in which such employee participated or was eligible to participate immediately prior to closing, other than for purposes of benefit accrual under any defined benefit plan, for benefit plans that are frozen to new participants and to the extent such recognition would result in a duplication of benefits. In addition, Sysco will use commercially reasonable efforts to waive any pre-existing condition limitations to the extent such condition was satisfied or waived under a comparable USF benefit plan prior to the closing date and credit any payments made under a comparable USF benefit plan prior to the closing date against out-of-pocket maximums and deductible payments and co-payments.

Sysco has also agreed to provide to each employee of USF who is covered by a collective bargaining agreement with the compensation and benefits required under the terms of such agreement.

In addition, USF has agreed to submit to a vote of its stockholders certain payments that might otherwise be subject to Sections 4999 and 280G of the Code to avoid the application of excise taxes or the loss of a deduction with respect to such amounts.

**Conditions to the Consummation of the Merger**

The obligations of each party to complete the merger are conditioned upon:

the accuracy of the representations and warranties of the other party (generally to a material adverse effect standard, with the exception of certain specified representations);

the other party's performance and compliance with all covenants, obligations and agreements contained in the merger agreement;

the expiration or termination of applicable approvals, clearances or waiting periods under antitrust laws;

the absence of any law which restrains, enjoins or otherwise prohibits the closing; and

the effectiveness under the securities laws of this filing on Form S-4, which shall not be the subject of any stop order or proceedings seeking a stop order.

In addition, USF's obligations to complete the merger are conditioned upon:

the authorization for listing on the NYSE, subject to official notice of issuance, of the shares of Sysco common stock that will be issued or reserved for issuance pursuant to the merger agreement; and

receipt by USF of an opinion from its counsel, dated as of the closing date, on which Sysco may also rely, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

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**Termination of the Merger Agreement and Termination Fee**

***Termination***

Either Sysco or USF may terminate the merger agreement prior to the closing date, before or after USF stockholder approval has been received, for the following reasons:

by mutual written consent;

if the closing does not occur on or before March 8, 2015, with certain permitted extensions of such date by either party if all conditions to closing other than the receipt of regulatory approvals have been satisfied, for 60 days at a time, up to September 8, 2015;

if the other party materially breaches its representations or warranties or fails to perform its covenants, and such breach is not cured, and is not capable of being cured, within a designated period after receipt of a notice of breach; or

if there is a law that makes consummation of the merger illegal or if any government authority issues an order or takes any other action permanently restraining, enjoining or otherwise prohibiting the merger.

The termination right is not available to either party if that party breached its representations or warranties or failed to fulfill its obligations or to comply with its covenants under the merger agreement such that the other party is not obligated to consummate the merger agreement.

***Termination Fee***

If the merger agreement is terminated by either party as a result of failure to obtain the required regulatory approvals or because the merger was not consummated by March 8, 2015 (or, due to permissible extensions, by September 8, 2015), Sysco generally will be obligated to pay USF a termination fee of \$300 million within two business days after written notice of such termination, provided that all of the conditions to closing other than those relating to the required regulatory approvals (other than certain conditions which by their nature may only be satisfied at the closing) are satisfied. However, Sysco will have no obligation to pay the termination fee if the failure of the regulatory approvals condition is caused by USF's breach of its obligations described under *Covenants Efforts* above.

The payment of this termination fee is the sole remedy of USF, its equityholders and any of their affiliates, against Sysco and the merger subs, or any of their directors, officers, and other affiliates. USF has agreed that in no event will USF, its equityholders or any of their affiliates be entitled to recover any money damages or any other remedy with respect to:

any losses suffered as a result of the failure of the merger to be consummated;

the termination of the merger agreement;

any liabilities or obligations arising under the merger agreement; or

any claims or actions arising out of or relating to any breach, termination or failure of the merger agreement.

**Transaction Fees and Expenses**

All fees and expenses incurred in connection with or related to the merger agreement and the operative documents and the related transactions will be paid by the party incurring such fees or expenses, whether or not such transactions are consummated.

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**STOCKHOLDERS AGREEMENT**

*The following is a summary of certain material terms and provisions of the stockholders agreement. This summary does not purport to describe all of the terms and provisions of the stockholders agreement and is qualified in its entirety by the complete text of the stockholders agreement, which is included as Annex D to this consent solicitation statement/prospectus and which is incorporated by reference herein. All stockholders of USF are urged to read the stockholders agreement carefully and in its entirety, as well as this consent solicitation statement/prospectus, before making any decisions regarding the merger and the merger agreement.*

Concurrently with entering into the merger agreement, Sysco entered into the stockholders agreement, dated as of December 8, 2013, with CDR, KKR, and certain investment funds affiliated with CDR and KKR that will receive shares of Sysco common stock in the merger. The stockholders agreement becomes effective at the closing of the merger, and sets forth certain governance arrangements and contains various provisions relating to, among other things, board representation, the acquisition of additional equity interests in Sysco, prohibitions on taking certain actions relating to Sysco, transfer restrictions, voting arrangements, and registration rights.

Pursuant to the stockholders agreement, each of CDR and KKR will be entitled to designate one director for nomination to Sysco's board of directors. The right to designate a director will terminate for each stockholder when such stockholder has sold 75% of the Sysco common stock initially received by such stockholder in the merger, or if such stockholder makes certain competing investments as described below. For as long as a stockholder has the right to designate a director (and in some cases for an additional six months thereafter), such stockholder will be required to vote their shares of Sysco common stock in accordance with the Sysco board's recommendation on any matter put to a vote of Sysco stockholders. The initial directors who will be appointed by CDR and KKR are expected to be Richard J. Schnall and Michael Calbert, respectively.

The stockholders agreement generally restricts any transfers of the shares of Sysco common stock received in the merger for fifteen months after the closing of the merger, with certain limited exceptions. Following this initial fifteen-month time period, each stockholder will be entitled to customary registration rights. Certain prohibitions on transferring shares of Sysco common stock to persons that would, after giving effect to such transfer, be 5% holders of Sysco common stock and limitations on the number of shares of Sysco common stock that may be transferred in a single day will continue to apply.

The stockholders agreement contains a customary standstill provision, as well as a non-solicitation provision relating to certain members of Sysco's and USF's management teams, each of which are effective from the closing date of the merger until the later of: (1) one year after the applicable stockholder no longer has a designee on the Sysco board and (2) the date on which the applicable stockholder has sold 75% of the shares of Sysco common stock that it initially received in the merger.

The stockholders who are party to the stockholders agreement have agreed to certain restrictions on investments in specified entities for a limited period, and to maintain procedures to prevent Sysco's confidential information from being shared with other portions of their business that may have investments in the food service distribution business. Subject to certain exceptions, each stockholder will lose its right to designate a nominee to the Sysco board of directors if it makes an investment in certain specified entities or another entity that engages in the wholesale food distribution business in North America, other than to a *de minimis* extent, and/or other than with respect to certain passive minority investments in publicly traded companies.

The stockholders agreement will terminate with respect to CDR and KKR, respectively, on the date that CDR and its affiliated investment funds or KKR and its affiliated investment funds, as applicable, beneficially own less than 1% of

Sysco's outstanding voting shares.



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**DESCRIPTION OF SYSCO CAPITAL STOCK**

*As a result of the merger, USF stockholders who receive Sysco common stock in the merger will become stockholders in Sysco. Your rights as stockholders of Sysco will be governed by Delaware law and the restated certificate of incorporation and bylaws of Sysco. The following discussion briefly summarizes the material terms of Sysco's common stock. We urge you to read the applicable provisions of the Delaware General Corporation Law, Sysco's restated certificate of incorporation and amended and restated bylaws carefully and in their entirety. Copies of Sysco's governing documents are incorporated by reference as Exhibits 3.1 through 3.5 to the registration statement of which this consent solicitation statement/prospectus forms a part.*

**Authorized Capital Stock**

The entire authorized capital stock of Sysco consists of 2 billion shares of common stock, par value \$1.00 per share, and 1.5 million shares of preferred stock, par value \$1.00 per share. At the close of business on \_\_\_\_\_, 2014, (i) \_\_\_\_\_ shares of Sysco common stock were issued and outstanding, (ii) no shares of Sysco preferred stock were issued and outstanding, (iii) \_\_\_\_\_ shares of Sysco common stock were held by Sysco in its treasury, (iv) \_\_\_\_\_ shares of Sysco common stock were subject to options to purchase Sysco common stock, (v) \_\_\_\_\_ shares of Sysco common stock were subject to awards with respect to restricted Sysco common stock, (vi) \_\_\_\_\_ shares of Sysco common stock were subject to restricted stock unit awards with respect to Sysco common stock and (vii) \_\_\_\_\_ shares of Sysco common stock were reserved for issuance pursuant to future awards under benefit plans of Sysco.

**Common Stock**

***Dividend Rights***

Holders of Sysco common stock are entitled to receive dividends as and when declared by the board of directors in its discretion, payable out of any of Sysco's assets at the time legally available for the payment of dividends. Dividends declared and payable to Sysco's common stockholders are subject to the dividend rights that holders of any preferred stock or a series of preferred stock might have. The payment of dividends on the common stock will be a business decision to be made by Sysco's board of directors from time to time based upon results of Sysco's operations and financial condition and any other factors as Sysco's board of directors considers relevant.

***Voting Rights***

Each holder of a share of Sysco stock is entitled to one vote per share, and is entitled to vote on all matters presented to a vote of stockholders, including the election of directors. Holders of common stock have no cumulative voting rights. As a result, under the Delaware General Corporation Law, the holders of more than one-half of the outstanding shares of common stock generally will be able to elect all of Sysco's directors then standing for election and holders of the remaining shares will not be able to elect any director, subject to any voting rights held by holders of Sysco preferred stock.

Directors will be elected by a majority of votes cast on the matter, except that where the number of nominees exceeds the number of directors to be elected at a meeting as of the meeting's record date, then each director will be elected by a plurality of the votes cast. Abstentions will be disregarded with respect to the election of directors. If Sysco issues preferred stock, holders of such stock may possess voting rights. Under the currently designated series of preferred stock, each holder of the series is entitled to 2,000 votes per share on all matters submitted to a vote of stockholders, subject to certain adjustments. No shares of this series of preferred stock, or any other preferred stock, are outstanding.

***Liquidation Rights***

In the event of any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary or, in the event of insolvency, the common stockholders of Sysco will be entitled to share equally in

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any distribution of Sysco's assets after Sysco pays its liabilities and the liquidation preference of any outstanding preferred stock. The following transactions will not constitute a liquidation, dissolution or winding up of Sysco: consolidation or merger of Sysco with another corporation or corporations; reorganization; purchase or redemption of all or part of the outstanding shares of any class or classes of stock of the corporation; or the sale or transfer of the property and business of Sysco.

### ***Preemptive Rights and Other Rights***

Sysco common and preferred stock holders are not entitled to any preemptive rights to purchase or receive any shares of Sysco stock, any obligation convertible into or exchangeable for shares of Sysco stock or any warrants, options, or rights to purchase or subscribe for any convertible or exchangeable obligation. The Sysco board of directors, at its discretion, may issue such stock or other securities to any party and on terms it deems advisable.

In addition, with respect to the common stock, there are no conversion rights or redemption or sinking fund provisions.

### **Preferred Stock**

Sysco's restated certificate of incorporation permits Sysco's board of directors to issue up to 1.5 million shares of preferred stock in one or more series, with such voting powers, full or limited, or no voting powers, and such designations, powers and relative, participating, optional or other special rights and qualifications, limitations or restrictions as the board of directors may decide, including, among others: when and at what prices to redeem shares of this stock; whether the shares of the stock are subject to a retirement or sinking fund for the repurchase or redemption of these shares; the terms of any dividends that these shares will be entitled to; and the rights of shares upon a liquidation or dissolution or any other distribution of assets of Sysco.

Sysco has designated 450,000 shares of Series A Junior Participating Preferred Stock, but none of the shares of this series, or other preferred stock, are outstanding.

The issuance of preferred stock could adversely affect the rights of holders of common stock.

### **Miscellaneous**

Sysco's certificate of incorporation contains no restrictions on the alienability of Sysco common stock. Sysco's common stock is traded on the New York Stock Exchange under the symbol `SY`.

### **Transfer Agent and Registrar**

The transfer agent and registrar for Sysco common stock is American Stock Transfer & Trust Company, LLC.

### **Certain Anti-Takeover Effects**

Certain provisions of Sysco's charter, Sysco's bylaws and the DGCL could make it more difficult to consummate an acquisition of control of Sysco by means of a tender offer, a proxy fight, open market purchases or otherwise in a transaction not approved by Sysco's board of directors, regardless of whether Sysco's stockholders support the transaction. The summary of the provisions set forth below does not purport to be complete and is qualified in its entirety by reference to Sysco's charter, Sysco's bylaws and the DGCL.

***Business Combinations***

Section 203 of the DGCL restricts a wide range of transactions ( business combinations ) between a corporation and an interested stockholder. An interested stockholder is, generally, any person who beneficially

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owns, directly or indirectly, 15% or more of the corporation's outstanding voting stock. Business combinations are broadly defined to include (a) mergers or consolidations with, (b) sales or other dispositions of more than 10% of the corporation's assets to, (c) certain transactions resulting in the issuance or transfer of any stock of the corporation or any subsidiary to, (d) certain transactions resulting in an increase in the proportionate share of stock of the corporation or any subsidiary owned by, or (e) receipt of the benefit (other than proportionately as a stockholder) of any loans, advances or other financial benefits by, an interested stockholder. Section 203 provides that an interested stockholder may not engage in a business combination with the corporation for a period of three years from the time of becoming an interested stockholder unless (a) the board of directors approved either the business combination or the transaction which resulted in the person becoming an interested stockholder prior to the time that person became an interested stockholder; (b) upon consummation of the transaction which resulted in the person becoming an interested stockholder, that person owned at least 85% of the corporation's voting stock (excluding, for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, shares owned by persons who are directors and also officers and shares owned by certain employee stock plans); or (c) the business combination is approved by the board of directors and authorized by the affirmative vote of at least 66  $\frac{2}{3}$ % of the outstanding voting stock not owned by the interested stockholder. The restrictions on business combinations with interested stockholders contained in Section 203 of the DGCL do not apply to a corporation whose certificate of incorporation or, under certain circumstances, bylaws, contains a provision expressly electing not to be governed by the statute; however, Sysco has not opted out of Section 203.

***Supermajority Requirement for Business Combinations***

In addition to the requirements of Section 203 of the DGCL, Sysco's charter provides that the affirmative vote of 80% of Sysco's outstanding stock entitled to vote will be required for certain business combinations not approved by a majority of Sysco's directors who are not affiliated with the interested party in the potential transaction, except in certain circumstances. This provision of Sysco's charter may only be amended by the affirmative vote of 80% of Sysco's outstanding stock entitled to vote.

***Classified Board Structure***

Pursuant to Sysco's bylaws, the Sysco board of directors will be divided into at least two classes of directors until Sysco's 2014 annual meeting of stockholders. At Sysco's 2011 annual meeting of stockholders, Sysco's stockholders approved an amendment to Sysco's bylaws to provide for a phased-in declassification of Sysco's board of directors. Beginning with Sysco's 2014 annual meeting of stockholders, and at each annual meeting thereafter, all directors will be elected annually.

***Advance Notice Provisions***

Stockholders seeking to nominate candidates to be elected as Sysco directors at an annual meeting or to bring business before a Sysco annual meeting must comply with advance written notice procedures set forth in Sysco's bylaws. Only persons who are nominated by or at the direction of Sysco's board, or by a stockholder who has given timely written notice to Sysco's secretary before the meeting to elect directors, will be eligible for election as directors. At any annual meeting of stockholders, the business to be conducted is limited to business brought before the meeting by or at the direction of the Sysco board of directors, or business which is a proper matter for stockholder action under Delaware law and which is brought by a stockholder who has given timely written notice to Sysco's secretary of its intention to bring such business before the meeting. A stockholder must give notice that is received at Sysco's principal executive offices in writing not less than 90 days nor more than 130 days prior to the date of the anniversary of the previous year's annual meeting. However, if the annual meeting is scheduled to be held on a date more than 30 days prior to or delayed by more than 60 days after the anniversary date, notice by the stockholder to be timely must be received not

later than the later of the close of business 90 days prior to the annual meeting or the tenth day following the day on which the notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was first made by Sysco. In the case of a special meeting of stockholders called for the purpose of electing directors, a stockholder must give

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notice to nominate a director not later than the close of business on the tenth day following the day notice of the special meeting was mailed to stockholders or public disclosure of the date of the meeting was first made by Sysco. A stockholder's notice must also contain certain information specified in the bylaws. To be eligible for nomination, a stockholder's director nominees are required to execute certain documents, including a written representation and agreement. The certificate of incorporation and bylaws of Sysco provide that 35% of the shares entitled to vote at a meeting shall constitute a quorum except as otherwise required by law.

### ***Special Meetings***

Only Sysco's board of directors may call a special meeting of stockholders.

### ***Additional Authorized Shares of Capital Stock***

The additional shares of authorized common stock and preferred stock available for issuance under Sysco's charter could be issued at such times, under such circumstances and with such terms and conditions as to impede a change in control.

### **Limitation of Liability; Indemnification**

Sysco's certificate of incorporation contains certain provisions permitted under the DGCL relating to the liability of directors. These provisions eliminate a director's personal liability to Sysco or its stockholders for monetary damages resulting from a breach of fiduciary duty, except in respect of:

breach of the director's duty of loyalty to Sysco or its stockholders;

acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

the unlawful payment of dividends or unlawful stock repurchases or redemptions; or

any transaction from which the director derives an improper personal benefit.

These provisions may have the effect of reducing the likelihood of derivative litigation against directors and may discourage or deter stockholders or Sysco from bringing a lawsuit against Sysco's directors. However, these provisions do not limit or eliminate Sysco's rights or those of any stockholder to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of a director's fiduciary duty. Also, these provisions will not alter a director's liability under federal securities laws.

Sysco's certificate of incorporation and bylaws also provide that Sysco must indemnify its directors and officers to the fullest extent permitted by Delaware law, and Sysco's bylaws provide that Sysco must advance expenses, as incurred, to Sysco's directors and officers in connection with a legal proceeding to the fullest extent permitted by Delaware law, subject to very limited exceptions. These rights are deemed to have fully vested at the time the indemnitee assumes his or her position with Sysco and will continue as to an indemnitee who has ceased to be a director or officer and will inure to the benefit of the indemnitee's heirs, executors and administrators.





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**USF MANAGEMENT'S DISCUSSION AND ANALYSIS**

This management's discussion and analysis of financial condition and results of operations should be read in conjunction with the accompanying unaudited consolidated financial statements and the notes thereto for the 13 weeks ended March 29, 2014 and the consolidated financial statements and the notes thereto for the fiscal year ended December 28, 2013. This discussion of USF's results includes certain non-GAAP financial measures. USF believes these provide meaningful supplemental information about its operating performance, because they exclude amounts that USF's management and board of directors do not consider part of core operating results when assessing USF's performance and underlying trends. More information on the rationale for these measures is discussed in "Non-GAAP Reconciliations" below.

**Overview**

USF conducts all of its operations through its wholly owned subsidiary, US Foods. All of the indebtedness, as further described in Note 9-Debt, in the Notes to USF's Unaudited Consolidated Financial Statements, is an obligation of US Foods, and its subsidiaries. Through its wholly owned operating subsidiary, US Foods, USF is a leading foodservice distributor in the United States, with about \$22 billion in net sales for fiscal 2013. USF provides an important link between over 5,000 suppliers and its 200,000 foodservice customers nationwide. USF offers an innovative array of fresh, frozen and dry food, and non-food products, with approximately 350,000 stock-keeping units (SKUs). US Foods provides value-added services that meet specific customer needs. USF believes US Foods has one of the most extensive private label product portfolios in foodservice distribution. For the latest fiscal year, this represented about 30,000 SKUs, and approximately \$7 billion in net sales. Many customers benefit from USF's support services, such as product selection, menu preparation and costing strategies.

A sales force of approximately 5,000 associates market USF's food products to a diverse customer base. USF's principal customers include independently owned single and multi-location restaurants, regional concepts, national chains, hospitals, nursing homes, hotels and motels, country clubs, fitness centers, government and military organizations, colleges and universities, and retail locations. USF supports its business with one of the largest private refrigerated fleets in the U.S., with roughly 6,000 trucks traveling an average of 200 million miles each year. USF has standardized its operations across the country. That allows it to manage the business as a single operating segment with 61 divisions nationwide.

***Outlook***

The foodservice market is affected by general economic conditions, consumer confidence, and continued pressure on consumer disposable income. During the first quarter of 2014, USF experienced inflationary pressures in several product categories. Periods of prolonged product cost inflation may have a negative impact on profit margins and earnings to the extent such product cost increases are not able to be passed on to customers due to resistance to higher prices or having a negative impact on consumer spending.

The foodservice market is highly competitive and fragmented, with intense competition and modest demand growth.

During 2014, USF expects to face pressures on consumer spending and competition. Because USF does not anticipate any material improvement in the demand for foodservice, USF will likely see modest demand growth. USF will remain focused on executing its growth strategies, adding value for and differentiating itself with its customers, and driving continued operational improvement in the business.

**Proposed Acquisition by Sysco**

***Merger Agreement***

On December 8, 2013, USF entered into the merger agreement with Sysco, Merger Sub One and Merger Sub Two, pursuant to which Sysco will acquire USF on the terms and subject to the conditions set forth in the merger agreement. See The Merger.

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***Impact of the Proposed Merger on the Business***

USF has agreed that, prior to the closing date, other than as required or expressly permitted by the merger agreement, its business and the business of its subsidiaries will be conducted in the ordinary course of business consistent with past practice in all material respects, and that USF will, and will cause each of its subsidiaries to, use commercially reasonable efforts to preserve intact their business and assets. USF has also agreed that neither it nor its subsidiaries will, during the period between the execution of the merger agreement and the closing date, subject to certain limited exceptions as set forth in the merger agreement, without the prior written consent of Sysco or unless required by applicable law, do any of the following:

amend or otherwise change in any material respect their respective organizational documents;

sell, lease, transfer, license, assign or otherwise dispose of any asset with a value in excess of \$1 million or, in the aggregate, in excess of \$5 million other than the disposition of fleet, excess real property or inventory in the ordinary course of business consistent with past practice;

except as required by applicable law or as required under the terms of any collective bargaining agreement or benefit plan as in effect on the date of the merger agreement, increase compensation or benefits or pay amounts not required to be paid, other than certain customary and ordinary course adjustments to base salaries or base wages; grant, accelerate or modify the exercisability or vesting of equity compensation; establish or amend collective bargaining agreements other than in the ordinary course of business; hire or terminate without cause employees or consultants, other than in the ordinary course of business; promote employees, other than to fill positions or roles in existence at USF on the date of the merger agreement in the ordinary course of business consistent with past practice; establish, materially amend or terminate any benefit plan; or fund compensation or benefits under any benefit plan, other than in the ordinary course of business;

except in the ordinary course of business consistent with past practice, and with respect to actions required by the merger agreement, issue, sell or grant options, warrants or rights, redeem, repurchase or otherwise acquire any USF or subsidiary securities or make any changes in the capital structure of USF or any of its subsidiaries;

incur any debt other than under current credit facilities required for working capital expenses of USF and its subsidiaries in the ordinary course of business, debt in a principal amount not in excess of \$20 million or indebtedness incurred by a subsidiary of USF to USF or to another wholly owned subsidiary of USF;

create or incur any lien on any asset, other than in the ordinary course of business consistent with past practice or permitted liens;

declare, set aside or pay any dividend or other distribution, other than dividends or distributions between USF and its subsidiaries;

split, combine, subdivide or reclassify or issue securities in substitution of the capital stock, other equity interests or voting securities, or convertible securities of USF or any of its subsidiaries;

repurchase, redeem, or otherwise acquire, or offer to repurchase, redeem or otherwise acquire, any capital stock or other equity interests or voting securities of USF or any of its subsidiaries, or any convertible security, or any warrants, calls, options or other rights to acquire any such capital stock, equity interests or voting securities, other than in the ordinary course of business consistent with past practice pursuant to management equity agreements in effect as of the date of the merger agreement;

merge or consolidate with any other entity, acquire a material amount of stock or assets of any other entity, or effect any business combination, recapitalization or similar transaction with a value in excess of \$25 million in the aggregate, other than between USF and any subsidiary or purchases of inventory or other assets in the ordinary course of business consistent with past practice or pursuant to agreements existing as of the date hereof;

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except in the ordinary course of business consistent with past practice (including extensions at the end of a term in the ordinary course of business consistent with past practice and entering into new customer agreements and supplier agreements), enter into, transfer or terminate (except for any termination upon expiration of a term in accordance with the terms and conditions thereof) or materially modify or amend, any material contract, release, assign or otherwise change any material right under any material contract, or waive any material right under or discharge any other party of any material obligation under any material contract;

make any material loan, advance or capital contribution to or investment in any person, other than loans, advances or capital contributions to or investments in its subsidiaries in the ordinary course of business consistent with past practice;

except for dispositions of excess real estate in the ordinary course of business consistent with past practice, acquire or dispose of any real property or any direct or indirect interest in any real property;

make any material change to its accounting methods, policies or practices with respect to the maintenance of books of account and records, except as required by GAAP or applicable law;

make any material changes with respect to tax reporting or enter into any material settlements or agreements with respect to certain tax matters, liabilities or enforcement actions;

make any capital expenditures or commitments for capital expenditures or enter into any fleet capital leases, in each case other than in the ordinary course of business consistent with past practice;

forgive, cancel or compromise any material debt or claim, or waive, release or assign any right or claim of material value, other than in the ordinary course of business consistent with past practice;

enter into any settlement, compromise or release contemplating or involving any admission of wrongdoing or misconduct or providing for any relief or settlement other than the payment of money not in excess of \$5 million individually or \$25 million in the aggregate;

adopt or enter into a plan or agreement of complete or partial liquidation or dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of USF or any of its subsidiaries; or

authorize any of, or agree or commit to do any of, the foregoing.

See The Merger Agreement Covenants.

**Results of Operations**

***Accounting Periods***

USF operates on a 52-53-week fiscal year, with all periods ending on Saturday. When a 53-week fiscal year occurs, USF reports the additional week in the fourth quarter. Fiscal 2013, 2012 and 2011 all consisted of 52 weeks.

**Table of Contents****Selected Historical Results of Operations**

The following table presents selected historical results of operations of USF's business for the periods indicated:

	13 Weeks Ended			Fiscal Year	
	March 29, 2014	March 30, 2013	2013	2012	2011
	(Unaudited)			(in millions)	
	(in millions)			(in millions)	
Net sales	\$ 5,457	\$ 5,405	\$ 22,297	\$ 21,665	\$ 20,345
Cost of goods sold	4,562	4,496	18,474	17,972	16,840
Gross profit	895	909	3,823	3,693	3,505
Operating expenses:					
Distribution, selling and administrative costs	878	884	3,494	3,350	3,194
Restructuring and tangible asset impairment charges		2	8	9	72
Total operating expenses	878	886	3,502	3,359	3,266
Operating income	17	23	321	334	239
Interest expense, net	73	82	306	312	307
Loss on extinguishment of debt		24	42	31	76
Income (loss) before income taxes	(56)	(83)	(27)	(9)	(144)
Income provision (benefit)	9	12	(30)	(42)	42
<b>Net income (loss)</b>	<b>\$ (65)</b>	<b>\$ (95)</b>	<b>\$ (57)</b>	<b>\$ (51)</b>	<b>\$ (102)</b>
<b>Percentage of Net Sales:</b>					
Gross profit	16.4%	16.8%	17.1%	17.0%	17.2%
Distribution, selling and administrative costs	16.1%	16.4%	15.7%	15.5%	15.7%
Operating expenses	16.1%	16.4%	15.7%	15.5%	16.1%
Operating income	0.3%	0.4%	1.4%	1.5%	1.2%
Net income (loss)	(1.2)%	(1.8)%	(0.3)%	(0.2)%	(0.5)%
<b>Other Data:</b>					
EBITDA <sup>(1)</sup>	\$ 117	\$ 93	\$ 667	\$ 659	\$ 506
Adjusted EBITDA <sup>(1)</sup>	\$ 169	\$ 156	\$ 845	\$ 841	\$ 812

- (1) EBITDA and Adjusted EBITDA are used by USF to measure operating performance. EBITDA is defined as Net loss, plus Interest expense net, Income tax provision (benefit) and depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for (1) Sponsor fees; (2) Restructuring and tangible, and intangible asset

impairment charges; (3) share-based compensation expense; (4) other gains, losses, or charges as specified under USF's debt agreements; and (5) the non-cash impact of LIFO adjustments. EBITDA and Adjusted EBITDA are supplemental measures of USF's performance-that are not required by or presented in accordance with GAAP. They are not measurements of USF's performance under GAAP and should not be considered as alternatives to net income (loss) or any other performance measures derived in accordance with GAAP, or as alternatives to cash flows from operating activities as measures of USF's liquidity. See additional information about the use of these measures and Non-GAAP reconciliations below.

#### **Non-GAAP Reconciliations**

USF believes these non-GAAP financial measures provide an important supplemental measure of USF's operating performance. This is because they exclude amounts that USF's management and board of directors do not consider part of core operating results when assessing USF's performance. USF management uses these non-GAAP financial measures to evaluate USF's historical financial performance, establish future operating and capital budgets, and determine variable compensation for management and employees. Accordingly, USF management includes those adjustments when assessing the business' operating performance.



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USF's debt agreements specify items that should be added to EBITDA in arriving at Adjusted EBITDA. These include, among other things, Sponsor fees, share-based compensation expense, impairment charges, restructuring charges, the non-cash impact of LIFO adjustments, and gains and losses on debt transactions. Where there are other small, specified costs to add to EBITDA to arrive at Adjusted EBITDA, USF combines those items under Other.

The non-recurring charges resulting from lump-sum payment settlements to former employees participating in several US Foods-sponsored pension plans were also added to EBITDA in arriving at Adjusted EBITDA. Costs to optimize USF's business were also added back to EBITDA to arrive at Adjusted EBITDA. These business transformation costs included third party and duplicate or incremental internal costs. Those items are related to functionalizing and optimizing USF's processes and systems in areas such as replenishment, finance, and category management, as well as in implementing USF's new brand image.

All of the items just mentioned are specified as additions to EBITDA to arrive at Adjusted EBITDA, per the US Foods debt agreements. USF cautions readers that amounts presented in accordance with USF's definitions of EBITDA and Adjusted EBITDA may not be the same as similar measures used by other companies. Not all companies and analysts calculate EBITDA or Adjusted EBITDA in the same manner.

USF presents EBITDA because it is an important supplemental measure of USF's performance. USF also knows that it is frequently used by securities analysts, investors and other interested parties to evaluate companies in USF's industry. USF presents Adjusted EBITDA as it is the key operating performance metric used by USF's Chief Operating Decision Maker to assess operating performance.

The following is a quantitative reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable GAAP financial performance measure, which is Net income (loss) for the periods indicated:

	13-Weeks Ended		Fiscal Year		
	March 29, 2014	March 30, 2013	2013	2012	2011
	(Unaudited)		(in millions)		
	(in millions)				
Net income (loss)	\$ (65)	\$ (95)	\$ (57)	\$ (51)	\$ (102)
Interest expense, net	73	82	306	312	307
Income tax provision (benefit)	9	12	30	42	(42)
Depreciation and amortization expense	100	94	388	356	343
<b>EBITDA</b>	<b>117</b>	<b>93</b>	<b>667</b>	<b>659</b>	<b>506</b>
Adjustments:					
Sponsor fees <sup>(1)</sup>	3	3	10	10	10
Restructuring and tangible asset impairment charges <sup>(2)</sup>		2	8	9	72
Share-based compensation expense <sup>(3)</sup>	3	4	8	4	15
LIFO reserve change <sup>(4)</sup>	25	2	12	13	59
Loss on extinguishment of debt <sup>(5)</sup>		24	42	31	76
Legal <sup>(6)</sup>					3
Pension Settlement <sup>(7)</sup>			2	18	
Business transformation costs <sup>(8)</sup>	12	14	61	75	45
Other <sup>(9)</sup>	9	14	35	22	26

<b>Adjusted EBITDA</b>	<b>\$ 169</b>	<b>\$ 156</b>	<b>\$ 845</b>	<b>\$ 841</b>	<b>\$ 812</b>
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- (1) Consists of management fees paid to the USF sponsors.
- (2) Consists primarily of facility closing, severance and related costs, and tangible asset impairment charges.
- (3) Share-based compensation represents costs recorded for vesting of USF stock option awards, restricted stock and, restricted stock units.
- (4) Consists of changes in the LIFO reserve.

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- (5) Includes fees paid to debt holders, third party costs, early redemption premium, and the write off of old debt facility unamortized debt issuance costs. See Note 9 Debt in the Notes to USF's Unaudited Consolidated Financial Statements and Note 11 Debt in the Notes to USF's Audited Consolidated Financial Statements for a further description of debt refinancing transactions.
- (6) Includes settlement costs accrued in 2011 for a class action matter.
- (7) Consists of charges resulting from lump-sum payment settlements to retirees and former employees participating in several US Foods-sponsored pension plans.
- (8) Consists primarily of costs related to functionalization and significant process and systems redesign.
- (9) Other includes gains, losses or charges as specified under the US Foods debt agreements, including \$4 million of direct and incremental costs for the 13 weeks ended March 29, 2014 and \$4 million of direct and incremental costs for the fiscal year ended December 28, 2013, related to the merger.

**13-Weeks Ended March 29, 2014 and March 30, 2013****Highlights**

Net sales increased \$52 million, or 1.0%, in 2014 from 2013. Gross profit decreased \$14 million, or 1.5%, for the first quarter of 2014. Operating expenses as a percentage of net sales were 16.1% in 2014 versus 16.4% in 2013. Operating income as a percentage of net sales decreased to 0.3% compared to 0.4% in 2013. Interest expense-net decreased \$9 million to \$73 million in 2014 from \$82 million a year ago. In January 2013, USF redeemed the remaining \$355 million in principal of its 11.25% Senior Subordinated Notes ( Senior Subordinated Notes ) and recorded a loss on extinguishment of debt of \$24 million. There were no debt refinancing transactions in the first quarter of 2014. Net loss was \$65 million for the 13 weeks ended March 29, 2014 versus \$95 million for this time last year.

***Net Sales***

Net sales increased \$52 million, or 1.0%, to \$5,457 million in the first quarter of 2014 from \$5,405 million in 2013. The increase was primarily due to increased sales to independent restaurants, healthcare and hospitality customers, partially offset by decreased sales to national chain customers. Case volume decreased 1.3% from the prior year. Higher product cost favorably impacted net sales in 2014 by approximately \$110 million, as a significant portion of USF's business is based on percentage markups over actual cost. Lower case volume, primarily with national chain customers, unfavorably impacted 2014 Net sales by approximately \$60 million.

***Gross Profit***

Gross profit decreased \$14 million, or 1.5%, to \$895 million in the latest quarter from \$909 million last year. Lower gross profit reflected the 1.3% decrease in case volume and commodity pricing pressures, partially offset by merchandising initiatives. Gross profit as a percentage of net sales decreased by 0.4% to 16.4% versus 16.8% in 2013.

***Distribution, Selling and Administrative Expenses***

Distribution, selling and administrative expenses decreased \$6 million, or 0.7%, to \$878 million in 2014 from \$884 million in 2013. As a percentage of net sales, USF saw a decrease of 0.3% to 16.1% from 16.4% at this time last year. Decreases in Distribution, selling and administrative costs included a \$13 million decrease in payroll and related costs, primarily driven by lower incentive compensation costs from a year ago and a \$4 million decrease in pension costs for US Foods sponsored plans. These decreases were partially offset by a \$6 million increase in Depreciation and amortization expense, primarily due to investments in technology, and \$4 million of 2014 direct and incremental costs related to the merger agreement.

***Restructuring and Tangible Asset Impairment Charges***

In the most recent quarter, certain Assets held for sale were adjusted to equal their estimated fair value less costs to sell, resulting in tangible asset impairment charges of \$0.1 million in the first quarter of 2014 versus \$2 million at this time last year.

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**Table of Contents*****Operating Income***

Operating income decreased \$6 million, or 26.1%, to \$17 million, compared with \$23 million in 2013. Operating income as a percent of net sales decreased 0.1% to 0.3% for the three months from 0.4% in 2013. The change was primarily due to the factors discussed above.

***Interest Expense***

Interest expense decreased \$9 million to \$73 million from \$82 million in the 2014 quarter due to lower overall borrowing costs as a result of the US Foods 2013 debt refinancing transactions and a decrease in average borrowings.

***Loss on Extinguishment of Debt***

The 2013 loss on extinguishment of debt of \$24 million consisted of an early redemption premium and a write-off of unamortized debt issuance costs related to the Senior Subordinated Notes redemption. For a detailed description of the Senior Subordinated Notes redemption transaction, see Note 9 Debt in the Notes to the USF Unaudited Consolidated Financial Statements.

***Income Taxes***

The determination of USF's overall effective tax rate requires the use of estimates. The effective tax rate reflects the income earned and taxed in various United States federal and state jurisdictions. Tax law changes, increases and decreases in temporary and permanent differences between book and tax items, tax credits and USF's change in income in each jurisdiction all affect the overall effective tax rate.

For interim periods, USF estimates annual pre-tax income, temporary and permanent differences between book and tax items and other items, including changes in its valuation allowance, to derive a year to date effective tax rate for the interim period.

USF estimated its annual effective tax rate to be applied to the results of the 13 weeks ended March 29, 2014 and March 30, 2013. In estimating its annual effective tax rate, USF excluded the effects of the valuation allowance necessary as a result of the tax amortization of its goodwill and trademarks. The valuation allowance impact of the tax amortization of goodwill and trademarks has been measured discretely for the quarter to calculate the income taxes. Given USF's cumulative tax loss position, the impact of the projected current year book income and non-deductible items is being offset by a commensurate valuation allowance adjustment within the annual effective tax rate. USF concluded that to use the forecasted annual effective tax rate, unadjusted for the effects of the valuation allowance related to the tax amortization of the goodwill and trademarks as described above would not be reliable for use in quarterly reporting of income taxes due to such rate's significant sensitivity to minimal changes in forecasted annual pre-tax income. The impact of including the tax goodwill and trademarks amortization in the annual effective tax rate computation, as applied to the year-to-date pre-tax loss of \$56 million, would be distortive to the financial statements. As a result of these considerations, USF's management concluded that the readers of the financial statements would best benefit from a tax provision for the quarter that reflects the accretion of the valuation allowance on a discrete, ratable basis.

The valuation allowance against the net deferred tax assets was \$117 million at December 28, 2013. The deferred tax assets related to federal and state net operating losses increased \$32 million during the 13-weeks ended March 29, 2014, which resulted in a \$149 million total valuation allowance at March 29, 2014. A full valuation allowance on the net deferred tax assets will be maintained until sufficient positive evidence related to sources of future taxable income

exists to support a reversal of the valuation allowance.

The effective tax rate for the 13 weeks ended March 29, 2014 and March 30, 2013 of 16% and 15%, respectively varied from the 35% federal statutory rate primarily due to the increase in the valuation allowance.

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During the 13 weeks ended March 29, 2014 and March 30, 2013, the valuation allowance increased \$32 million and \$11 million, respectively, as a result of increased deferred tax assets (net operating losses) not covered by future reversals of deferred tax liabilities.

### ***Net Loss***

USF's net loss declined \$30 million to \$65 million in 2014 as compared with a net loss of \$95 million in 2013. The lower net loss was primarily due to the factors discussed above.

### **Fiscal Years Ended December 28, 2013 and December 29, 2012**

### **Highlights**

This is a comparison of results between fiscal 2013 and 2012:

Net sales increased \$632 million, or 2.9%, to \$22,297 million.

Operating income, as a percentage of net sales, was 1.4% in 2013 as compared to 1.5% in 2012. Fiscal 2013 operating income included an increase in variable compensation expense of approximately \$50 million, as compared to 2012.

Adjusted EBITDA increased 0.5% or \$4 million, to \$845 million.

In June 2013, US Foods amended its term loan facilities. In January 2013, US Foods redeemed the remaining \$355 million in principal of its 11.25% Senior Subordinated Notes. These transactions resulted in an aggregate loss on extinguishment of debt of \$42 million.

### ***Net Sales***

Net sales increased \$632 million, or 2.9%, to \$22,297 million in 2013 versus \$21,665 million in 2012. The improvement was primarily due to increased sales to independent restaurants, healthcare and hospitality customers. Case volume grew 1.2%, or \$280 million, over the prior year. Approximately \$350 million of the net sales increase came from higher product cost, as a significant portion of USF's business is based on percentage markups over actual cost. Less than 1% of the 2013 sales growth was attributable to acquisitions.

### ***Gross Profit***

Gross profit increased \$130 million, or 3.5%, to \$3,823 million in 2013, from \$3,693 million in 2012. Gross profit as a percentage of net sales rose by 0.1% to 17.1% in 2013, as compared to 17.0% in 2012. Higher gross profit reflected favorable product cost due to merchandising initiatives, and higher case volume, partially offset by commodity pricing pressures.

### ***Distribution, Selling and Administrative Costs***

Distribution, selling and administrative costs increased \$144 million, or 4.3%, to \$3,494 million in 2013, compared to \$3,350 million in 2012. Distribution, selling and administrative costs as a percentage of net sales grew by 0.2% to 15.7% for 2013 versus 15.5% for 2012. The 2013 increase in Distribution, selling and administrative expenses was primarily due to a \$111 million increase in payroll and related costs, driven by higher incentive compensation costs from a year ago, higher wages related to year-over-year wage inflationary increases, and increased sales volume.

Other increases in Distribution, selling and administrative expenses included (1) a \$23 million increase in Depreciation and amortization expense, due to recent capital expenditures for fleet replacement and investments in technology; (2) \$9 million increase in amortization of intangible assets resulting from USF's 2012 business acquisitions; (3) a \$23 million increase in self-insurance costs due to less favorable business insurance experience in 2013; and (4) a \$9 million increase in bad debt costs. These increases were offset by productivity



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improvements from US Foods selling and distribution activities initiatives, and business transformation costs that were \$14 million lower in 2013 than in the prior year. Pension expense decreased \$15 million in 2013 from a year ago, primarily due to a 2012 settlement charge resulting from lump-sum payments to retirees and former employees participating in several US Foods-sponsored pension plans.

***Restructuring and Tangible Asset Impairment Charges***

During 2013, USF recognized Restructuring and tangible asset impairment charges of \$8 million. USF closed three distribution facilities that ceased operating in 2014. That resulted in \$4 million of severance and related costs. Certain Assets held for sale in 2013 were adjusted down to their estimated fair value, less costs to sell. That resulted in tangible asset impairment charges of \$2 million. USF also incurred \$2 million of other severance costs, including \$1 million for a multiemployer pension withdrawal liability.

During 2012, USF recognized Restructuring and tangible asset impairment charges of \$9 million. USF closed four facilities, including three distribution centers and one administrative support office. The closed facilities were consolidated into other US Foods operations. These actions resulted in \$5 million of tangible asset impairment charges and minimal severance and related costs. In 2012, USF recognized \$3 million of net severance and related costs for initiatives to optimize and transform its business processes and systems. Also, certain Assets held for sale were adjusted to their estimated fair value, less costs to sell. This created tangible asset impairment charges of \$2 million. Additionally, USF reversed \$2 million of liabilities for unused leased facilities.

***Operating Income***

Operating income decreased \$13 million or 3.9% to \$321 million in 2013, compared to \$334 million in 2012. Operating income as a percentage of net sales decreased 0.1% to 1.4% in 2013 from 1.5% in 2012. The operating income changes were primarily due to the factors discussed above.

***Interest Expense***

Interest expense decreased \$6 million to \$306 million in 2013 from \$312 million in 2012. Lower overall borrowing costs as a result of the US Foods debt refinancing transactions were partially offset by an increase in average borrowings.

***Loss on Extinguishment of Debt***

During 2013 and 2012, USF entered into a series of debt refinancing transactions to extend debt maturities or lower borrowing costs. The 2013 Loss on extinguishment of debt was \$42 million. It consisted of a \$20 million premium related to the early redemption of US Foods 11.25% Senior Subordinated Notes, a write-off of \$13 million of unamortized debt issuance costs related to the old debt facilities, and \$9 million of lender fees and third party costs related to these transactions.

The 2012 Loss on extinguishment of debt was \$31 million. This included \$12 million of lender fees and third party costs related to the transactions, a write off of \$10 million of unamortized debt issuance costs related to the old debt facilities, and a \$9 million premium from the early redemption of US Foods Senior Subordinated Notes. For a detailed description of USF's debt refinancing transactions, see Note 11 Debt in the Notes to USF's Audited Consolidated Financial Statements.

***Income Taxes***

The effective tax rate of 109% for 2013 was primarily affected by a \$32 million increase in the valuation allowance related to intangible assets, and a \$5 million decrease in deferred tax assets for stock awards settled.

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The effective tax rate of 487% for 2012 was primarily affected by a \$44 million increase in the valuation allowance related to intangible assets. See Note 19 Income Taxes in the Notes to USF's Audited Consolidated Financial Statements for a reconciliation of USF's effective tax rates to the statutory rate.

### ***Net Loss***

Net loss increased \$6 million to \$57 million in 2013, as compared to net loss of \$51 million in 2012. The 2013 increase in net loss was primarily due to the factors discussed above.

### **Fiscal Years Ended December 29, 2012 and December 31, 2011**

### **Highlights**

Net sales increased \$1,320 million, or 6.5%, in 2012 compared to 2011. Gross profit, as a percentage of net sales, decreased to 17.0% in 2012 from 17.2% in 2011. Operating expenses, as a percentage of net sales, decreased to 15.5% in 2012 in contrast to 16.1% in 2011. Operating income, as a percentage of net sales, increased to 1.5% in 2012 as compared to 1.2% in 2011. Net interest expense grew \$5 million to \$312 million in 2012 from \$307 million in 2011. In 2012, US Foods entered into a series of debt refinancing transactions resulting in a \$31 million aggregate loss on extinguishment of debt. In May 2011, US Foods redeemed all of its 10.25% Senior Notes due June 30, 2015 ( Old Senior Notes ), with an aggregate principal of \$1 billion, and recorded a loss on extinguishment of debt of \$76 million. Net loss was \$51 million in 2012, an improvement on the net loss of \$102 million in 2011.

### ***Net Sales***

Net sales increased \$1,320 million, or 6.5%, to \$21,665 million in 2012, as compared to \$20,345 million in 2011. This reflected higher sales to independent restaurants and national chain customers. Case volume increased 3.9%, or \$800 million, over the prior year. Approximately \$500 million of the net sales increase came from higher product cost, as a significant portion of USF's business is based on percentage markups over actual cost.

### ***Gross Profit***

Gross profit increased \$188 million, or 5.4%, to \$3,693 million in 2012, versus \$3,505 million in 2011. Gross profit, as a percentage of net sales, decreased to 17.0% in 2012 from 17.2% in 2011. The improvement in gross profit was primarily a result of higher case volume and a favorable year-over-year LIFO inventory adjustment, partially offset by commodity pricing pressures.

### ***Distribution, Selling and Administrative Costs***

Distribution, selling and administrative costs increased \$156 million, or 4.9%, to \$3,350 million in 2012, compared to \$3,194 million in 2011. These costs as a percentage of net sales decreased by 0.2% to 15.5% for 2012 from 15.7% for 2011. The 2012 rise in Distribution, selling and administrative costs reflected a \$79 million increase in payroll and related costs, due to higher wages related to year-over-year wage inflationary increases and greater sales volume, partially offset by a decrease in variable compensation. Diesel fuel costs grew \$25 million as a result of higher fuel costs and increased fuel usage.

Other increases in Distribution, selling and administrative costs included (1) a \$30 million rise in costs incurred to functionalize and optimize USF's business processes and systems, (2) a \$23 million increase in pension expense (primarily related to a settlement charge resulting from lump-sum payments to former employees participating in

several US Foods sponsored pension plans), and (3) a \$9 million increase in depreciation expense (primarily due to recent capital expenditures for fleet replacement). The 2012 increases in this item were partially offset by an \$8 million decrease in self-insurance costs from a favorable business insurance claims experience, and a \$6 million decrease in bad debt expense.

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**Table of Contents*****Restructuring and Tangible Asset Impairment Charges***

During 2012, USF recognized Restructuring and tangible asset impairment charges of \$9 million. Four facilities were closed, including three distribution centers and an administrative support office. These facilities were consolidated into other US Foods operations. Closing the facilities led to \$5 million of tangible asset impairment charges and minimal severance and related costs. During 2012, USF recognized \$3 million of net severance and related costs for initiatives to optimize and transform its business processes and systems. In addition, certain Assets held for sale were adjusted down to their estimated fair value less costs to sell. That resulted in tangible asset impairment charges of \$2 million. USF also reversed \$2 million of liabilities for unused leased facilities.

During 2011, USF closed four distribution facilities and recognized Restructuring and tangible asset impairment charges of \$72 million. Three facilities stopped operating in 2011 and the other closed in 2012. One facility was closed because a new one was built, and the operations of the remaining three closed facilities were consolidated into other US Foods locations. Closing the four distribution facilities resulted in \$45 million of severance and related costs, including a \$40 million multiemployer pension withdrawal charge, and \$7 million of tangible asset impairment charges. USF also recognized \$17 million of severance and related costs. This was largely the result of the reorganization and centralization of various functional areas including finance, human resources, replenishment and category management plus \$1 million of facility closing costs. Additionally, certain other Assets held for sale were adjusted to equal their estimated fair value less costs to sell, bringing tangible asset impairment charges of \$2 million.

***Operating Income***

Operating income rose \$95 million or 39.7% to \$334 million in 2012, compared to \$239 million in 2011. Operating income as a percentage of net sales increased 0.3% to 1.5% in 2012 versus 1.2% for 2011. The operating income changes were primarily due to the factors discussed above.

***Interest Expense***

Interest expense increased \$5 million to \$312 million in 2012 from \$307 million in 2011. That was primarily due to nominal increases in the average interest rate and average borrowings outstanding under USF's debt facilities.

***Loss on Extinguishment of Debt***

During 2012 and 2011, US Foods entered into a series of debt refinancing transactions to extend debt maturities or lower borrowing costs. The 2012 Loss on extinguishment of debt was \$31 million. It consisted of \$12 million of lender fees and third party costs related to the transactions, a write-off of \$10 million of unamortized debt issuance costs related to the old debt facilities, and \$9 million premium related to the early redemption of US Foods' Senior Subordinated Notes.

The 2011 Loss on extinguishment of debt was \$76 million. This included a \$64 million premium and a write-off of \$12 million of unamortized debt issuance costs related to the early redemption of US Foods' 10.25% Senior Notes due June 30, 2015. For a detailed description of US Foods' debt refinancing transactions, see Note 11 Debt in the Notes to USF's Audited Consolidated Financial Statements.

***Income Taxes***

The effective tax rate of 487% for 2012 was primarily affected by a \$44 million increase in the valuation allowance related to intangible assets. The effective tax rate of 29% for 2011 was primarily affected by an \$11 million increase

in the valuation allowance related to intangible assets. See Note 19 Income Taxes in the Notes to USF's Audited Consolidated Financial Statements for a discussion of the change in Income tax (provision) benefit and the overall effective tax rate on the Loss before income taxes.

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***Net Loss***

Net loss decreased \$51 million to \$51 million in 2012 from a net loss of \$102 million in 2011. The 2012 decrease in net loss was primarily due to the factors discussed above.

**Liquidity and Capital Resources**

USF's operations and strategic objectives require continuing capital investment. Company resources include cash provided by operations, as well as access to capital from bank borrowings, various types of debt, and other financing arrangements. However, in connection with the merger agreement, USF has agreed to several debt-related terms. These include USF's agreement (1) not to incur indebtedness in excess of \$20 million other than to fund working capital expenses in the ordinary course of business and certain other agreed-upon expenditures, and (2) not to make any capital expenditures or commitments or enter into fleet capital leases in excess of \$100 million other than in the ordinary course of business consistent with past practice.

The merger agreement provides for restrictive covenants that limit USF's ability to take certain actions. These include raising capital and conducting other financing activities. However, USF does not believe these restrictions will prevent it from meeting its debt service obligations, ongoing costs of operations, working capital needs, and capital expenditure requirements for the next 12 months.

***Indebtedness***

USF's operating subsidiary, US Foods, is highly leveraged, with significant scheduled debt maturities during the next five years. A substantial portion of USF's liquidity needs arise from debt service requirements, and from the ongoing costs of operations, working capital and capital expenditures.

As of March 29, 2014, US Foods had \$4,800 million in aggregate indebtedness outstanding. US Foods had commitments for additional borrowings under the asset-based senior secured revolving loan ABL Facility (the ABL Facility) and the 2012 ABS Facility (the 2012 ABS Facility) of \$895 million (of which approximately \$842 million was available based on the borrowing base), all of which were secured.

USF's primary financing sources for working capital and capital expenditures are the ABL Facility and the 2012 ABS Facility.

The ABL Facility provides for loans of up to \$1,100 million, with its capacity limited by borrowing base calculations. As of March 29, 2014, US Foods had \$30 million of outstanding borrowings and had issued Letters of Credit totaling \$289 million under the ABL Facility. There was available capacity on the ABL Facility of \$781 million at March 29, 2014, based on the borrowing base calculation.

Under the 2012 ABS Facility, US Foods and certain subsidiaries sell, on a revolving basis, their eligible receivables to a 100% owned, special purpose, bankruptcy remote subsidiary of US Foods. This subsidiary, in turn, grants to the administrative agent for the benefit of the lenders a continuing security interest in all of its rights, title and interest in the eligible receivables (as defined by the 2012 ABS Facility). The maximum capacity under the 2012 ABS Facility is \$800 million, with its capacity limited by borrowing base calculations. Borrowings under the 2012 ABS Facility were \$686 million at March 29, 2014. US Foods, at its option, can request additional 2012 ABS Facility borrowings up to the maximum commitment, provided sufficient eligible receivables are available as collateral. There was available capacity on the 2012 ABS Facility of \$61 million at March 29, 2014, based on the borrowing base calculation.

US Foods has \$1,350 million of 8.5% unsecured Senior Notes ( Senior Notes ) due June 30, 2019 outstanding as of March 29, 2014. On December 19, 2013, the indenture for the Senior Notes (the Senior Note Indenture ) was amended so that the merger will not constitute a Change of Control. This was authorized through the consent of the holders of the Senior Notes. In the event of a Change of Control, the holders of the



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Senior Notes would have the right to require US Foods to repurchase all or any part of their notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase. If the merger is terminated under the terms of the merger agreement, or is not completed by September 8, 2015, the Senior Note Indenture will revert to its original terms. Holders of the Senior Notes received fees of \$3.4 million as consideration for agreeing to the amendment. Under the merger agreement, Sysco funded the payment of the consent fees to the holders in December 2013. Additionally, Sysco agreed to pay the related transaction costs and fees.

Due to the debt refinancing transactions completed in 2013 and 2012, \$3.4 billion of US Foods' debt facilities will not mature until 2019. The remaining \$1.4 billion of debt facilities mature at various dates, including \$700 million in 2015 and \$500 million in 2017. As economic conditions permit, USF will consider further opportunities to repurchase, refinance or otherwise reduce its debt obligations on favorable terms. Any further potential debt reduction or refinancing could require significant use of liquidity and capital resources. For a detailed description of US Foods' indebtedness, see Note 9 Debt in the Notes to USF's Unaudited Consolidated Financial Statements.

USF believes that the combination of cash generated from operations together with availability under the debt agreements and other financing arrangements will be adequate to permit it to meet its debt service obligations, ongoing costs of operations, working capital needs, and capital expenditure requirements for the next 12 months. USF's future financial and operating performance, ability to service or refinance its debt, and ability to comply with covenants and restrictions contained in its debt agreements will be subject to (1) future economic conditions, (2) the financial health of its customers and suppliers, and (3) financial, business and other factors many of which are beyond USF's control.

Every quarter, USF performs a review of all of its lenders that have a continuing obligation to provide funding to it by reviewing rating agency changes. USF is not aware of any facts that indicate its lender banks will not be able to comply with the contractual terms of their agreements with USF. USF continues to monitor the credit markets generally and the strength of its lender counterparties.

USF, its Sponsors or affiliates may, from time-to-time, repurchase or otherwise retire USF's debt and take other steps to reduce USF's debt or otherwise improve USF's balance sheet. These actions may include open market repurchases, negotiated repurchases, and other retirements of outstanding debt. The amount of debt that may be repurchased or otherwise retired, if any, will depend on market conditions, trading levels of USF's debt, USF's cash position, and other considerations. USF's Sponsors or their affiliates may also purchase USF's debt from time-to-time, through open market purchases or other transactions. In these cases, USF's debt is not retired, and USF would continue to pay interest in accordance with the terms of the debt.

USF's credit facilities, loan agreements and indentures contain customary covenants. These include, among other things, covenants that restrict USF's ability to incur certain additional indebtedness, create or permit liens on assets, pay dividends, or engage in mergers or consolidations. Certain debt agreements also contain various and customary events of default with respect to the loans. Those include, without limitation, the failure to pay interest or principal when this is due under the agreements, cross default provisions, the failure of representations and warranties contained in the agreements to be true, and certain insolvency events. If a default event occurs and continues, the principal amounts outstanding plus unpaid interest and other amounts owed may be declared immediately due and payable to the lenders. If this happened, USF would be forced to seek new financing that may not be as favorable as its current facilities. USF's ability to refinance indebtedness on favorable terms, or at all, is directly affected by the current economic and financial conditions. In addition, USF's ability to incur secured indebtedness (which may enable it to achieve more favorable terms than the incurrence of unsecured indebtedness) depends in part on the value of its assets. In turn, that depends, on the strength of its cash flows, results of operations, economic and market conditions and other factors. As of March 29, 2014, USF was in compliance with all of its debt agreements.



**Table of Contents****Cash Flows**

This table presents condensed highlights from the cash flow statements for the periods presented:

	13-Weeks Ended		December 28, 2013	Fiscal Year	December 31, 2011
	March 29, 2014	March 30, 2013		December 29, 2012	
	(Unaudited)			(in millions)	
	(in millions)				
Net loss	\$ (65)	\$ (95)	\$ (57)	\$ (51)	\$ (102)
Changes in operating assets and liabilities, net of acquisitions of businesses	(23)	(61)	(123)	(101)	84
Other adjustments	119	146	502	468	437
Net cash provided by operating activities	31	(10)	322	316	419
Net cash used in investing activities	(40)	(51)	(187)	(380)	(338)
Net cash (used in) provided by financing activities	1	(32)	(197)	103	(301)
Net (decrease) increase in cash and cash equivalents	(8)	(93)	(62)	39	(220)
Cash and cash equivalents, beginning of period	180	242	242	203	423
Cash and cash equivalents, end of period	\$ 172	\$ 149	\$ 180	\$ 242	\$ 203

**Operating Activities**

Cash flows provided by operating activities were \$31 million for the 13 weeks ended March 29, 2014 compared with cash flows used in operating activities of \$10 million for the 13 weeks ended March 30, 2013.

Cash flows provided by operating activities in 2014 and cash flows used in operating activities in 2013 were unfavorably affected by changes in operating assets and liabilities including increases in Accounts receivable and a decrease in Accrued expenses and other liabilities partially offset by an increase in Accounts payable.

Cash flows used in operating activities increased \$41 million in 2014 from 2013. Higher Accounts payable was partially offset by an increase in Accounts receivable and lower Accrued expenses and other liabilities.

Cash flows provided by operating activities were \$322 million in 2013, compared to \$316 million in 2012 and \$419 million in 2011.

Cash flows provided by operating activities in 2013 were unfavorably affected by changes in operating assets and liabilities. This included higher Inventories and Accounts receivable and lower Accounts payable. Cash flows

provided by operating activities in 2012 were unfavorably affected by changes in operating assets and liabilities, including increases in Inventories and Accounts receivable and a decrease in Accrued expenses and other current liabilities, partially offset by an increase in Accounts payable and improved operating results. Cash flows provided by operating activities in 2011 were favorably affected by changes in operating assets and liabilities, including increases in Accounts payable and Accrued expenses and other current liabilities, and a decrease in Inventories, primarily offset by higher Accounts receivable.

Cash flows provided by operating activities increased \$6 million in 2013 from 2012. Decreases in Accounts receivable and Inventories, and an increase in Accrued expenses and other current liabilities, were partially offset by lower Accounts payable and lower Operating income. The \$103 million decrease in Cash flows provided by operating activities in 2012 versus 2011, was primarily due to an increase in Inventories of \$239 million, partially offset by a \$60 million decrease in Accounts receivable and improved operating results. The 2012 inventory increase was primarily attributable to higher inventory levels carried to support improved sales and better serve USF's customers.

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### **Investing Activities**

Cash flows used in investing activities for the 13-weeks ended March 29, 2014, included purchases of property and equipment of \$41 million, and proceeds from sales of property and equipment of \$1 million. Last year's first quarter included purchases of property and equipment of \$55 million, and proceeds from sales of property and equipment of \$3 million.

Capital expenditures in 2014 and 2013 included fleet replacement and investments in information technology to improve USF's business, as well as new construction and/or expansion of distribution facilities. Additionally, USF entered into \$47 million and \$50 million of capital lease obligations for fleet replacement during the first quarter of 2014 and 2013, respectively.

USF expects cash capital expenditures in 2014 to be approximately \$190 million. The expenditures will focus on information technology, warehouse equipment and facility construction and/or expansion. USF expects to also enter into approximately \$75 million of fleet capital leases in 2014. USF expects to fund its 2014 capital expenditures with available cash balances or cash generated from operations.

Cash flows used in investing activities in 2013 included purchases of property and equipment of \$191 million, and proceeds from sales of property and equipment of \$15 million. Cash flows used in investing activities for 2012 included purchases of property plant and equipment of \$293 million, and proceeds from sales of property and equipment of \$20 million. Cash flows used in investing activities during 2011 included property plant and equipment purchases of \$304 million, and proceeds from property and equipment sales of \$7 million.

Capital expenditures in 2013, 2012 and 2011 included fleet replacement and investments in information technology to improve our business, as well as new construction and/or expansion of distribution facilities. Additionally, USF entered into \$94 million of capital lease obligations for fleet replacement during 2013.

Cash flows used in investing activities during 2013 included the acquisition of one foodservice distributor for \$14 million in cash, plus a contingent consideration of \$2 million. USF also had a purchase price adjustment of \$2 million in 2013 related to two 2012 acquisitions.

In 2012, cash flows used in investing activities included business acquisitions of five foodservice distributors for \$106 million in cash, plus a contingent consideration of \$6 million. In 2011, cash flows used in investing activities included business acquisitions of \$41 million. These acquisitions have been or are being integrated into USF's foodservice distribution network.

### **Financing Activities**

Cash flows provided by financing activities of \$1 million during the first quarter of 2014 resulted from \$10 million of net borrowings on USF's ABL facility, primarily offset by scheduled payments on other debt facilities.

For the same time in 2013, cash flows used in financing activities of \$32 million primarily resulted from net payments on debt facilities, and costs and fees paid related to USF's January 2013 debt refinancing transaction. USF used proceeds of \$388 million from Senior Note issuances largely to redeem \$355 million in principal of USF's Senior Subordinated Notes, plus an early redemption premium of \$20 million. USF incurred total cash costs of \$6 million in connection with the 2013 debt refinancing transaction. Additionally, USF made net payments on its ABL Facility of \$25 million, as well as \$13 million of scheduled payments on other debt facilities. In 2013, USF paid \$1 million to repurchase USF common shares from employees who left USF. The shares were acquired through a management

stockholder s agreement associated with USF s stock incentive plan.

Cash flows used in financing activities of \$197 million in 2013 primarily resulted from net payments on debt facilities, and costs and fees paid related to our 2013 debt refinancing transactions.

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In June 2013, USF refinanced its term loan facilities into a new \$2,100 million term facility. Lenders exchanged \$1,634 million in principal under USF's previous term loan facilities for a like amount of principal in the new facility. USF received proceeds of \$466 million from continuing and new lenders purchasing additional principal in the new term loan facility. The cash proceeds were used to pay down \$457 million in principal of the previous term loan facilities. In January 2013, USF used proceeds of \$388 million from Senior Note issuances primarily to redeem \$355 million in principal of its Senior Subordinated Notes, plus an early redemption premium of \$20 million. USF incurred total cash costs of \$29 million in connection with the 2013 debt refinancing transactions, including costs to register its Senior Notes. Additionally, USF made net payments on the ABL Facility of \$150 million as well as \$27 million of scheduled payments on other debt facilities. In 2013, USF paid \$6 million of contingent consideration related to 2012 business acquisitions. In 2013, USF paid \$8 million to repurchase shares of common stock of USF from employees who left USF. The shares were acquired under a management stockholder's agreement associated with the stock incentive plan.

**Retirement Plans**

USF maintains several qualified retirement plans (the Retirement Plans) that pay benefits to certain employees at retirement, using formulas based on a participant's years of service and compensation. USF contributed \$10 million and \$9 million to the Retirement Plans during the 13-weeks ended March 29, 2014 and March 30, 2013, respectively. US Foods expects to make \$49 million total contributions, including the payments described above, to the Retirement Plans in 2014.

USF also contributes to various multiemployer benefit plans under collective bargaining agreements. USF contributed \$8 million and \$7 million during the 13 weeks ended March 29, 2014 and March 30, 2013, respectively. At March 29, 2014, USF had \$58 million of multiemployer pension withdrawal liabilities relating to closed facilities, payable in monthly installments through 2031, at effective interest rates ranging from 5.9% to 6.7%. As discussed in Note 15 Commitments and Contingencies in the Notes to USF's Unaudited Consolidated Financial Statements, US Foods was assessed an additional \$17 million multiemployer pension withdrawal liability for a facility closed in 2008. USF believes they have meritorious defenses against this assessment and intend to vigorously defend itself against the claim. At this time, USF does not believe that paying this obligation is probable and, accordingly, has recorded no related liability.

**Retention and Transaction Bonuses**

As part of the merger agreement, USF was given rights to offer retention and transaction bonuses to certain current employees that are integral to the successful completion of the transaction. USF was approved to offer a maximum of \$31.5 million and \$10 million of retention bonuses and transaction bonuses, respectively. The retention and transaction bonus payments are subject to consummation of the merger and are payable on or after the transaction date. As of March 29, 2014, USF has not and is not required to record a liability for these bonuses until the merger is consummated.

**Off-Balance Sheet Arrangements**

USF entered into letters of credit of \$90 million in favor of certain lessors securing its obligations with respect to certain leases or in favor of Ahold, securing Ahold's contingent exposure under guarantees of USF's obligations with respect to those leases. Additionally, USF entered into letters of credit of \$184 million in favor of certain commercial insurers securing its obligations with respect to its self-insurance programs, and letters of credit of \$15 million for other obligations.

Except as disclosed above, USF has no off-balance sheet arrangements that currently have or are reasonably likely to have a material effect on its consolidated financial condition, changes in financial condition, results of operations, liquidity, capital expenditures or capital resources.



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**Table of Contents****Critical Accounting Policies and Estimates**

USF has prepared the financial information in this report in accordance with GAAP. Preparing these consolidated financial statements requires USF to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. USF bases its estimates and judgments on historical experience and other factors USF believes are reasonable under the circumstances. These assumptions form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The most critical accounting policies and estimates pertain to the valuation of goodwill and other intangible assets, property and equipment, vendor consideration, self-insurance programs, and income taxes.

**Valuation of Goodwill and Other Intangible Assets**

Goodwill and other intangible assets include the cost of the acquired business in excess of the fair value of the net assets recorded in Goodwill. Other intangible assets include customer relationships, the brand names comprising USF's portfolio of exclusive brands, and trademarks. As required, USF assesses goodwill and other intangible assets with indefinite lives for impairment each year or more frequently, if events or changes in circumstances indicate an asset may be impaired. For goodwill and indefinite-lived intangible assets, USF's policy is to assess for impairment at the beginning of each third quarter. For other intangible assets with definite lives, USF assesses for impairment only if events occur that indicate that the carrying amount of an asset may not be recoverable. All goodwill is assigned to the consolidated Company as the reporting unit.

USF's most recent assessment for impairment of goodwill used a discounted cash flow analysis, comparative market multiples, and comparative market transaction multiples. These were employed to determine the fair value of the reporting unit for comparison to the corresponding carrying value. If the carrying value of the reporting unit exceeds its fair value, USF must then perform a comparison of the implied fair value of goodwill with its carrying value. If the carrying value of the goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to the excess. Based upon the most recent annual impairment analysis performed in 2013, USF believes the fair value of USF's reporting unit substantially exceeded its carrying value.

USF's fair value estimates of the brand name and trademark indefinite-lived intangible assets are based on a discounted cash flow analysis. Due to the many variables inherent in estimating fair value and the relative size of the recorded indefinite-lived intangible assets, differences in assumptions may have a material effect on the results of USF's impairment analysis.

**Property and Equipment**

Property and equipment held and used by USF are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. For purposes of evaluating the recoverability of property and equipment, USF compares the carrying value of the asset or asset group to the estimated, undiscounted future cash flows expected to be generated by the long-lived asset or asset group. If the future cash flows do not exceed the carrying value, the carrying value is compared to the fair value of the asset. If the carrying value exceeds the fair value, an impairment charge is recorded for the excess. USF also assesses the recoverability of its closed facilities actively marketed for sale. If a facility's carrying value exceeds its fair value, less an estimated cost to sell, an impairment charge is recorded for the excess. Assets held for sale are not depreciated. Impairments are recorded as a component of restructuring and tangible asset impairment charges in the Consolidated Statements of Comprehensive Income (Loss) and a reduction of the assets' carrying value in the Consolidated Balance Sheets.



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**Table of Contents****Vendor Consideration**

USF participates in various rebate and promotional incentives with its suppliers, primarily through purchase-based programs. Consideration earned under these incentives is recorded as a reduction of inventory cost as USF's obligations under the programs are fulfilled, primarily by the purchase of product. Consideration is typically received in the form of invoice deductions or less often in the form of cash payments. Changes in the estimated amount of incentives earned are treated as changes in estimates and are recognized in the period of change.

**Self-Insurance Programs**

USF accrues estimated liability amounts for claims covering general liability, fleet liability, workers' compensation and group medical insurance programs. The amounts in excess of certain levels are fully insured. USF accrues its estimated liability for the self-insured medical insurance program. This includes an estimate for claims that are incurred but not reported, based on known claims and past claims history. USF accrues an estimated liability for the general liability, fleet liability and workers' compensation programs, that is based on an assessment of exposure related to claims that are known and incurred but not reported, as applicable. The inherent uncertainty of future loss projections could cause actual claims to differ from USF's estimates.

**Income Taxes**

USF accounts for income taxes under the asset and liability method. This requires USF to recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the consolidated financial statements and tax basis of assets and liabilities. USF uses enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. USF records net deferred tax assets to the extent it believes these assets will more likely than not be realized.

An uncertain tax position is recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Uncertain tax positions are recorded at the largest amount that is more likely than not to be sustained. USF adjusts the amounts recorded for uncertain tax positions when USF's judgment changes as a result of the evaluation of new information not previously available. These differences are reflected as increases or decreases to income tax expense in the period in which they are determined.

**Recent Accounting Pronouncements**

In April 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2014-8, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This update changes the criteria for reporting discontinued operations and modifies related disclosure requirements. Under the new guidance, a discontinued operation is defined as a disposal of a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The update states that a strategic shift could include a disposal of (i) a major geographical area of operations, (ii) a major line of business, or (iii) a major equity method investment. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. The amendments in the ASU are effective in the first quarter of 2015 for public organizations with calendar year ends, with early adoption permitted. USF's

adoption of this guidance in the first quarter of 2014 had no impact on its financial position, results of operations or cash flows.

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In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exist*. This update requires an entity to present an unrecognized tax benefit or a portion of an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss ( NOL ) carryforward, a similar tax loss, or a tax credit carryforward except when (1) an NOL carryforward, a similar tax loss, or a tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position; and (2) the entity does not intend to use the deferred tax asset for this purpose (provided that the tax law permits a choice). If either of these conditions exists, an entity should present an unrecognized tax benefit in the financial statements as a liability and should not net the unrecognized tax benefit with a deferred tax asset. Additional recurring disclosures are not required, because this ASU does not affect the recognition, measurement or tabular disclosure of uncertain tax positions. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2013. USF's adoption of this guidance in the first quarter of 2014 had no impact on USF's financial position, results of operation or cash flows.

**Forward-Looking Statements**

Some information in this MD&A section includes forward-looking statements. These statements are made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements include information concerning USF's liquidity and its possible or assumed future results of operations, including descriptions of its business strategies. These statements often include words such as believe, expect, project, anticipate, intend, plan, estimate, seek, will, may, would, should, could, forecasts or similar. Forward-looking statements are based on assumptions that USF has made, based on its experience in the industry as well as its perceptions of historical trends, current conditions, expected future developments, and other factors USF thinks are appropriate. USF believes these judgments are reasonable. However, you should understand that these statements are not guarantees of performance or results. USF's actual results could differ materially from those expressed in the forward-looking statements. This is due to a variety of important factors both positive and negative including, without limitation, the risks and uncertainties which may cause USF's financial performance, business or operations to vary, or they may materially or adversely affect USF's financial performance, business or operations.

Here are some important factors, among others, that could affect USF's actual results:

USF's ability to remain profitable during times of cost inflation, commodity volatility, and other factors;

Industry competition and USF's ability to successfully compete;

USF's reliance on third-party suppliers, including the impact of any interruption of supplies or increases in product costs;

Shortages of fuel and increases or volatility in fuel costs;

Any declines in the consumption of food prepared away from home, including as a result of changes in the economy or other factors affecting consumer confidence;

Costs and risks associated with labor relations and the availability of qualified labor;

Any change in USF's relationships with GPOs;

USF's ability to increase sales to independent customers;

Changes in industry pricing practices;

Changes in competitors' cost structures;

Costs and risks associated with government laws and regulations, including environmental, health, safety, food safety, transportation, labor and employment, laws and regulations, and changes in existing laws or regulations;

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Technology disruptions and USF's ability to implement new technologies;

Liability claims related to products USF distributes;

USF's ability to maintain a good reputation;

Costs and risks associated with litigation;

USF's ability to manage future expenses and liabilities associated with its retirement benefits;

USF's ability to successfully integrate future acquisitions;

USF's ability to achieve the benefits that it expects from its cost savings programs;

Risks related to USF's indebtedness, including its substantial amount of debt, its ability to incur substantially more debt, and increases in interest rates;

USF's ability to consummate the merger; and

Other factors discussed in this report.

In light of these risks, uncertainties and assumptions, the forward-looking statements in this MD&A section might not prove to be accurate, and you should not place undue reliance upon them. All forward-looking statements attributable to USF or people acting on its behalf are expressly qualified in their entirety by the cautionary statements above. All of these statements speak only as of the date made, and neither USF nor Sysco undertakes any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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**APPRAISAL RIGHTS**

Under the DGCL, as more fully described below, if you do not wish to accept the merger consideration provided for in the merger agreement and the merger is consummated, you have the right to seek appraisal of your shares of USF common stock and to receive payment in cash for the fair value of your USF common stock, exclusive of any element of value arising from the accomplishment or expectation of the merger, as determined by the Delaware Court of Chancery, together with interest, if any, to be paid upon the amount determined to be fair value. The fair value of your shares of USF common stock as determined by the Delaware Court of Chancery may be more or less than, or the same as, the per share merger consideration that you are otherwise entitled to receive under the terms of the merger agreement. These rights are known as appraisal rights. USF stockholders who elect to exercise appraisal rights must not vote in favor of or consent in writing to the proposal to adopt and approve the merger agreement and the merger and must comply with the provisions of Section 262 of the DGCL, which we refer to as Section 262, to perfect their rights. Strict compliance with the statutory procedures in Section 262 is required. **A holder of USF common stock who wishes to exercise appraisal rights, or preserve the ability to do so, must not sign and deliver a written consent approving the merger, or sign and deliver a consent without indicating a decision on the proposal. Any written consent returned without indicating a decision on the proposal will be counted as approving the proposal.**

This section is intended as a brief summary of the material provisions of the Delaware statutory procedures that a stockholder must follow to seek and perfect appraisal rights. This summary, however, is not a complete statement of all applicable requirements, and it is qualified in its entirety by reference to Section 262, the full text of which appears in Annex C to this consent solicitation statement/prospectus. The following summary does not constitute any legal or other advice, nor does it constitute a recommendation that stockholders exercise their appraisal rights under Section 262.

Section 262 requires that, where a merger agreement is adopted by written consent of stockholders in lieu of a meeting, certain stockholders must be given notice that appraisal rights are available. A copy of Section 262 must be included with such notice. The notice must be provided after the merger is approved and no later than 10 days after the effective date of the merger. Only those USF stockholders who did not submit a consent in favor of the proposal to adopt the merger agreement and who have otherwise complied with Section 262 are entitled to receive such notice. The notice may be given by USF, if sent prior to effectiveness of the merger, or the surviving corporation in the merger, if given after effectiveness. If given on or after the effective date, the notice must also specify the effective date of the merger; otherwise, a supplementary notice will provide this information.

Following USF's receipt of sufficient written consents to approve the merger, we will send all non-consenting USF stockholders who satisfy the other statutory conditions the notice regarding the receipt of such written consents. A USF stockholder wishing to exercise his, her or its appraisal rights will need to take action at that time, in response to that notice, but this description is being provided to all USF stockholders now so they can determine whether they wish to preserve their ability to demand appraisal rights in the future in response to that notice.

In order to preserve your right to receive notice and demand appraisal rights, you must not deliver a written consent in favor of the adoption and approval of the merger agreement and the merger, or deliver a consent without indicating a decision on the proposal. Consents that are signed and delivered without indicating a decision on the proposal will be counted as approving the proposal, which will also eliminate any appraisal rights. As described below, you must also continue to hold your shares through the effective time of the merger.

If you elect to demand appraisal of your shares of USF common stock, you must deliver to USF or to the surviving corporation in the merger, as applicable, at the specific address which will be included in the notice, a written demand



for appraisal of your shares of USF common stock within 20 days after the date of the mailing of the notice. **Do not submit a demand before the date of the notice, because under Delaware case law, a demand that is made before the notice is mailed may not be effective to perfect your appraisal rights.**

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A holder of shares of USF common stock wishing to exercise appraisal rights must hold of record the shares of USF common stock on the date the written demand for appraisal is made and must continue to hold the shares of USF common stock of record through the effective time of the merger, because appraisal rights will be lost if the shares of USF common stock are transferred prior to the effective time. If you are not the stockholder of record, you will need to follow special procedures as discussed further below.

If you and/or the record holder of your shares fail to comply with all of the conditions required by Section 262 to perfect your rights, and the merger is completed, you (assuming that you hold your shares through the effective date) will be entitled to receive payment for your shares of USF common stock as provided for in the merger agreement, but you will have no appraisal rights with respect to your shares of USF common stock.

In order to satisfy the statute, a demand for appraisal in respect of shares of capital stock must reasonably inform USF or the surviving corporation, as applicable, of the identity of the stockholder of record and the stockholder's intent to seek appraisal rights. The demand should be executed by or on behalf of the holder of record, fully and correctly, as the holder's name appears on the holder's stock certificates, should specify the holder's name and mailing address and the number of shares registered in the holder's name and must state that the person intends thereby to demand appraisal of the holder's shares in connection with the merger. The demand cannot be made by the beneficial owner if he or she does not also hold the shares of USF common stock of record. The beneficial holder must, in such cases, have the registered owner, such as a bank, broker or other nominee, submit the required demand in respect of those shares of Common Stock. **If you hold your shares of USF common stock through a bank, brokerage firm or other nominee and you wish to exercise appraisal rights, you should consult with your bank, broker or the other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.**

If shares of USF common stock are owned of record by a person other than the beneficial owner, including a broker, fiduciary (such as a trustee, guardian or custodian) or other nominee, a demand for appraisal must be executed by or for such record holder. If the shares of USF common stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record holder or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record holder. If a stockholder holds shares of USF common stock through a broker who in turn holds the shares through a central securities depository nominee such as Cede & Co. (the nominee for The Depository Trust Company), a demand for appraisal of such shares must be made by or on behalf of the depository nominee and must identify the depository nominee as a record holder. A record holder, such as a broker, who holds shares of USF common stock as a nominee for others, may exercise his or her right of appraisal with respect to the shares of USF common stock held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares of USF common stock as to which appraisal is sought. Where no number of shares of USF common stock is expressly mentioned, the demand will be presumed to cover all shares of USF common stock held in the name of the record holder.

At any time within 60 days after the effective time of the merger, any stockholder who has not commenced an appraisal proceeding or joined a proceeding as a named party may withdraw the demand and accept the merger consideration for that stockholder's shares of USF common stock by delivering to the surviving corporation a written withdrawal of the demand for appraisal. However, any such attempt to withdraw the demand made more than 60 days after the effective time will require written approval of the surviving corporation. Unless the demand is properly withdrawn by the stockholder within 60 days after the effective date of the merger, no appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, and such approval may be conditioned upon such terms as the Court deems just. If the surviving corporation does not approve a request to withdraw a demand for appraisal when that approval is required, or if the

Delaware Court of Chancery does not approve the dismissal of an appraisal proceeding, the stockholder will be entitled to receive only the appraised value

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determined in any such appraisal proceeding, which value could be less than, equal to or more than the consideration offered pursuant to the merger agreement.

Within 120 days after the effective time of the merger, but not thereafter, either the surviving corporation or any stockholder who has complied with the requirements of Section 262 and is entitled to appraisal rights under Section 262 may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares of USF common stock held by all stockholders entitled to appraisal. Upon the filing of such a petition by a stockholder, service of a copy of such petition shall be made upon the surviving corporation. Sysco has no present intent to cause US Foods to file such a petition and has no obligation to cause such a petition to be filed, and holders should not assume that the surviving corporation will file a petition. Accordingly, the failure of a stockholder to file such a petition within the period specified could nullify the stockholder's previous written demand for appraisal. In addition, within 120 days after the effective time of the merger, any stockholder who has properly filed a written demand for appraisal and who did not submit a consent in favor of the proposal to adopt the merger agreement, upon written request, will be entitled to receive from the surviving corporation, a statement setting forth the aggregate number of shares of USF common stock not voted in favor of the proposal to adopt the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. The statement must be mailed within 10 days after such written request has been received by the surviving corporation. A person who is the beneficial owner of shares of USF common stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition for appraisal or request from the surviving corporation such statement.

If a petition for appraisal is duly filed by a stockholder and a copy of the petition is delivered to the surviving corporation, then the surviving corporation will be obligated, within 20 days after receiving service of a copy of the petition, to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares of USF common stock and with whom agreements as to the value of their shares of USF common stock have not been reached. After notice to stockholders who have demanded appraisal, if such notice is ordered by the Delaware Court of Chancery, the Delaware Court of Chancery is empowered to conduct a hearing upon the petition and to determine those stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided by Section 262. The Delaware Court of Chancery may require stockholders who have demanded payment for their shares of USF common stock and who hold stock represented by certificates to submit their stock certificates to the Register in Chancery for notation of the pendency of the appraisal proceedings; and if any stockholder fails to comply with that direction, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder.

After determination of the stockholders entitled to appraisal of their shares of USF common stock, the Delaware Court of Chancery will appraise the shares of USF common stock, determining their fair value as of the effective time after taking into account all relevant factors exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest, if any, to be paid upon the amount determined to be the fair value. When the value is determined, the Delaware Court of Chancery will direct the payment of such value upon surrender by those stockholders of the certificates representing their shares of USF common stock. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment will be compounded quarterly and will accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective time and the date of payment of the judgment.

No representation is made as to the outcome of the appraisal of fair value as determined by the Court and stockholders should recognize that such an appraisal could result in a determination of a value higher or lower than, or the same as, the merger consideration. Moreover, we do not anticipate offering more than the merger consideration to any

stockholder exercising appraisal rights and reserve the right to assert, in any appraisal proceeding, that, for purposes of Section 262, the fair value of a share of USF common stock is less than the merger consideration.

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In determining fair value, the Delaware Court is required to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that fair price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court has stated that in making this determination of fair value the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger which throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a narrow exclusion that does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Delaware Supreme Court construed Section 262 to mean that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

Costs of the appraisal proceeding (which do not include attorneys fees or the fees and expenses of experts) may be determined by the Delaware Court of Chancery and imposed upon the surviving corporation and the stockholders participating in the appraisal proceeding by the Delaware Court of Chancery, as it deems equitable in the circumstances. Each stockholder seeking appraisal is responsible for his or her attorneys and expert witness expenses, although, upon the application of a stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys fees and the fees and expenses of experts used in the appraisal proceeding, to be charged pro rata against the value of all shares of USF common stock entitled to appraisal. Any stockholder who duly demanded appraisal in compliance with Section 262 will not, after the effective time of the merger, be entitled to vote shares of USF common stock subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares of USF common stock, other than with respect to payment as of a record date prior to the effective time. However, if no petition for appraisal is filed within 120 days after the effective time, or if the stockholder otherwise fails to perfect his, her or its appraisal rights, successfully withdraws his, her or its demand for appraisal or loses his, her or its right to appraisal, then the right of that stockholder to appraisal will cease and that stockholder will be entitled to receive the per share merger consideration for his, her or its shares of USF common stock pursuant to the merger agreement.

**FAILING TO FOLLOW PROPER STATUTORY PROCEDURES WILL RESULT IN LOSS OF YOUR APPRAISAL RIGHTS. In view of the complexity of Section 262 of the Delaware General Corporation Law, USF stockholders who may wish to pursue appraisal rights should consult their legal and financial advisors.**

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**Table of Contents****UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION**

On December 8, 2013, Sysco Corporation, a Delaware corporation ( Sysco ), entered into an Agreement and Plan of Merger (the merger agreement ) with USF Holding Corp., a Delaware corporation ( USF ) and the parent of US Foods, Inc., Scorpion Corporation I, Inc., a Delaware corporation and a wholly owned subsidiary of Sysco ( Merger Sub One ), and Scorpion Company II, LLC, a Delaware limited liability company and a wholly owned subsidiary of Sysco ( Merger Sub Two ), pursuant to which Sysco will acquire USF (the merger ), on the terms and subject to the conditions set forth in the merger agreement. The transactions contemplated by the merger agreement have not yet been consummated.

The Unaudited Pro Forma Combined Balance Sheet combines the consolidated balance sheets of Sysco and USF, giving effect to the merger as if it had been consummated on March 29, 2014. The Unaudited Pro Forma Combined Statements of Operations for the nine months ended March 29, 2014, and for the year ended June 29, 2013, combine the historical consolidated statements of operations of Sysco and USF, giving effect to the merger as if it had been consummated on July 1, 2012, the beginning of the earliest period presented. Sysco and USF have different fiscal year ends, with the most recent annual period of Sysco ended on June 29, 2013, and the most recent annual period of USF ended on December 28, 2013. As such, amounts related to the historical operations of USF have been adjusted to align the period over which those operations occurred with the periods presented by adding the necessary quarterly results to match Sysco s fiscal reporting periods. In addition, certain line items of the balance sheet and income statements were combined or reclassified in order to make the information comparable.

The Unaudited Pro Forma Combined Financial Statements were prepared using the acquisition method of accounting in accordance with FASB ASC Topic 805, Business Combinations, with Sysco considered as the accounting acquirer and USF as the accounting acquiree. Accordingly, consideration to be given by Sysco to complete the merger with USF will be allocated to assets and liabilities of USF based on their estimated fair values as of the completion date of the merger. As of the date of this registration statement, Sysco has not completed the detailed valuation studies necessary to arrive at the required estimates of the fair value of the USF assets to be acquired and the liabilities to be assumed and the related allocations of purchase price, nor has it identified all of the adjustments necessary to conform USFs accounting policies to Sysco s accounting policies. A final determination of the fair value of USF assets and liabilities will be based on the actual net tangible and intangible assets and liabilities of USF that exist as of the date of completion of the merger and, therefore, cannot be made prior to the completion of the transaction. Additionally, the value of the consideration to be given by Sysco to complete the merger will be determined in part based on the trading price of Sysco s common stock at the time of the completion of the merger. Accordingly, the pro forma purchase price adjustments are preliminary and are subject to further adjustments as additional information becomes available and as additional analyses are performed. The preliminary pro forma purchase price adjustments have been made solely for the purpose of providing the Unaudited Pro Forma Combined Financial Statements presented below. Sysco estimated the fair value of USFs assets and liabilities based on discussions with USF management, preliminary valuation studies, due diligence and information presented in public filings. Until the merger is completed, both companies are limited in their ability to share information. Upon completion of the merger, final valuations will be performed. Increases or decreases in the fair value of relevant balance sheet amounts will result in adjustments to the balance sheet and/or statements of operations. There can be no assurance that such finalization will not result in material changes. An estimated effective tax rate was used in preparation of these pro forma financial statements. The actual effective tax rate after the merger may differ from this estimate.

These Unaudited Pro Forma Combined Financial Statements have been developed from, and should be read in conjunction with, (1) the unaudited interim consolidated financial statements of Sysco contained in its Quarterly Report on Form 10-Q for the nine months ended March 29, 2014, (2) the audited consolidated financial statements of Sysco contained in its Annual Report on Form 10-K for the fiscal year ended June 29, 2013, both of which are

incorporated by reference into this registration statement, (3) the unaudited interim consolidated



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balance sheet of USF as of March 29, 2014, and the related consolidated statements of comprehensive income (loss) and cash flows for the 13 weeks ended March 29, 2014 and March 30, 2013, which are included in this registration statement, and (4) the audited consolidated balance sheets of USF as of December 28, 2013 and December 29, 2012, and the related consolidated statements of comprehensive income (loss), shareholders' equity, and cash flows for each of the three fiscal years in the period ended December 28, 2013, which are included in this registration statement. The Unaudited Pro Forma Combined Financial Statements are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Sysco would have been if the merger had occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

Sysco expects to incur significant costs associated with integrating the operations of Sysco and USF. The Unaudited Pro Forma Combined Financial Statements do not reflect the costs of any integration activities including planning costs or any benefits that may result from realization of future cost savings from operating efficiencies or revenue synergies expected to result from the merger, except to the extent that such integration costs have been incurred during the periods presented. In addition, the Unaudited Pro Forma Combined Financial Statements (excluding the balance sheet) do not include one-time costs directly attributable to the transaction or professional fees incurred by Sysco or USF pursuant to provisions contained in the merger agreement as those costs are not considered part of the purchase price. The Unaudited Pro Forma Combined Financial Statements do not include the effect of any divestitures or other requirements that may be imposed by the Federal Trade Commission.

**Table of Contents****UNAUDITED PRO FORMA COMBINED BALANCE SHEET**

As of March 29, 2014

(in thousands)

	Historical		Pro Forma Adjustments	Combined Pro Forma
	Sysco	USF		
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 341,090	\$ 171,522	\$ (341,090)(a)	\$ 171,522
Accounts and notes receivable	3,510,518	1,461,176		4,971,694
Inventories	2,527,900	1,151,855	164,297 (b)	3,844,052
Deferred income taxes	121,033	15,596	(62,653)(c)	73,976
Prepaid expenses and other current assets	74,827	106,848	(26,809)(d)	154,866
Prepaid income taxes	64,107			64,107
Total current assets	6,639,475	2,906,997	(266,255)	9,280,217
Plant and equipment at cost, less depreciation				
	3,956,209	1,758,412	295,588 (e)	6,010,209
Other assets:				
Goodwill	1,937,075	3,835,477	341,430 (f)	6,113,982
Intangibles, less amortization	181,036	716,217	1,713,783 (g)	2,611,036
Restricted cash	157,870	6,564		164,434
Other assets	266,599	66,173	(26,409)(h,d)	306,363
Total other assets	2,542,580	4,624,431	2,028,804	9,195,815
Total assets	\$ 13,138,264	\$ 9,289,840	\$ 2,058,137	\$ 24,486,241
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
Current liabilities				
Notes payable	\$ 71,510	\$	\$	\$ 71,510
Accounts payable	2,726,427	1,551,302		4,277,729
Accrued expenses	1,141,625	361,556	54,937 (i)	1,558,118
Current maturities of long-term debt	4,454	42,011	1,138 (j)	47,603
Total current liabilities	3,944,016	1,954,869	56,075	5,954,960
Other liabilities:				
Long-term debt	2,986,163	4,775,591	278,237 (k)	8,039,991
Deferred income taxes	195,876	419,037	352,172 (c)	967,085
Other long-term liabilities	780,834	319,783	(4,483)(l)	1,096,134
Total other liabilities	3,962,873	5,514,411	625,926	10,103,210

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Temporary Equity		39,372	(39,372)(m)	
Shareholders equity:				
Common stock	765,175	4,500	(4,500)(m)	765,175
Paid-in capital	1,119,784	2,284,465	(1,359,898)(m)	2,044,351
Retained earnings	8,687,098	(506,082)	461,145 (m,i)	8,642,161
Accumulated other comprehensive loss	(516,922)	(1,695)	1,695 (m,q)	(516,922)
Treasury stock at cost	(4,823,760)		2,317,067 (n)	(2,506,693)
Total shareholders equity	5,231,375	1,781,188	1,415,508	8,428,071
Total liabilities and shareholders equity	\$ 13,138,264	\$ 9,289,840	\$ 2,058,137	\$ 24,486,241

The accompanying notes are an integral part of the Unaudited Pro Forma Combined Financial Statements.

Table of Contents**UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS****For the 39 Weeks Ended March 29, 2014***(In thousands except for share and per share data)*

	Historical		Pro Forma	Combined
	Sysco	USF	Adjustments	Pro Forma
Sales	\$ 34,229,720	\$ 16,690,143	\$	\$ 50,919,863
Cost of sales	28,204,541	13,853,271	(26,668)(b)	42,031,144
Gross profit	6,025,179	2,836,872	26,668	8,888,719
Operating expenses	4,862,579	2,622,825	55,221 (o)	7,540,625
Operating income	1,162,600	214,047	(28,553)	1,348,094
Interest expense	92,536	218,917	(8,613)(p)	302,840
Other expense (income), net	(5,027)			(5,027)
Earnings before income taxes	1,075,091	(4,870)	(19,940)	1,050,281
Income tax expense (benefit)	397,729	38,860	(45,248)(c)	391,341
Net earnings	\$ 677,362	\$ (43,730)	\$ 25,308	\$ 658,940
Earnings per share:				
Basic earnings per share (r)	\$ 1.16			\$ 0.98
Diluted earnings per share (r)	\$ 1.15			\$ 0.97
Weighted average shares outstanding	585,802,651		87,053,757 (n)	672,856,408
Weighted average diluted shares outstanding	589,834,321		87,053,757 (n)	676,888,078

The accompanying notes are an integral part of the Unaudited Pro Forma Combined Financial Statements.

**Table of Contents****UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS****For the Year Ended June 29, 2013***(In thousands except for share and per share data)*

	<b>Historical</b>		<b>Pro Forma</b>	<b>Combined</b>
	<b>Sysco</b>	<b>USF</b>	<b>Adjustments</b>	<b>Pro Forma</b>
Sales	\$ 44,411,233	\$ 22,005,874	\$	\$ 66,417,107
Cost of sales	36,543,642	18,251,786	(16,612)(b)	54,778,816
Gross profit	7,867,591	3,754,088	16,612	11,638,291
Operating expenses	6,209,113	3,455,439	87,484 (o)	9,752,036
Operating income	1,658,478	298,649	(70,872)	1,886,255
Interest expense	128,495	325,723	(27,073)(p)	427,145
Other expense (income)	(17,472)	63,619		46,147
Earnings before income taxes	1,547,455	(90,693)	(43,799)	1,412,963
Income tax expense	555,028	41,393	(93,739)(c)	502,682
Net earnings	\$ 992,427	\$ (132,086)	\$ 49,940	\$ 910,281
<b>Earnings per share:</b>				
Basic earnings per share (r)	\$ 1.68			\$ 1.35
Diluted earnings per share (r)	\$ 1.67			\$ 1.34
Weighted average shares outstanding	589,397,807		87,053,757 (n)	676,451,564
Weighted average diluted shares outstanding	592,675,110		87,053,757 (n)	679,728,867

The accompanying notes are an integral part of the Unaudited Pro Forma Combined Financial Statements.

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**Table of Contents****NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS****1. BASIS OF PRESENTATION**

On December 8, 2013, Sysco and USF entered into the merger agreement whereby Sysco will acquire the USF's business. As of the time the merger agreement was announced in December 2013, Sysco agreed to pay approximately \$3.5 billion for the equity of USF, comprised of \$3 billion of Sysco common stock valued using the stock price 20 days prior to the merger announcement of \$33.67 (reduced by an estimated pension adjustment of \$68.9 million per the terms of the merger agreement) and \$500 million of cash (which may be reduced to \$490 million if up to \$10 million in bonuses are paid to certain USF executive officers and certain employees in connection with the closing of the merger). As part of the transaction, Sysco will also assume or refinance USF net debt, which was approximately \$4.9 billion fair value as of September 28, 2013, bringing the total purchase price to \$8.4 billion at the time of the merger announcement. The values noted above are as of the time the merger agreement was announced in December 2013; the value of Sysco's common stock and the amount of USF net debt will fluctuate. As such, the components of the transaction and total purchase price noted above will not be finalized until the merger is consummated.

As of July 8, 2014, the merger consideration is estimated as follows: \$3.7 billion for the equity of USF, comprised of \$3.2 billion of Sysco common stock valued using the seven day average closing price reported on the New York Stock Exchange for the seven (business) day period ending on July 8, 2014, of \$37.24, and \$500 million of cash (which may be reduced to \$490 million if up to \$10 million in bonuses are paid to certain USF executive officers and certain employees in connection with the closing of the merger). USF net debt to be assumed or refinanced was approximately \$4.9 billion fair value as of March 29, 2014, bringing the total purchase price to \$8.7 billion as of July 8, 2014. The number of shares of Sysco common stock to be included in the aggregate merger consideration, of approximately 89.1 million shares, will be reduced by an amount based on the amount by which the USF pension benefit obligations exceed the fair value of the related plan assets, as calculated pursuant to the merger agreement. The reduction will be based on the lesser of (1) such underfunding amount prior to the signing of the merger agreement (which was equal to \$68.9 million) and (2) such underfunding amount calculated as of the last day of the calendar quarter prior to the quarter in which the closing of the merger occurs (or, if the underfunding amount has not yet been calculated for such quarter, the last day of the immediately preceding calendar quarter). For example, if the lesser of such amounts remained equal to \$68.9 million, the reduction will be equal to 2,046,332 shares of Sysco common stock (calculated as \$68.9 million/\$33.67). The pro forma financial statements assume the underfunded amount from the signing of the merger agreement is the lesser amount and therefore assume approximately 87.1 million shares are issued.

The value of Sysco's common stock, the amount of USF's unfunded pension benefit obligation and the amount of USF net debt will fluctuate. As such, the components of the transaction and total purchase price noted above will not be finalized until the merger is consummated. After completion of the transaction, the equity holders of USF will own approximately 87.1 million shares, or roughly 13% of Sysco's outstanding common stock. A representative from each of USF's two majority shareholders will join Sysco's Board of Directors upon closing. This merger is currently pending a regulatory review process by the Federal Trade Commission. Sysco estimates the merger will close in the third quarter of 2014. Under certain conditions, including lack of regulatory approval, Sysco would be obligated to pay \$300 million to the owners of USF if the merger were cancelled.

The preliminary purchase price is calculated as follows:

**(in thousands, except per share data)**

Cash payment	\$ 490,000
Fair value of Sysco shares (87.1 million shares at \$37.24 per share value)	3,241,633
Fair value of USF net debt assumed	4,948,067
Total estimated purchase price	\$ 8,679,700

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A change in the market price of the Sysco common stock of 10% would increase or decrease the value of the Sysco common stock to be received by USF stockholders upon completion of the transactions as set forth below, with a corresponding increase or decrease in goodwill or potentially resulting in consideration below fair value assigned that will be recorded in connection with the transaction:

(in thousands, except per share amounts)	Percentage change in stock price	
	- 10%	+ 10%
Market price per share of Sysco common stock	\$ 33.51	\$ 40.96
Fair value of Sysco common stock to be received by USF stockholders	\$ 2,917,470	\$ 3,565,797

The table below represents a preliminary allocation of the total consideration to USF tangible and intangible assets and liabilities based on Sysco management's preliminary estimate of their respective fair values as of March 29, 2014:

(in thousands)	
Cash and cash equivalents	\$ 171,522
Accounts receivable, less allowances	1,461,176
Inventories	1,316,152
Deferred income tax assets	(47,057)
Other current assets	80,039
Plant and equipment	2,054,000
Goodwill	4,176,907
Identified intangibles	2,430,000
Restricted cash	6,564
Other assets	39,764
Accounts payable	(1,551,302)
Accrued expenses and other current liabilities	(371,556)
Deferred income tax liabilities	(771,209)
Other long-term liabilities	(315,300)
<b>Total estimated purchase price</b>	<b>\$ 8,679,700</b>

Upon completion of the fair value assessment after the merger, it is anticipated that the ultimate purchase price allocation will differ from the preliminary assessment outlined above. Any changes to the initial estimates of the fair value of assets and liabilities will be recorded as adjustments to those assets and liabilities and residual amounts will be allocated to goodwill.

**2. PRO FORMA ADJUSTMENTS**

The Unaudited Pro Forma Combined Statements of Operations do not include any material non-recurring charges that will arise in subsequent periods as a result of the merger. The Unaudited Pro Forma Condensed Combined Financial Statements reflect the following adjustments:



- (a) Cash. Adjustment to cash reflects \$500.0 million cash consideration, net of \$10.0 million representing potential bonuses to be paid to certain USF executive officers and certain key employees, and borrowings of \$148.9 million to offset negative cash positions. This is comprised of the following:

**(in thousands)**

Proceeds from Commercial Paper issuances	\$ 148,910
Cash payment	(490,000)
<b>Net adjustment to cash and cash equivalents</b>	<b>\$ (341,090)</b>

- (b) Inventories. Adjustment reflects a \$164.3 million increase to reflect the fair value of inventory of USF, including the elimination of related net last-in, first-out ( LIFO ) reserves to conform to Sysco's accounting using the first-in, first-out ( FIFO ) method. As a result of this adjustment, the Unaudited

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Pro Forma Condensed Combined Statements of Operations reflect a decrease in cost of sales of \$26.7 million for the 39 weeks ended March 29, 2014, and \$16.6 million for the year ended June 29, 2013.

- (c) **Income taxes.** Adjustments reflect accounting for the income tax effects of the purchase accounting adjustments at the combined statutory tax rate of 38.4%. In addition, adjustments were recorded to account for the valuation allowance necessary on the USF federal and state net operating losses that are more likely than not to be realized. Adjustments were also recorded to remove the historical USF deferred tax liability related to tax amortizable goodwill.
- (d) **Prepaid expenses and other current assets.** Reflects a reclassification of deferred costs for chain customers for \$8.3 million from current to non-current assets to align with Sysco's classification of similar balances and the elimination of USF debt issuance costs of \$18.5 million.
- (e) **Property and equipment.** A \$295.6 million increase to reflect the fair value of USF owned property and equipment, including that under capital lease. As a result of this adjustment, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect an increase in depreciation expense of \$53.2 million for the 39 weeks ended March 29, 2014, and \$71.0 million for the year ended June 29, 2013, based on an average remaining useful life of these identified property and equipment of 6.6 years.
- (f) **Goodwill.** To eliminate USF's previously-existing goodwill and to record goodwill resulting from the merger. Goodwill is not amortized, but rather is assessed for impairment at least annually or more frequently whenever events or circumstances indicate that goodwill might be impaired. Adjustments to goodwill are comprised of the following:

**(in thousands)**

Goodwill (as determined in Note 1)	\$ 4,176,907
Elimination of USF's pre-acquisition goodwill	(3,835,477)
<b>Net adjustment to goodwill</b>	<b>\$ 341,430</b>

- (g) **Intangible assets.** To eliminate USF's previously existing intangible assets and to record the fair value of USF's identifiable intangible assets, including customer relationships and brands. The fair value of USF's identifiable intangible assets of \$2.4 billion comprises intangible assets with a definite useful life of \$2.3 billion and intangible assets with an indefinite useful life of \$140.0 million. As a result of this adjustment, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect a net increase in amortization expense of \$20.9 million for the 39 weeks ended March 29, 2014 and \$31.0 million for the year ended June 29, 2013, based on an average remaining useful life of these identified intangible assets of 12.6 years. Intangible assets (excluding intangible assets with indefinite useful lives) are amortized on a straight-line basis over expected useful lives of 5 to 17 years. Adjustments to intangible assets are comprised of the following:

**(in thousands)**

Fair value of acquired intangible assets	\$ 2,430,000
Elimination of USF's pre-acquisition intangible assets	(716,217)
Net adjustment to intangible assets	\$ 1,713,783

- (h) Elimination of historical debt issuance costs. Adjustment reflects the elimination of USF debt issuance costs of \$34.8 million. As a result of this adjustment, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect a net decrease in interest expense related to the amortization of debt issuance costs of \$13.6 million for the 39 weeks ended March 29, 2014, and \$17.7 million for the year ended June 29, 2013.

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- (i) Accrued expenses. Reflects an increase of \$44.9 million for expected future direct transaction costs and \$10.0 million for transaction bonuses. USF was approved to offer these bonuses that are subject to consummation of the merger. Amounts attributable to direct transaction costs are reflected as a reduction to retained earnings.
- (j) Current maturities of long-term debt. Reflects fair value adjustment for USF debt of \$1.1 million.
- (k) Long-term debt. To record Sysco's borrowings under commercial paper issuances of \$148.9 million to complete the merger and a fair value adjustment of \$129.3 million to USF's debt of \$4.8 billion. The impact of increased interest expense to the Unaudited Pro Forma Condensed Combined Statements of Operations for the 39 weeks ended March 29, 2014, and for the year ended June 29, 2013, was \$5.0 million and \$6.7 million, respectively. Adjustments to long-term debt are comprised of the following.

**(in thousands)**

Commercial Paper issuances	\$ 148,910
Fair Market Value Adjustment on USF Debt	129,327
<b>Net adjustment to long-term debt</b>	<b>\$ 278,237</b>

- (l) Other long term liabilities. Decrease of \$4.5 million to reflect the removal of deferred rent for operating leases as a purchase accounting adjustment.
- (m) USF stockholders' equity and temporary equity. The elimination of all of USF equity, including \$4.5 million of common stock, \$2.3 billion of additional paid-in capital, \$506.1 million of accumulated deficit, \$1.7 million of accumulated other comprehensive loss, \$39.4 million of temporary equity, the effects of purchase accounting and the effect of the release of treasury stock. Temporary equity is a security with redemption features that are outside the control of the issuer, is not classified as an asset or liability in conformity with GAAP, and is not mandatorily redeemable. Temporary equity includes values for common stock issuances to USF executive management and other key employees, vested restricted shares, vested restricted stock units and vested stock option awards. Until the redemption feature becomes probable, the amount shown in temporary equity is the intrinsic value of the applicable common stock at issuance and the intrinsic value of stock-based awards at grant date.
- (n) Treasury stock. As discussed in Note 1, an estimated 87.1 million shares of Sysco stock will be released from existing treasury stock to USF equity holders as part of merger consideration at an estimated per share price of \$37.24, using the closing price average for the seven (business) day period ending July 8, 2014, as reported on the New York Stock Exchange. The adjustment to Treasury stock is based on the weighted average cost of Sysco's treasury shares of \$26.62 per share as of March 29, 2014, with the difference being recorded as an adjustment to paid-in capital.



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- (o) Operating expenses. Adjustments to operating expenses are comprised of the following, which are discussed further in the notes as indicated below:

<b>(in thousands)</b>	<b>39 weeks ended March 29, 2014</b>	<b>Year ended June 29, 2013</b>
Amortization of acquired USF intangible assets (see note g)	\$ 132,823	\$ 177,097
Elimination of USF's historical amortization of intangible assets (see note g)	(111,930)	(146,138)
Additional depreciation expense related to the adjustment to fair market value of USF plant and equipment (see note e)	53,217	70,956
Elimination of merger-related costs for Sysco and USF currently reflected in the historical statements of operations	(11,477)	
Elimination of USF prior service cost and actuarial gains and losses amortization (see note q)	(7,412)	(14,431)
Net adjustment to operating expenses	\$ 55,221	\$ 87,484

- (p) Interest expense. Adjustments to interest expense are comprised of the following, which are discussed further in various notes:

<b>(in thousands)</b>	<b>39 weeks ended March 29, 2014</b>	<b>Year ended June 29, 2013</b>
Elimination of USF historical amortization of debt issuance costs (see note h)	\$ (13,609)	\$ (17,654)
Elimination of amortization of swap amounts in Accumulated Other Comprehensive Income ( AOCI ) (cash flow hedge) (see note m)		(16,080)
Additional interest expense related to the adjustment to fair market value of USF debt (see note k)	4,996	6,661
Net adjustment to interest expense	\$ (8,613)	\$ (27,073)

- (q) Elimination of USF prior service cost and actuarial gains and losses amortization. USF has defined benefit and defined contribution retirement plans for its employees. Also, USF contributes to various multiemployer plans under collective bargaining agreements and provides certain health care benefits to eligible retirees and their dependents. The adjustments of \$7.4 million for the 39 weeks ended March 29, 2014, and \$14.4 million for the year ended June 29, 2013, reflect the elimination of the amortization of pension amounts related to these plans from operating expenses. Unrecognized prior service cost and unrecognized actuarial gains and losses have been adjusted out of Accumulated Other Comprehensive Income in the Unaudited Pro Forma

Combined Balance Sheet.

- (r) Earnings per share. The pro forma earnings (loss) per share of the combined company are calculated by dividing the pro forma income (loss) by the pro forma weighted average number of shares outstanding.

**Table of Contents****COMPENSATION OF NON-EMPLOYEE DIRECTORS OF USF**

All members of the board of directors of US Foods and USF are entitled to be reimbursed for reasonable out-of-pocket expenses incurred in attending all board and other committee meetings. Directors who are USF employees or are employees of CDR do not receive remuneration for serving on the Boards of Directors of US Foods or USF. Non-employee directors receive a quarterly retainer of \$10,000. The fees earned or paid in cash by US Foods and USF to non-employee directors for service as directors for the fiscal year 2013 were as follows:

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Other Compensation</b>	<b>Total</b>
Mr. Calbert	\$ 40,000	\$ 0	\$ 40,000
Mr. Taylor	40,000	0	40,000
Mr. Liddy	0	0	0
Mr. Schnall	0	0	0
Mr. Sleeper	0	0	0

Pursuant to the stockholders agreement, Sysco has agreed to increase the size of the Sysco board of directors by two members at the consummation of the merger, and certain of USF's primary stockholders will be entitled to designate candidates for appointment to the additional seats on the terms and conditions set forth in the stockholders agreement. See Stockholders Agreement. The initial designees to the Sysco board of directors are currently expected to be Richard J. Schnall and Michael Calbert.



**Table of Contents****PRINCIPAL STOCKHOLDERS OF USF**

The following table sets forth information as of March 29, 2014 with respect to the ownership of the common stock of USF by:

Each person known to own beneficially more than 5% of the common stock of USF;

Each of the directors of USF;

Each of USF's named executive officers; and

All of USF's executive officers and directors as a group.

The amounts and percentages of shares beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person's ownership percentage, but not for purposes of computing any other person's percentage. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest. As of March 29, 2014, 457,023,499 shares of common stock of USF were outstanding.

Except as otherwise indicated in the footnotes to this table, each of the beneficial owners listed has, to USF's knowledge, sole voting and investment power with respect to the indicated shares of USF common stock. Unless otherwise indicated, the address for each individual listed below is c/o US Foods, Inc., 9399 W. Higgins Road, Suite 500, Rosemont, IL 60018.

<b><u>Name and Address of Beneficial Holder</u></b> <sup>(1)</sup>	<b>Number</b>	<b>Percent</b>
Investment Funds Associated With or Managed By Clayton, Dubilier & Rice, LLC <sup>(2)(3)</sup>	225,000,000	47.63%
Clayton, Dubilier & Rice Fund VII, L.P.	120,000,000	25.41
Clayton, Dubilier & Rice Fund VII (Co-Investment), L.P.	35,000,000	7.41%
CD&R Parallel Fund VII, L.P.	854,416	*
CDR USF Co-Investor, L.P.	49,145,584	10.40%
CDR USF Co-Investor No. 2, L.P.	20,000,000	4.23%
Investment Funds Associated With Kohlberg Kravis Roberts & Co., L.P. <sup>(3)(4)</sup>	225,000,000	47.63%
KKR 2006 Fund L.P.	199,530,000	42.24%
KKR PEI Investments, L.P.	20,000,000	4.23%
KKR Partners III, L.P.	3,670,000	*
OPERF Co-Investment LLC	1,800,000	*
Directors and Named Executive Officers		

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Edward M. Liddy <sup>(5)</sup>		
Richard J. Schnall <sup>(5)</sup>		
Nathan K. Sleeper <sup>(5)</sup>		
Michael Calbert <sup>(6)</sup>		
Nathaniel H. Taylor <sup>(6)</sup>		
John A. Lederer <sup>(7)(8)</sup>	4,268,354	*
Fareed Khan <sup>(8)</sup>	131,333	*
Stuart S. Schuette <sup>(8)</sup>	754,462	*
Pietro Satriano <sup>(8)</sup>	709,771	*
Mark Scharbo <sup>(8)</sup>	132,126	*
All directors and executive officers as a group (15 people)	8,030,122	1.70%

\* less than 1%

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- (1) This table represents shares of common stock of USF, which owns all of the outstanding shares of US Foods, Inc. As set forth in this table, investment funds associated with or managed by CDR and KKR (which collectively, with their affiliates, we refer to as the sponsors) currently beneficially own, in the aggregate, approximately 98% of the outstanding shares of USF common stock (approximately 95% on a fully diluted basis).
- (2) Represents shares held by the following investment funds associated with or managed by CDR: (a) 120,000,000 shares of common stock held by Clayton, Dubilier & Rice Fund VII, L.P., whose general partner is CD&R Associates VII, Ltd., whose sole stockholder is CD&R Associates VII, L.P., whose general partner is CD&R Investment Associates VII, Ltd.; (b) 35,000,000 shares of common stock held by Clayton, Dubilier & Rice Fund VII (Co-Investment), L.P., whose general partner is CD&R Associates VII (Co-Investment), Ltd., whose sole stockholder is CD&R Associates VII, L.P.; (c) 854,416 shares of common stock held by CD&R Parallel Fund VII, L.P., whose general partner is CD&R Parallel Fund Associates VII, Ltd.; (d) 49,145,584 shares of common stock held by CDR USF Co-Investor, L.P. whose general partner is CDR USF Co-Investor GP Limited, whose sole stockholder is Clayton, Dubilier & Rice Fund VII, L.P., and (e) 20,000,000 shares of common stock held by CDR USF Co-Investor No. 2, L.P. whose general partner is CDR USF Co-Investor GP No. 2, Limited, whose sole stockholder is CD&R Associates VII, L.P. (which collectively, we refer to as the CDR funds). CD&R Investment Associates VII, Ltd. and CD&R Parallel Fund Associates VII, Ltd. are each managed by a two-person board of directors. Donald J. Gogel and Kevin J. Conway as the directors of CD&R Investment Associates VII, Ltd. and CD&R Parallel Fund Associates VII, Ltd., may be deemed to share beneficial ownership of the shares shown as beneficially owned by the funds associated with CDR. Such persons disclaim such beneficial ownership. Investment and voting decisions with respect to shares held by each of the CDR funds are made by an investment committee of limited partners of CD&R Associates VII, L.P., currently consisting of more than 10 individuals (which we refer to as the investment committee). All members of the investment committee disclaim beneficial ownership of the shares shown as beneficially owned by the investment funds managed by CDR. The address for each of Clayton, Dubilier & Rice Fund VII, L.P., CD&R Parallel Fund VII, L.P., Clayton, Dubilier & Rice Fund VII (Co-Investment), L.P., CD&R Associates VII, Ltd., CD&R Associates VII, L.P., CD&R Parallel Fund Associates VII, Ltd., CD&R Associates VII (Co-Investment), Ltd. and CD&R Investment Associates VII, Ltd. is c/o Maples Corporate Services Limited, P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The address for CDR is 375 Park Avenue, 18th Floor, New York, NY 10152.
- (3) USF and US Foods are a party to the Stockholders Agreement, among each of them and the sponsors. Among other things, USF and each stockholder that is a party to the Stockholders Agreement is required to take all necessary action to cause the USF Board of Directors nominees that the sponsors have chosen to be elected. These actions include recommending the nominees of the sponsors to the USF Board for inclusion in the slate of nominees recommended by the Board to stockholders for election.
- (4) Represents shares held by the following investment funds associated with Kohlberg Kravis Roberts & Co., L.P.: (a) 199,530,000 shares of common stock held by KKR 2006 Fund L.P.; (b) 20,000,000 shares of common stock held by KKR PEI Investments, L.P.; (c) 3,670,000 shares of common stock held by KKR Partners III, L.P.; and (d) 1,800,000 shares of common stock held by OPERF Co-Investment LLC (which collectively we refer to as the KKR funds). The sole general partner of the KKR 2006 Fund L.P. is KKR Associates 2006 L.P., and the sole general partner of KKR Associates 2006 L.P. is KKR 2006 GP LLC. The designated member of KKR 2006 GP LLC is KKR Fund Holdings L.P. The sole general partner of KKR PEI Investments, L.P. is KKR PEI Associates, L.P., and the sole general partner of KKR PEI Associates, L.P. is KKR PEI GP Limited. The sole shareholder of KKR PEI GP Limited is KKR Fund Holdings L.P. Messrs. Henry Kravis and George Roberts have also been designated as managers of KKR 2006 GP LLC by KKR Fund Holdings L.P. KKR III GP LLC is the sole general partner of KKR Partners III, L.P. The managers of KKR III GP LLC are Messrs. Kravis and Roberts. The manager of OPERF Co-Investment LLC is KKR Associates 2006 L.P. The general partners of KKR Fund Holdings L.P. are KKR Fund Holdings GP Limited and KKR Group Holdings L.P. The sole shareholder of KKR Fund Holdings GP Limited is KKR Group Holdings L.P. The sole general partner of KKR Group Holdings L.P. is KKR Group Limited. The sole shareholder of KKR Group Limited is KKR & Co. L.P. The sole general partner

of KKR & Co. L.P. is KKR Management LLC. The designated members of KKR Management LLC are Messrs. Kravis and

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Roberts. Each of the KKR entities and Messrs. Kravis and Roberts may be deemed to share voting and investment power with respect to the shares beneficially owned by the KKR funds, but each has disclaimed beneficial ownership of such shares, except to the extent directly held. The address for all entities noted above and for Mr. Kravis is c/o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, Suite 4200, New York, NY 10019. The address for Mr. Roberts is c/o Kohlberg Kravis Roberts & Co. L.P., 2800 Sand Hill Road, Suite 200, Menlo Park, CA 94025.

- (5) Does not include 225,000,000 shares of common stock held by investment funds associated with or managed by CDR. Messrs. Liddy, Schnall, and Sleeper are directors of USF and executives of CDR. They disclaim beneficial ownership of the shares held by investment funds associated with or managed by CDR.
- (6) Does not include 225,000,000 shares of common stock held by investment funds associated with Kohlberg Kravis Roberts & Co., L.P. Mr. Taylor is a director of USF and executive of KKR. He disclaims beneficial ownership of the shares held by investment funds associated with KKR.
- (7) Does not include 450,000,000 shares of common stock held by investment funds associated with or managed by the sponsors. Mr. Lederer is a director of USF and is a Sponsor Nominee designated jointly by the sponsors. Mr. Lederer disclaims beneficial ownership of the shares held by investment funds associated with or managed by the sponsors.
- (8) Includes restricted stock, shares that were purchased pursuant to USF's employee stock purchase plan, and vested options exercisable within 60 days. This does not include unvested restricted stock units or unvested options. No unvested restricted stock units or unvested options are scheduled to vest within 60 days.

**Table of Contents****COMPARISON OF RIGHTS OF STOCKHOLDERS**

*This section of the consent solicitation statement/prospectus describes the material differences between the rights of holders of USF capital stock and holders of Sysco common stock. While Sysco and USF believe that the description covers the material differences between the two, this summary may not contain all of the information that is important to you. You should carefully read this entire document and the other documents we refer to for a more complete understanding of the differences between being a stockholder of USF and being a stockholder of Sysco.*

Upon consummation of the merger, the holders of issued and outstanding USF common stock will be entitled to receive Sysco common stock. The rights of the holders of Sysco common stock are governed by Sysco's restated certificate of incorporation, Sysco's amended and restated bylaws and the DGCL, while the rights of holders of USF common stock are generally governed by USF's certificate of incorporation, USF's bylaws and the DGCL.

Although it is impractical to compare all aspects in which Sysco's and USF's governing documents differ with respect to rights of stockholders, the following is a brief discussion summarizing certain differences between them.

	<b>Sysco Stockholder Rights</b>	<b>USF Stockholder Rights</b>
<b>Authorized Capital Stock</b>	The authorized capital stock of Sysco consists of 2 billion shares of common stock, par value \$1.00 per share, and 1.5 million shares of preferred stock, par value \$1.00 per share.	The authorized capital stock of USF consists of 600 million shares of common stock, par value \$0.01 per share.
<b>Number and Classification of Directors</b>	Sysco's bylaws state that the Sysco board of directors will consist of not less than five and not more than fifteen directors, with the specific number determined by the majority of the board. Currently, there are ten directors. Pursuant to the stockholders agreement, the size of the Sysco board of directors will be increased by two upon the consummation of the merger. Sysco's board of directors was previously classified, and is being declassified over time. Certain members of the Sysco board of directors are completing their previously elected three year terms. Effective as of the 2014 annual meeting, all Sysco directors will be elected for one-year terms and the Sysco board of directors will no longer be classified.	USF's bylaws state that the USF board of directors will consist of not less than one and not more than fifteen directors, with the specific number determined by the board or the stockholders. Currently, there are six directors, and one vacant designee of KKR, all of whom are elected annually for one-year terms. Pursuant to the stockholders agreement of July 3, 2007, between the sponsors and USF, each of CDR and KKR receive three designees to the USF board of directors and are to agree mutually on the seventh seat on the board of directors, reserved for USF's chief executive officer.



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	<b>Sysco Stockholder Rights</b>	<b>USF Stockholder Rights</b>
<b>Rights of Holders of Preferred Stock to Elect Directors</b>	No shares of preferred stock are outstanding.	No shares of preferred stock are authorized or outstanding.
<b>Vacancy of Directors</b>	<p>Under Sysco's bylaws, vacancies and newly created directorships, resulting from an increase in the number of directors by action of the board, may be filled by the majority of the remaining directors, even if less than a quorum, or by stockholders at a meeting called for the purpose of electing directors. The director elected to fill a vacancy will serve until the next annual meeting of stockholders and until such director's successor has been elected and qualified, or until such director's earlier death, resignation or removal from office.</p> <p>Any replacement director chosen to fill a vacancy left by a director who was elected to a three-year term, as permitted prior to the 2012 annual meeting, will continue in office for the remainder of such three-year term, unless the term is terminated sooner by death, resignation, retirement, disqualification or removal.</p>	<p>Under USF's bylaws, vacancies and newly created directorships resulting from an increase in the number of directors may be filled by the majority of the directors then in office, even if less than a quorum, or by the sole remaining director or by the stockholders.</p>
<b>Stockholder Nomination of Directors</b>	<p>Under Sysco's bylaws, nominations for the election of directors may be made by the Sysco board or a stockholder of record entitled to vote on the matter.</p> <p>Such stockholders may nominate directors for election if notice of intent to nominate a director and information regarding that nominee is received no later than close of business on the 90th day nor earlier than close of business on the 130th day prior to the first anniversary of the preceding year's annual meeting (or if the date of the annual meeting</p>	<p>Under USF's bylaws, all matters submitted to a meeting of the stockholders will be decided by the vote of the holders, present in person or by proxy, of a majority of USF's issued and outstanding stock.</p>



is more than 30 days before or 60  
days

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**Sysco Stockholder Rights**

after such anniversary date, then not later than the later of the close of business on the 90th day prior to such annual meeting or on the 10th day following the day on which public disclosure of the date of the annual meeting was made).

If a stockholder is seeking to elect a director at a special meeting at which directors are to be elected, notice of intent to nominate a director and information regarding that director must be received by Sysco no later than the close of business on the 10th day following the day on which public disclosure of the date of the special meeting was made.

Sysco's bylaws require that the stockholder notice contain certain information about the stockholder and its nominee(s), and that director nominees complete questionnaires from Sysco, and execute a written representation and agreement.

**USF Stockholder Rights**

**Removal of Directors**

Directors may be removed with or without cause by the vote of the majority of outstanding common shares.

Directors may be removed with or without cause by vote of the holders of record, present in person or by proxy, of a majority of USF's issued and outstanding capital stock.

**Stockholder Action without a Meeting**

Under Sysco's restated certificate of incorporation and Sysco's bylaws, any action that may be taken by stockholders at a meeting may be decided by unanimous written consent of the stockholders who would have been entitled to vote or the written consent given by stockholders comprising at least the minimum percentage of votes required to be cast to authorize such

Under the DGCL, any action that may be taken by stockholders at a meeting may be decided by written consent of the holders of outstanding stock having not less than the minimum number of votes that would be necessary to take such action at a meeting at which all shares entitled to vote thereon were present and voted.

an action; provided that prompt notice be given to all stockholders of the taking of such action without a meeting and by less than unanimous written consent.

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	<b>Sysco Stockholder Rights</b>	<b>USF Stockholder Rights</b>
<b>Special Meetings of Stockholders</b>	Under Sysco's bylaws, the majority of the whole board of directors may call special meetings of stockholders for any purpose.	Under USF's bylaws, the president may call a special meeting of stockholders for any purpose and the president or secretary may call a special meeting of the stockholders if directed by the board of directors or requested in writing by the holders of at least 25% of the stock.
<b>Amendment of Certificate of Incorporation</b>	Under Sysco's restated certificate of incorporation, the business combination provision of the restated certificate of incorporation may be amended or repealed only by 80% of the outstanding shares of common stock entitled to vote.	Under the DGCL, the certificate of incorporation can be amended with a resolution of the board of directors and the vote of a majority of the outstanding stock.
	In accordance with Sysco's restated certificate of incorporation, all other provisions of the certificate of incorporation may be amended, altered or repealed by the vote of the majority of the outstanding shares of Sysco common stock upon a recommendation from Sysco's board of directors.	
<b>Amendment of Bylaws</b>	The Sysco board of directors, by a majority of the whole board, and holders of a majority of the outstanding shares entitled to vote may amend Sysco's bylaws.	The USF board of directors acting by majority vote can adopt, amend or repeal the bylaws. Under the DGCL, the stockholders also have the power to adopt, amend or repeal the bylaws.
<b>Quorum</b>	The holders of 35% of the shares entitled to vote will constitute a quorum at a meeting of stockholders for the transaction of any business except where the DGCL provides otherwise.	The holders of a majority of the outstanding stock will constitute a quorum except where the DGCL provides otherwise.
<b>Voting Rights</b>	Each holder of Sysco common stock is entitled to one vote for each share held of record. Directors are elected by a majority of votes cast on the matter, except that when the number	Under the DGCL, each holder of USF common stock is entitled to one vote for each share held. Under USF's bylaws, all matters submitted to a meeting of stockholders will

of nominees exceeds the number of directors to be elected at a meeting as of the meeting's record date, then each director will be elected by a majority of the outstanding stock, be decided by a vote of the holders, present in person or by proxy, of a majority of the outstanding stock, except as otherwise provided by law.

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	<b>Sysco Stockholder Rights</b>	<b>USF Stockholder Rights</b>
	<p>plurality of the votes cast. Other stockholder actions generally require the affirmative vote of a majority of the votes cast. Except as otherwise required by applicable law, abstentions will be disregarded with respect to director elections and other stockholder actions. Certain business combinations may require a higher voting standard (see <b>Business Combinations with Interested Stockholders</b> ).</p>	
<b>Dividends</b>	<p>Under the DGCL and Sysco's restated certificate of incorporation, Sysco may declare and pay dividends either out of its surplus or, if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding year, in the discretion of Sysco's board of directors. The rights of holders of common stock to receive dividends or to share in the distribution of assets in the event of liquidation, dissolution or winding up of the affairs of Sysco are subject to the preferences and other rights of holders of the preferred stock.</p>	<p>Under the DGCL, USF may declare and pay dividends either out of its surplus or, if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding year.</p>
<b>Indemnification of Officers and Directors</b>	<p>Under Sysco's restated certificate of incorporation and Sysco's bylaws, Sysco must indemnify officers and directors to the full extent permitted under the DGCL.</p> <p>Sysco's bylaws provide that Sysco will advance to a current or former director or officer expenses incurred in defending any action for which the right of indemnification is applicable; provided, however, such current or former director or officer must deliver to Sysco an undertaking to repay the amount advanced, if it is ultimately</p>	<p>Under USF's bylaws, USF must indemnify officers and directors to the full extent permitted under the DGCL.</p>

determined that he or she is not entitled to indemnification.

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	<b>Sysco Stockholder Rights</b>	<b>USF Stockholder Rights</b>
<b>Limitations on the Liability of Directors</b>	Sysco's amended and restated certificate of incorporation provides that Sysco's directors are protected from personal liability for breaches of fiduciary duties except (i) for any breach of the director's duty of loyalty to Sysco or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for an unlawful payment of dividends or unlawful purchase or redemption of stock or (iv) for any transaction from which the director derived an improper personal benefit.	USF's certificate of incorporation provides that no director of USF shall be personally liable to USF or its stockholders for monetary damages for breach of fiduciary duty as a director, except as otherwise provided by the DGCL.
<b>Notice of Stockholder Meetings</b>	Under Sysco's bylaws, notice must be delivered to each stockholder entitled to notice of or to vote at the meeting not less than ten or more than sixty days before the meeting.	Under USF's bylaws, notice must be delivered to each stockholder entitled to notice of or to vote at the meeting not less than ten or more than sixty days before the meeting.
<b>Stockholder Proposals</b>	Under Sysco's bylaws, stockholders entitled to vote on the matter may bring business before annual meetings, provided that the business is a proper matter for stockholder action under Delaware law, the advance notice and information requirements of Sysco's bylaws are met, and, in the case of a special meeting, the business is specified in the notice of meeting given to stockholders. Among the information that must be contained in the notice is a representation by the stockholder that it intends to appear in person or by proxy at the annual meeting to bring the business before the meeting.  For annual meetings, notice of such business containing the information required by Sysco's bylaws must be given to Sysco no later than close of business on the 90th day nor earlier	Under the DGCL, any proper business can be conducted at a stockholder annual meeting. Under USF's bylaws stockholders can bring business before a special meeting as specified in each stockholder request for the meeting.



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	<b>Sysco Stockholder Rights</b>	<b>USF Stockholder Rights</b>
	<p>business on the 130th day prior to the first anniversary of the preceding year's annual meeting (or if the date of the annual meeting is more than 30 days before or 60 days after such anniversary date, then not later than the later of the close of business on the 90th day prior to such annual meeting or the 10th day following the day on which public disclosure of the date of the annual meeting was made).</p>	
<b>Business Combinations with Interested Stockholders</b>	<p>Sysco has not opted out of section 203 of the DGCL which governs business combinations with interested stockholders. See Description of Sysco Capital Stock -Certain Anti-Takeover Effects Business Combinations and Description of Sysco Capital Stock Certain Anti-Takeover Effects Supermajority Requirement for Business Combinations.</p>	<p>USF has not opted out of section 203 of the DGCL.</p>
<b>Exclusivity Forum</b>	<p>Under Sysco's bylaws, unless Sysco consents in writing to the selection of an alternative forum, state courts located in the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) will be the exclusive forum for derivative actions or proceedings brought on behalf of Sysco, actions for breach of fiduciary duties owed by directors, officers or other employees of Sysco to Sysco or its stockholders, actions asserting a claim against Sysco or any director, officer or other employee of Sysco arising under the DGCL or Sysco's certificate of incorporation or bylaws or actions asserting a claim against Sysco or any director, officer or other employee of Sysco</p>	<p>The USF bylaws do not have a forum selection provision.</p>

governed by the internal affairs  
doctrine.

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**MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER**

This section describes the material United States federal income tax consequences of the merger to U.S. holders (as defined below) of USF common stock who exchange shares of USF common stock for a combination of shares of Sysco common stock and cash pursuant to the merger. The following discussion is based on the Code, existing and proposed regulations thereunder and published rulings and decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion.

For purposes of this discussion, a U.S. holder is a beneficial owner of USF common stock who for United States federal income tax purposes is:

a citizen or resident of the United States;

a corporation, or an entity treated as a corporation, created or organized in or under the laws of the United States or any state or political subdivision thereof;

a trust that (1) is subject to (A) the primary supervision of a court within the United States and (B) the authority of one or more United States persons to control all substantial decisions of such trust or (2) has a valid election in effect under applicable United States Treasury Regulations to be treated as a United States person; or

an estate that is subject to United States federal income tax on its income, regardless of its source.

If a partnership (including for this purpose any entity or arrangement treated as a partnership for United States federal income tax purposes) holds USF common stock, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding USF common stock, you should consult your tax advisor.

This discussion addresses only those USF stockholders that hold their USF common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment), and does not address all the United States federal income tax consequences that may be relevant to particular USF stockholders in light of their individual circumstances or to USF stockholders that are subject to special rules, such as:

financial institutions;

real estate investment trusts;

an S corporation or other pass-through entity (or an investor in an S corporation or other pass-through entity);

regulated investment companies or mutual funds;

investors in pass-through entities;

insurance companies;

tax-exempt organizations;

dealers or brokers in securities or currencies;

traders in securities that elect to use a mark-to-market method of accounting;

persons who exercise dissenters' rights;

persons that hold USF common stock as part of a straddle, hedge, constructive sale, conversion or other integrated transaction;

persons that purchased or sell their shares of USF common stock as part of a wash sale;

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certain expatriates or persons that have a functional currency other than the U.S. dollar;

persons that are not U.S. holders; and

stockholders who acquired their shares of USF common stock through the exercise of an employee stock option or otherwise as compensation or through a tax-qualified retirement plan.

In addition, the discussion does not address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, any alternative minimum tax or any state, local or foreign tax consequences of the merger.

**ALL HOLDERS OF USF COMMON STOCK SHOULD CONSULT THEIR TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING THE APPLICABILITY AND EFFECT OF THE ALTERNATIVE MINIMUM TAX AND ANY STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.**

*United States Federal Income Tax Consequences of the Merger.* The obligation of USF to complete the merger is conditioned upon the receipt of a written opinion from Simpson, Thacher & Bartlett LLP, counsel to USF, dated as of the closing date and to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, which condition is waivable by USF. This opinion will be based upon facts, representations and assumptions set forth or referred to in such opinion and on representation letters provided by Sysco and USF. This opinion is not binding on the Internal Revenue Service (the "IRS") or the courts. Sysco and USF have not requested and do not intend to request any ruling from the IRS as to the United States federal income tax consequences of the merger.

Assuming that, the merger constitutes a reorganization within the meaning of Section 368(a) of the Code, upon the exchange of USF common stock for Sysco common stock, cash and cash in lieu of fractional shares, the material United States federal income tax consequences of the merger to U.S. holders of USF common stock generally are as follows:

a holder who receives a combination of shares of Sysco common stock and cash (other than cash received instead of a fractional share of Sysco common stock) in exchange for shares of USF common stock pursuant to the merger generally will recognize gain (but not loss) in an amount equal to the lesser of (1) the amount by which the sum of the fair market value of the Sysco common stock and cash received by a holder of USF common stock exceeds such holder's tax basis in its USF common stock and (2) the amount of cash received by such holder of USF common stock (in each case excluding any cash received instead of fractional share interests in Sysco common stock, which shall be treated as discussed below);

the aggregate tax basis of the Sysco common stock received in the merger (including any fractional share interests in Sysco common stock deemed received and exchanged for cash) will be the same as the aggregate tax basis of the USF common stock for which it is exchanged, decreased by the amount of cash received in the merger (excluding any cash received instead of fractional share interests in Sysco common stock), and increased by the amount of gain recognized on the exchange (regardless of whether such gain is classified as

capital gain or dividend income, as discussed below), excluding any gain recognized with respect to fractional share interests in Sysco common stock for which cash is received, as discussed below; and

the holding period of Sysco common stock received in exchange for shares of USF common stock (including any fractional share interests in Sysco common stock deemed received and exchanged for cash, as discussed below) will include the holding period of the USF common stock for which it is exchanged.

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If holders of USF common stock acquired different blocks of USF common stock at different times or at different prices, any gain or loss will be determined separately with respect to each block of USF common stock and such holders' basis and holding period in their shares of Sysco common stock may be determined with reference to each block of USF common stock. Any such holders should consult their tax advisors regarding the manner in which cash and Sysco common stock received in the exchange should be allocated among different blocks of USF common stock and with respect to identifying the bases or holding periods of the particular shares of Sysco common stock received in the merger.

Gain or loss that holders of USF common stock recognize in connection with the merger generally will constitute capital gain or loss and will constitute long-term capital gain or loss if such holders have held their USF common stock for more than one year as of the date of the merger. Long-term capital gain of certain non-corporate holders of USF common stock, including individuals, is generally taxed at preferential rates. The deductibility of capital losses is subject to limitations. In some cases, if a holder actually or constructively owns Sysco stock other than Sysco stock received pursuant to the merger, the recognized gain could be treated as having the effect of a distribution of a dividend under the tests set forth in Section 302 of the Code, in which case such gain would be treated as dividend income. Because the possibility of dividend treatment depends upon each holder's particular circumstances, including the application of constructive ownership rules, holders of USF common stock should consult their tax advisors regarding the application of the foregoing rules to their particular circumstances.

*Cash Received Instead of a Fractional Share of Sysco Common Stock.* A holder of USF common stock who receives cash instead of a fractional share of Sysco common stock will generally be treated as having received the fractional share pursuant to the merger and then as having sold that fractional share of Sysco common stock for cash. As a result, a holder of USF common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the tax basis allocated to such fractional share of Sysco common stock. Gain or loss recognized with respect to cash received in lieu of a fractional share of Sysco common stock will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the holding period for such shares is greater than one year. The deductibility of capital losses is subject to limitations.

*Information Reporting and Backup Withholding.* Payments of cash to a holder of USF common stock may, under certain circumstances, be subject to information reporting and backup withholding, unless the holder provides proof of an applicable exemption or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the holder's United States federal income tax liability, provided the required information is timely furnished to the IRS.

A U.S. holder of USF common stock who receives Sysco common stock as a result of the merger will be required to retain records pertaining to the merger. Each U.S. holder of USF common stock who is required to file a United States federal income tax return and who is a significant holder that receives Sysco common stock in the merger will be required to file a statement with such United States federal income tax return setting forth such holder's basis in the USF common stock surrendered and the fair market value of the Sysco common stock and cash received in the merger. A significant holder is a holder of USF common stock, who, immediately before the merger, owned at least 5% of the outstanding stock of USF.

**Holders of USF common stock are urged to consult their tax advisors as to tax consequences resulting from the merger in their particular circumstances, including the applicability and effect of state, local, and other tax laws and the effect of any proposed changes in the tax laws.**





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**EXPERTS AND INDEPENDENT ACCOUNTANTS**

The consolidated financial statements of Sysco Corporation appearing in Sysco Corporation's Annual Report (Form 10-K) for the year ended June 29, 2013 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

With respect to the unaudited consolidated interim financial information of Sysco Corporation for the thirteen, twenty-six and thirty-nine week periods ended September 28, 2013, December 28, 2013, and March 29, 2014, respectively, incorporated by reference in this Prospectus, Ernst & Young LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports dated November 4, 2013, February 3, 2014, and May 5, 2014, included in Sysco's Quarterly Report on Form 10-Q for the quarters ended September 28, 2013, December 28, 2013, and March 29, 2014, respectively, and incorporated by reference herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Ernst & Young LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 (the "Act") for their report on the unaudited interim financial information because that report is not a report or a part of the Registration Statement prepared or certified by Ernst & Young LLP within the meaning of Sections 7 and 11 of the Act.

The consolidated financial statements of USF Holding Corp. as of December 28, 2013 and December 29, 2012 and for each of the three fiscal years in the period ended December 28, 2013 included in this consent solicitation statement/prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such consolidated financial statements are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

**LEGAL MATTERS**

The validity of the shares of Sysco common stock to be issued pursuant to the Merger will be passed upon by Wachtell, Lipton, Rosen & Katz. Certain United States federal income tax consequences relating to the merger will be passed upon for USF by Simpson Thacher & Bartlett LLP.

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**WHERE YOU CAN FIND MORE INFORMATION**

**Registration Statement**

Sysco has filed a registration statement on Form S-4 to register with the SEC the Sysco common stock to be issued in the merger to USF stockholders. This document is part of that registration statement. The registration statement and the exhibits to the registration statement contain additional important information about Sysco and its common stock. As allowed by SEC rules, this document does not contain all the information you can find in the registration statement or the exhibits to the registration statement.

**Sysco SEC Filings**

Sysco files annual, quarterly and current reports, proxy statements and other information with the SEC. You can read and copy any reports, statements or other information filed by Sysco with the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Sysco's SEC filings are also available to the public from commercial document retrieval services and at the SEC's website at [www.sec.gov](http://www.sec.gov). Further information is also available on Sysco's website, [www.sysco.com/investors](http://www.sysco.com/investors), by emailing [investor\\_relations@corp.sysco.com](mailto:investor_relations@corp.sysco.com) or by telephone at (281) 584-2615. Information on Sysco's internet website is not incorporated by reference into this consent solicitation statement/prospectus.

**Documents Incorporated by Reference**

The SEC allows Sysco to incorporate by reference into this document, which means that Sysco can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered part of this document, except for any information superseded by information that is included directly in this document or contained in documents filed later that are incorporated by reference into this document. This document incorporates by reference the documents set forth below that Sysco has previously filed with the SEC:

Sysco's Annual Report on Form 10-K for the year ended June 29, 2013, filed with the SEC on August 27, 2013;

Sysco's Current Reports on Form 8-K, filed with the SEC on September 30, 2013, October 24, 2013, November 20, 2013, December 10, 2013, February 18, 2014, March 3, 2014 and March 27, 2014;

Sysco's Definitive Proxy Statement on Schedule 14A, filed with the SEC on October 3, 2013;

Sysco's Quarterly Reports on Form 10-Q for the quarter ended September 28, 2013, filed with the SEC on November 5, 2013, for the quarter ended December 28, 2013, filed on February 4, 2014; and for the quarter ended Monday 29, 2014, filed on May 6, 2014; and

The description of Sysco common stock contained in Sysco's registration statement on Form 8-A filed under Section 12 of the Exchange Act, and any amendment or report filed for the purpose of updating such description, including Sysco's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2000 and the description of Sysco's common stock contained in Sysco's registration statement on Form S-3 filed with the Securities and Exchange Commission on February 17, 2012, and any amendment or report filed for the purpose of updating such description.

All documents filed by Sysco pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this consent solicitation statement/prospectus (excluding any information furnished pursuant to Item 2.02 or Item 7.01 of any Current Report on Form 8-K) and prior to the effectiveness of the registration statement are incorporated by reference into this consent solicitation statement/prospectus and are part of this document from the date of filing. The information relating to Sysco contained in this information statement/prospectus should be read together with the information in the documents incorporated by reference.

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**Any statement contained in this consent solicitation statement/prospectus or incorporated in this document by reference will be deemed to be modified or superseded for purposes of this consent solicitation statement/prospectus to the extent that a statement contained in this document or in any subsequently filed document that is also incorporated by reference in this consent solicitation statement/prospectus modifies or supersedes such statement.**

## **Other Documents**

Documents that are described in this consent solicitation statement/prospectus but that are not incorporated by reference are available from Sysco upon request in writing or by telephone. Copies of USF's Articles of Incorporation and Bylaws are available from USF upon request in writing or by telephone.

## **Miscellaneous**

Only one copy of this information statement/prospectus is being delivered to multiple USF stockholders sharing an address unless USF has received contrary instructions from one or more of the stockholders. Upon written or oral request, USF will promptly deliver a separate copy of this information statement/prospectus to a USF stockholder at a shared address to which a single copy of this information statement/prospectus has been delivered. USF stockholders at a shared address who would like to receive a separate copy of this information statement/prospectus, or a separate copy of future Sysco proxy statements or annual reports following completion of the merger, should contact Sysco in writing or by telephone. In the event that you are receiving multiple copies of annual reports or proxy statements at an address to which you would like to receive a single copy, multiple USF stockholders sharing an address may also contact Sysco in writing or by telephone to receive a single copy of annual reports or proxy statements in the future.

No person has been authorized to give any information or make any representation on behalf of Sysco or USF not contained in this information statement/prospectus, and if given or made, such information or representation must not be relied upon as having been authorized. The information contained in this information statement/prospectus is accurate only as of the date of this information statement/prospectus and, with respect to material incorporated into this document by reference, the dates of such referenced material.

If you live in a jurisdiction where it is unlawful to offer to exchange or sell, or to ask for offers to exchange or buy, the securities offered by this document, or if you are a person to whom it is unlawful to direct these activities, then the offer presented by this document does not extend to you.

## **Documents Available Without Charge**

Sysco will provide, without charge, copies of any report incorporated by reference into this document, as well as certain other documents described in this consent solicitation statement/prospectus, excluding exhibits other than those that are specifically incorporated by reference into this document. Copies of USF's Articles of Incorporation and Bylaws are available from USF upon request in writing or by telephone. You may obtain a copy of any document incorporated by reference in this document and certain other documents described in this document, by writing or calling the appropriate company at the following addresses:

Sysco Corporation

USF

Investor Relations

General Counsel and Chief Compliance Officer.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of

USF Holding Corp.

Rosemont, Illinois

We have audited the accompanying consolidated balance sheets of USF Holding Corp. and subsidiaries (the Company ) as of December 28, 2013 and December 29, 2012, and the related consolidated statements of comprehensive income (loss), shareholders' equity, and cash flows for each of the three fiscal years in the period ended December 28, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of USF Holding Corp. and subsidiaries as of December 28, 2013 and December 29, 2012 and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 28, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois

April 15, 2014



**Table of Contents****USF HOLDING CORP.****CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 28, 2013 AND DECEMBER 29, 2012****(in thousands)**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 179,744	\$ 242,457
Accounts receivable, less allowances of \$25,151 and \$25,606	1,225,719	1,216,612
Vendor receivables, less allowances of \$2,661 and \$3,669	97,361	93,025
Inventories net	1,161,558	1,092,492
Prepaid expenses	75,604	74,499
Deferred taxes	13,557	8,034
Assets held for sale	14,554	23,193
Other current assets	6,644	10,194
Total current assets	2,774,741	2,760,506
PROPERTY AND EQUIPMENT Net	1,748,495	1,706,388
GOODWILL	3,835,477	3,833,301
OTHER INTANGIBLES Net	753,840	889,453
DEFERRED FINANCING COSTS	39,282	49,038
OTHER ASSETS	33,742	24,720
<b>TOTAL ASSETS</b>	<b>\$ 9,185,577</b>	<b>\$ 9,263,406</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Bank checks outstanding	\$ 185,369	\$ 161,791
Accounts payable	1,181,452	1,239,790
Accrued expenses and other current liabilities	423,635	388,306
Current portion of long-term debt	35,225	48,926
Total current liabilities	1,825,681	1,838,813
LONG-TERM DEBT	4,735,248	4,764,899
DEFERRED TAX LIABILITIES	408,153	365,496
OTHER LONG-TERM LIABILITIES	334,808	479,642
Total liabilities	7,303,890	7,448,850
<b>COMMITMENTS AND CONTINGENCIES (See Note 21)</b>		
TEMPORARY EQUITY (See Note 15)	37,923	38,190
<b>SHAREHOLDERS EQUITY:</b>		

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Common stock, \$.01 par value 600,000 shares authorized	4,500	4,500
Additional paid-in capital	2,282,801	2,281,702
Accumulated deficit	(440,858)	(383,652)
Accumulated other comprehensive loss	(2,679)	(126,184)
Total shareholders equity	1,843,764	1,776,366
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 9,185,577</b>	<b>\$ 9,263,406</b>

See Notes to Consolidated Financial Statements.

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**Table of Contents****USF HOLDING CORP.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****FOR THE FISCAL YEARS ENDED****DECEMBER 28, 2013, DECEMBER 29, 2012 AND DECEMBER 31, 2011****(in thousands)**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
NET SALES	\$ 22,297,178	\$ 21,664,921	\$ 20,344,869
COST OF GOODS SOLD	18,474,039	17,971,949	16,839,850
Gross profit	3,823,139	3,692,972	3,505,019
OPERATING EXPENSES:			
Distribution, selling and administrative costs	3,494,254	3,349,539	3,193,747
Restructuring and tangible asset impairment charges	8,386	8,923	71,892
Total operating expenses	3,502,640	3,358,462	3,265,639
OPERATING INCOME	320,499	334,510	239,380
INTEREST EXPENSE Net	306,087	311,812	307,614
LOSS ON EXTINGUISHMENT OF DEBT	41,796	31,423	76,011
Loss before income taxes	(27,384)	(8,725)	(144,245)
INCOME TAX (PROVISION) BENEFIT	(29,822)	(42,448)	42,074
NET LOSS	(57,206)	(51,173)	(102,171)
OTHER COMPREHENSIVE INCOME (LOSS):			
Changes in retirement benefit obligations, net of income tax	122,963	(14,160)	(17,629)
Changes in interest rate swap derivative, net of income tax	542	17,570	17,506
COMPREHENSIVE INCOME (LOSS)	\$ 66,299	\$ (47,763)	\$ (102,294)

See Notes to Consolidated Financial Statements.

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**USF HOLDING CORP.**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

**FOR THE FISCAL YEARS ENDED**

**DECEMBER 28, 2013, DECEMBER 29, 2012 AND DECEMBER 31, 2011**

**(in thousands)**

	Common		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)			Total Shareholders Equity
	Number of Shares Common Shares	at Par Value			Retirement Benefit Obligation	Interest Rate Swap Derivative	Total	
<b>BALANCE</b>								
January 1, 2011	450,000	\$ 4,500	\$ 2,267,709	\$ (230,308)	\$ (93,853)	\$ (35,618)	\$ (129,471)	\$ 1,912,430
Remeasurement charge for temporary equity redemption value			(272)					(272)
Share-based compensation expense			13,416					13,416
Changes in retirement benefit obligations, net of income tax					(17,629)		(17,629)	(17,629)
Changes in interest rate swap derivative, net of income tax						17,506	17,506	17,506
Other			(55)					(55)
Net loss				(102,171)				(102,171)
<b>BALANCE</b>								
December 31, 2011	450,000	4,500	2,280,798	(332,479)	(111,482)	(18,112)	(129,594)	1,823,225
Remeasurement charge for temporary			(1,438)					(1,438)

equity redemption value									
Share-based compensation expense			2,342						2,342
Changes in retirement benefit obligations, net of income tax					(14,160)		(14,160)		(14,160)
Changes in interest rate swap derivative, net of income tax						17,570	17,570		17,570
Net loss			(51,173)						(51,173)
BALANCE									
December 29, 2012	450,000	4,500	2,281,702	(383,652)	(125,642)	(542)	(126,184)		1,776,366
Remeasurement charge for temporary equity redemption value			(3,481)						(3,481)
Share-based compensation expense			4,580						4,580
Changes in retirement benefit obligations, net of income tax					122,963		122,963		122,963
Changes in interest rate swap derivative, net of income tax						542	542		542
Net loss			(57,206)						(57,206)
BALANCE									
December 28, 2013	450,000	\$ 4,500	\$ 2,282,801	\$ (440,858)	\$ (2,679)	\$	\$ (2,679)	\$	\$ 1,843,764

See Notes to Consolidated Financial Statements.

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**USF HOLDING CORP.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE FISCAL YEARS ENDED**

**DECEMBER 28, 2013, DECEMBER 29, 2012 AND DECEMBER 31, 2011**

**(in thousands)**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (57,206)	\$ (51,173)	\$ (102,171)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	388,188	355,892	342,732
Gain on disposal of property and equipment, net	(1,909)	(1,493)	(308)
Loss on extinguishment of debt	41,796	31,423	76,011
Tangible asset impairment charges	1,860	7,530	9,260
Amortization of deferred financing costs	18,071	18,052	18,913
Amortization of Senior Notes original issue premium	(3,330)		
Deferred tax provision (benefit)	29,603	42,142	(41,600)
Share-based compensation expense	8,406	4,312	14,677
Provision for doubtful accounts	19,481	10,701	17,567
Changes in operating assets and liabilities, net of acquisitions of businesses:			
Increase in receivables	(26,581)	(56,639)	(116,229)
(Increase) decrease in inventories	(65,427)	(214,998)	23,989
Increase in prepaid expenses and other assets	(16,486)	(758)	(6,281)
(Decrease) increase in accounts payable and bank checks outstanding	(32,411)	198,227	109,086
Increase (decrease) in accrued expenses and other current liabilities	18,197	(27,299)	59,557
Decrease in securitization restricted cash			13,964
Net cash provided by operating activities	322,252	315,919	419,167
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of businesses, net	(11,369)	(106,041)	(41,385)
Proceeds from sales of property and equipment	14,608	19,685	7,487
Purchases of property and equipment	(191,131)	(293,456)	(304,414)
Net cash used in investing activities	(187,892)	(379,812)	(338,312)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from debt refinancing	854,485	1,269,625	900,000

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Proceeds from other borrowings	1,644,000	2,031,000	225,000
Redemption of senior notes			(1,064,159)
Payment for debt financing costs and fees	(29,376)	(35,088)	(29,569)
Principal payments on debt and capital leases	(2,278,311)	(2,983,567)	(339,287)
Repurchase of senior subordinated notes	(375,144)	(175,338)	
Contingent consideration paid for acquisitions of businesses	(6,159)		
Proceeds from common stock sales	1,850	761	9,960
Common stock repurchased	(8,418)	(3,734)	(3,222)
Net cash (used in) provided by financing activities	(197,073)	103,659	(301,277)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(62,713)</b>	<b>39,766</b>	<b>(220,422)</b>
CASH AND CASH EQUIVALENTS Beginning of year	242,457	202,691	423,113
CASH AND CASH EQUIVALENTS End of year	\$ 179,744	\$ 242,457	\$ 202,691

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest (net of amounts capitalized)	\$ 298,915	\$ 286,420	\$ 229,553
Income taxes paid net	209	369	418
Property and equipment purchases included in accounts payable	19,719	25,137	48,389
Capital lease additions	100,804	21,810	
Contingent consideration payable for acquisitions of businesses	1,800	5,500	3,570
Payable for repurchase of common stock	1,006		

See Notes to Consolidated Financial Statements.

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**USF HOLDING CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 28, 2013 AND DECEMBER 29, 2012 AND FOR THE FISCAL YEARS ENDED**

**DECEMBER 28, 2013, DECEMBER 29, 2012 AND DECEMBER 31, 2011**

**1. OVERVIEW AND BASIS OF PRESENTATION**

USF Holding Corp., a Delaware corporation, and its consolidated subsidiaries are referred to here as we, our, us, the Company, or USF. USF conducts all of its operations through its wholly owned subsidiary US Foods, Inc. ( US Foods ). All of the indebtedness, as further described in Note 11 Debt is an obligation of US Foods and its subsidiaries. US Foods Senior Notes due in 2019, as described below in Public Filer Status are traded over the counter and are not listed on any exchange.

**Ownership** On July 3, 2007 (the Closing Date ), USF, through a wholly owned subsidiary, and through a series of transactions, acquired all of our predecessor company s common stock and certain related assets from Koninklijke Ahold N.V. ( Ahold ) for approximately \$7.2 billion. USF is a corporation formed and controlled by investment funds associated with or designated by Clayton, Dubilier & Rice, Inc. ( CD&R ), and Kohlberg Kravis Roberts & Co. ( KKR ), (collectively the Sponsors ).

**Proposed Acquisition by Sysco** On December 8, 2013, USF entered into an Agreement and Plan of Merger (the Merger Agreement ) with Sysco Corporation, a Delaware corporation ( Sysco ); Scorpion Corporation I, Inc., a Delaware corporation and a wholly owned subsidiary of Sysco ( Merger Sub One ); and Scorpion Company II, LLC, a Delaware limited liability company and a wholly owned subsidiary of Sysco ( Merger Sub Two ), through which Sysco will acquire USF (the Acquisition ) on the terms and subject to the conditions set forth in the Merger Agreement. The aggregate purchase price will consist of \$500 million in cash and approximately \$3 billion in Sysco s common stock, subject to possible downward adjustment pursuant to the Merger Agreement. The Acquisition is expected to close in the third quarter of 2014. It is subject to customary conditions, including the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act ). If the Merger Agreement is terminated because the required antitrust approvals cannot be obtained, or if the Acquisition does not close by a certain date as specified in the Merger Agreement, in certain circumstances Sysco will be required to pay USF a termination fee of \$300 million.

**Business Description** The Company through its subsidiary, US Foods, markets and distributes fresh, frozen and dry food and non-food products to foodservice customers throughout the United States. These include independently owned single and multi-location restaurants, regional concepts, national chains, hospitals, nursing homes, hotels and motels, country clubs, fitness centers, government and military organizations, colleges and universities, and retail locations.

**Basis of Presentation** The Company operates on a 52-53-week fiscal year, with all periods ending on a Saturday. When a 53-week fiscal year occurs, we report the additional week in the fourth quarter. The fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011 are also referred to herein as fiscal years 2013, 2012 and 2011, respectively. The consolidated financial statements representing the 52-week fiscal year 2013 are for the period of December 30, 2012 through December 28, 2013. The consolidated financial statements representing the 52-week fiscal year 2012 are for the period of January 1, 2012 through December 29, 2012. The consolidated financial



statements representing the 52-week fiscal year 2011 are for the period of January 2, 2011 through December 31, 2011.

**Public Filer Status** During the fiscal second quarter 2013, our wholly owned subsidiary US Foods completed the registration of \$1,350 million aggregate principal amount of outstanding 8.5% Senior Notes due 2019 ( Senior Notes ) and became subject to rules and regulations of the Securities and Exchange Commission, including periodic and current reporting requirements under the Securities Exchange Act of

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1934, as amended, and the rules and regulations promulgated there under. The Company did not receive any proceeds from the registration of the Senior Notes. USF is not a public filer and its common stock is not publicly traded.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation** Consolidated financial statements include the accounts of USF and its 100% owned subsidiary, US Foods, and its subsidiaries. All intercompany transactions have been eliminated in consolidation.

**Use of Estimates** Consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ). This requires management to make estimates and assumptions that affect the amounts reported in the Company s consolidated financial statements and the related notes. Actual results could differ from these estimates. The most critical estimates used in the preparation of the Company s consolidated financial statements pertain to the valuation of goodwill, other intangible assets, property and equipment, accounts receivable-related allowance, vendor consideration, self-insurance programs, and income taxes.

**Cash and Cash Equivalents** The Company considers all highly liquid investments purchased with a maturity of three or fewer months to be cash equivalents.

**Accounts Receivable** Accounts receivable primarily represent amounts due from customers in the ordinary course of business and are recorded at the invoiced amount and do not bear interest. Receivables are presented net of the allowance for doubtful accounts in the accompanying Consolidated Balance Sheets. The Company evaluates the collectability of its accounts receivable and determines the appropriate reserve for doubtful accounts based on a combination of factors. When we are aware of a customer s inability to meet its financial obligation, a specific allowance for doubtful accounts is recorded, reducing the receivable to the net amount we reasonably expect to collect. In addition, allowances are recorded for all other receivables based on analyzing historic collection trends, write-offs and the aging of receivables. The Company uses specific criteria to determine uncollectible receivables to be written off, including bankruptcy, accounts referred to outside parties for collection, and accounts past due over specified periods. If the financial condition of the Company s customers were to deteriorate, additional allowances may be required.

**Vendor Consideration and Receivables** The Company participates in various rebate and promotional incentives with its suppliers, primarily through purchase-based programs. Consideration earned under these incentives is recorded as a reduction of inventory cost, as the Company s obligations under the programs are fulfilled primarily when products are purchased. Consideration is typically received in the form of invoice deductions, or less often in the form of cash payments. Changes in the estimated amount of incentives earned are treated as changes in estimates and are recognized in the period of change.

Vendor consideration is typically deducted from invoices or collected in cash within 30 days of being earned, if not sooner. Vendor receivables primarily represent the uncollected balance of the vendor consideration. Due to the process of primarily collecting the consideration by deducting it from the amounts due to the vendor, the Company does not experience significant collectability issues. The Company evaluates the collectability of its vendor receivables based on specific vendor information and vendor collection history.

**Inventories** The Company s inventories consisting mainly of food and other foodservice-related products are considered finished goods. Inventory costs include the purchase price of the product and freight charges to deliver it to the Company s warehouses, and are net of certain cash or non-cash consideration received from vendors (see Vendor Consideration and Receivables ). The Company assesses



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the need for valuation allowances for slow-moving, excess and obsolete inventories by estimating the net recoverable value of such goods based upon inventory category, inventory age, specifically identified items and overall economic conditions.

The Company records inventories at the lower of cost or market using the last-in, first-out ( LIFO ) method. The base year values of beginning and ending inventories are determined using the inventory price index computation method. This links current costs to original costs in the base year when the Company adopted LIFO. At December 28, 2013 and December 29, 2012, the LIFO balance sheet reserves were \$148 million and \$136 million, respectively. As a result of changes in LIFO reserves, cost of goods sold increased \$12 million, \$13 million and \$59 million for fiscal years 2013, 2012 and 2011, respectively.

**Property and Equipment** Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to 40 years. Property and equipment under capital leases and leasehold improvements are amortized on a straight-line basis over the shorter of the remaining terms of the leases or the estimated useful lives of the assets.

Routine maintenance and repairs are charged to expense as incurred. Applicable interest charges incurred during the construction of new facilities or development of software for internal use are capitalized as one of the elements of cost and are amortized over the useful life of the respective assets.

Property and equipment held and used by the Company are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. For purposes of evaluating the recoverability of property and equipment, the Company compares the carrying value of the asset or asset group to the estimated, undiscounted future cash flows expected to be generated by the long-lived asset or asset group. If the future cash flows included in a long-lived asset recoverability test do not exceed the carrying value, the carrying value is compared to the fair value of such asset. If the carrying value exceeds the fair value, an impairment charge is recorded for the excess.

The Company also assesses the recoverability of its closed facilities actively marketed for sale. If a facility's carrying value exceeds its fair value, less an estimated cost to sell, an impairment charge is recorded for the difference. Assets held for sale are not depreciated.

Impairments are recorded as a component of Restructuring and tangible asset impairment charges in the Consolidated Statements of Comprehensive Income (Loss), as well as in a reduction of the assets' carrying value in the Consolidated Balance Sheets. See Note 13 Restructuring and Tangible Asset Impairment Charges for a discussion of our long-lived asset impairment charges.

**Goodwill and Other Intangible Assets** Goodwill and Other intangible assets include the cost of the acquired business in excess of the fair value of the net tangible assets recorded in connection with acquisitions. Other intangible assets include customer relationships, the brand names comprising our portfolio of exclusive brands, and trademarks. As required, we assess Goodwill and Other intangible assets with indefinite lives for impairment annually, or more frequently if events occur that indicate an asset may be impaired. For goodwill and indefinite-lived intangible assets, our policy is to assess for impairment at the beginning of each fiscal third quarter. For other intangible assets with finite lives, we assess for impairment only if events occur that indicate that the carrying amount of an asset may not be recoverable. All goodwill is assigned to the consolidated Company as the reporting unit.

**Self-Insurance Programs** The Company accrues estimated liability amounts for claims covering general liability, fleet liability, workers' compensation, and group medical insurance programs. The amounts in excess of certain levels

are fully insured. The Company accrues its estimated liability for the self-insured

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medical insurance program, including an estimate for incurred but not reported claims, based on known claims and past claims history. The Company accrues an estimated liability for the general liability, fleet liability and workers compensation programs. This is based on an assessment of exposure related to known claims and incurred but not reported claims, as applicable. The inherent uncertainty of future loss projections could cause actual claims to differ from our estimates. These accruals are included in Accrued expenses and Other long-term liabilities in the Consolidated Balance Sheets.

**Share-Based Compensation** Certain employees participate in the 2007 Stock Incentive Plan for Key Employees of USF Holding Corp. and its Affiliates, as amended ( Stock Incentive Plan ), which allows purchases of shares of USF common stock, grants of restricted stock and restricted stock units of USF, and grants of options exercisable in USF common stock. The Company measures compensation expense for stock-based option awards at fair value at the date of grant, and it recognizes compensation expense over the service period for stock-based awards expected to vest. USF contributes shares to its subsidiary, US Foods for employee purchases and upon exercise of options or grants of restricted stock and restricted stock units.

**Common Stock** Common stock is held primarily by our Sponsors and also members of management and key employees. Total common shares issued and outstanding were 457,023,499 and 457,482,158 at December 28, 2013 and December 29, 2012, respectively.

**Temporary Equity** Temporary equity is a security with redemption features that are outside the control of the issuer, is not classified as an asset or liability in conformity with GAAP, and is not mandatorily redeemable. In contrast to common stock owned by the Sponsors, common stock owned by management and certain employees give the holder, via the management stockholder's agreement, the right to require the Company to repurchase all of his or her restricted common stock in the event of a termination of employment due to death or disability. Since this redemption feature, or put option, is outside of the control of the Company, the value of the shares is shown outside of permanent equity as temporary equity. In addition to the value of the common stock held, stock-based awards with similar underlying common stock are also recorded in temporary equity. Temporary equity includes values for common stock issuances to management and certain employees, vested restricted shares, vested restricted stock units ( RSUs ) and vested stock option awards. Until the redemption feature becomes probable, the amount shown in temporary equity is the intrinsic value of the applicable common stock at issuance and the intrinsic value of stock-based awards at grant date. Because the Company grants stock option awards at fair value, the intrinsic value related to vested stock option awards is zero. Once redemption is deemed probable, if the intrinsic value is different than the current redemption value, the amount shown in temporary equity is adjusted to the current redemption value through a reclassification from/to additional paid-in capital. As of the balance sheet dates presented, there is no value from vested stock option awards recorded in temporary equity since the intrinsic value at the date of grant was zero and redemption is not probable.

**Management Loans** Under the management stockholder's agreement, employees can finance common stock purchases with full recourse notes due to the Company. The balance of these notes is recorded as a reduction to temporary equity. Generally, the notes are short-term in nature and are paid back in cash; however, certain employees have repaid balances due on their notes by selling back common stock to the Company.

**Business Acquisitions** The Company accounts for business acquisitions under the acquisition method, in which assets acquired and liabilities assumed are recorded at fair value as of the date of acquisition. The operating results of the acquired companies are included in the Company's consolidated financial statements from the date of acquisition.

**Revenue Recognition** The Company recognizes revenue from the sale of product when the title and risk of loss passes and the customer accepts the goods, which generally occurs at delivery. The Company grants certain customers sales incentives such as rebates or discounts and treats these as a reduction of sales at

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the time the sale is recognized. Sales taxes invoiced to customers and remitted to governmental authorities are excluded from net sales.

**Cost of Goods Sold** Cost of goods sold includes amounts paid to manufacturers for products sold, net of vendor consideration, plus the cost of transportation to bring the products to the Company's distribution facilities. Cost of goods sold excludes depreciation and amortization as the Company acquires its inventories generally in a complete and salable state and includes warehousing related costs in distribution, selling and administrative costs. The amounts presented for Cost of goods sold may not be comparable to similar measures disclosed by other companies, because not all companies calculate Cost of goods sold in the same manner.

**Shipping and Handling Costs** Shipping and handling costs which include costs related to the selection of products and their delivery to customers are recorded as a component of Distribution, selling and administrative costs. Shipping and handling costs were \$1.5 billion, \$1.5 billion and \$1.4 billion for fiscal years 2013, 2012 and 2011, respectively.

**Income Taxes** The Company accounts for income taxes under the asset and liability method. This requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the consolidated financial statements and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income during the period that includes the enactment date. Net deferred tax assets are recorded to the extent the Company believes these assets will more likely than not be realized.

An uncertain tax position is recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Uncertain tax positions are recorded at the largest amount that is more likely than not to be sustained. The Company adjusts the amounts recorded for uncertain tax positions when its judgment changes, as a result of evaluating new information not previously available. These differences are reflected as increases or decreases to income tax expense in the period in which they are determined.

**Derivative Financial Instruments** The Company has used interest rate swap agreements from time to time to manage its exposure to interest rate movements on its variable-rate term loan obligation. The Company does not use financial instruments or derivatives for trading or other speculative purposes. The interest rate swap derivatives at December 29, 2012 were recorded in its Consolidated Balance Sheets at fair value. The interest rate swap derivatives expired in January 2013.

In the normal course of business, the Company enters into forward purchase agreements to procure fuel, electricity and product commodities related to its business. These agreements often meet the definition of a derivative. However, in these cases, the Company has elected to apply the normal purchase and sale exemption available under derivatives accounting literature, and these agreements are not recorded at fair value.

**Concentration Risks** Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash equivalents and accounts receivable. The Company's cash equivalents are invested primarily in money market funds at major financial institutions. Credit risk related to accounts receivable is dispersed across a larger number of customers located throughout the United States. The Company attempts to reduce credit risk through initial and ongoing credit evaluations of its customers' financial condition. There were no receivables from any one customer representing more than 5% of our consolidated gross accounts receivable at December 28, 2013 and December 29, 2012.



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**Table of Contents****3. RECENT ACCOUNTING PRONOUNCEMENTS**

In July 2013, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exist*. This update requires an entity to present an unrecognized tax benefit or a portion of an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss ( NOL ) carryforward, a similar tax loss, or a tax credit carryforward except when (1) an NOL carryforward, a similar tax loss, or a tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position; or (2) the entity does not intend to use the deferred tax asset for this purpose (provided that the tax law permits a choice). If either of these conditions exists, an entity should present an unrecognized tax benefit in the financial statements as a liability and should not net the unrecognized tax benefit with a deferred tax asset. Additional recurring disclosures are not required because the ASU does not affect the recognition, measurement or tabular disclosure of uncertain tax positions. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2013, with early adoption permitted. The adoption of this guidance in fiscal year 2014 is not expected to affect the Company s financial statements and related disclosures as it currently presents unrecognized tax benefits in its financial statements as a reduction of deferred tax assets.

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This update requires disclosure of amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present either on the face of the financial statements or in the notes significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. The update does not change the items reported in other comprehensive income, or when an item of other comprehensive income is reclassified to net income. As this guidance only revises the presentation and disclosures related to the reclassification of items out of accumulated other comprehensive income, the Company s adoption of this guidance in the first quarter of 2013 did not affect its financial position, results of operations or cash flows. See Note 18 Reclassifications Out of Accumulated Other Comprehensive Loss, which presents the disclosures required by this update.

**4. FAIR VALUE MEASUREMENTS**

The Company follows the accounting standards for fair value, whereas fair value is a market-based measurement, not an entity-specific measurement. The Company s fair value measurements are based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1 observable inputs, such as quoted prices in active markets;

Level 2 observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active or inactive markets that are observable either directly or indirectly, or other inputs that are observable or can be corroborated by observable market data; and

Level 3 unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Any transfers of assets or liabilities between Level 1, Level 2, and Level 3 of the fair value hierarchy will be recognized as of the end of the reporting period in which the transfer occurs. There were no transfers between fair value levels in any of the periods presented below.

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The Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 28, 2013 and December 29, 2012 aggregated by the level in the fair value hierarchy within which those measurements fall, are as follows (in thousands):

Description	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements:</b>				
Money market funds	\$ 64,100	\$	\$	\$ 64,100
Balance at December 28, 2013	\$ 64,100	\$	\$	\$ 64,100
Interest rate swap derivative liability	\$	\$ (2,034)	\$	\$ (2,034)
Balance at December 29, 2012	\$	\$ (2,034)	\$	\$ (2,034)
<b>Nonrecurring fair value measurements:</b>				
Assets held for sale	\$	\$	\$ 10,930	\$ 10,930
Balance at December 28, 2013	\$	\$	\$ 10,930	\$ 10,930
Assets held for sale	\$	\$	\$ 23,400	\$ 23,400
Property and equipment			3,361	3,361
Contingent consideration payable for business acquisitions			5,500	5,500
Balance at December 29, 2012	\$	\$	\$ 32,261	\$ 32,261

**Recurring Fair Value Measurements*****Derivative Instruments***

The Company's objective in using interest rate swap agreements from time-to-time was to manage its exposure to interest rate movements on its variable-rate term loan obligation. In 2008, the Company entered into three interest rate swaps to hedge the variable cash flows associated with a former variable-rate term loan (the Amended 2007 Term Loan). The interest rate swaps, designated as cash flow hedges of interest rate risk, expired in January 2013.

At December 29, 2012, the Company recorded its interest rate swap derivatives in its Consolidated Balance Sheet at fair value. Fair value was estimated based on projections of cash flows and future interest rates. The determination of fair value included the consideration of any credit valuation adjustments necessary, giving consideration to the creditworthiness of the respective counterparties or the Company, as appropriate. The fair value of the interest rate swap derivative financial instruments, classified under Level 2 of the fair value hierarchy at December 29, 2012 was \$2 million. The interest rate swap derivative financial instruments were included in the Company's Consolidated Balance Sheets in Accrued expenses and other current liabilities.

The Company reclassified \$1 million from Accumulated other comprehensive loss as an increase to Interest expense when the 2008 interest rate swaps expired in January 2013, and it recognized interest income of \$1 million related to the ineffective portion of the interest rate swap derivatives.



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The effect of the Company's interest rate swap derivative financial instruments in the Consolidated Statements of Comprehensive Income (Loss) for fiscal years 2013 and 2012 is as follows (in thousands):

**Effect of Interest Rate Swap Derivative Instruments in the Consolidated Statements of Comprehensive Income (Loss)**

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in Other Comprehensive Income (Loss) on Derivative (Effective Portion), net of tax	Location of Loss Reclassified From Accumulated Other Comprehensive Loss	Amount of Loss Reclassified from Accumulated Other Comprehensive Loss into Income (Effective portion), net of tax	Location of Loss Recognized in Income on Derivative Portion and Amount Excluded from Effectiveness Testing)	Amount of Income (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
<b>For fiscal year 2013:</b>					
Interest rate swap derivative	\$ (255)	Interest expense net	\$ (797)	Interest expense net	\$ 645
<b>For fiscal year 2012:</b>					
Interest rate swap derivative	\$ (1,479)	Interest expense net	\$ (19,049)	Interest expense net	\$ (645)

**Money Market Funds**

Money market funds include highly liquid investments with an original maturity of three or fewer months. They are valued using quoted market prices in active markets and are classified under Level 1 within the fair value hierarchy. The Company had money market funds of \$64 million and \$0 at December 28, 2013 and December 29, 2012, respectively.

**Nonrecurring Fair Value Measurements****Property and Equipment**

Property and equipment held and used by the Company are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. The Company estimates the fair value of various property and equipment assets for purposes of recording necessary impairment charges. Fair value is estimated by the Company based on information received from real estate brokers. No impairments to the Company's property, plant and equipment were recognized during 2013. During 2012, the Company recorded \$5 million of tangible asset impairment charges for property and equipment not classified as

Assets held for sale, which reduced the carrying value of these assets to estimated fair value.

The Company is required to record Assets held for sale at the lesser of the depreciated carrying amount or estimated fair value less costs to sell. During 2013 and 2012, certain Assets held for sale were adjusted to equal their estimated fair value, less costs to sell, resulting in a \$2 million intangible asset impairment charge in each of these years. Fair value was estimated by the Company based on information received from real estate brokers. The amounts included in the tables above, classified under Level 3 within the fair value hierarchy, represent the estimated fair values of those property and equipment that became the new carrying amounts at the time the impairments were recorded.

#### **Other Fair Value Measurements**

The carrying value of cash, restricted cash, accounts receivable, bank checks outstanding, trade accounts payable, and accrued expenses approximate their fair values, due to their short-term maturities.

The fair value of total debt approximated \$4.9 billion compared to its aggregate carrying value of \$4.8 billion as of December 28, 2013 and as of December 29, 2012. Fair value of the Company's debt is

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primarily classified under Level 3 of the fair value hierarchy, with fair value estimated based upon a combination of the cash flows expected to be generated under these debt facilities, interest rates that are currently available to the Company for debt with similar terms, and estimates of the Company's overall credit risk. The fair value of the Company's 8.5% Senior Notes is classified under Level 2 of the fair value hierarchy, with fair value based on the closing market price at the end of the reporting period, and estimated at \$1.5 billion as of December 28, 2013.

**5. ALLOWANCE FOR DOUBTFUL ACCOUNTS**

A summary of the activity in the allowance for doubtful accounts for the last three fiscal years is as follows (in thousands):

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Balance at beginning of year	\$ 25,606	\$ 35,100	\$ 36,904
Charged to costs and expenses	19,481	10,701	17,156
Customer accounts written off net of recoveries	(19,936)	(20,195)	(18,960)
Balance at end of year	\$ 25,151	\$ 25,606	\$ 35,100

This table does not include the vendor receivable related allowance for doubtful accounts of \$3 million, \$4 million and \$5 million at December 28, 2013, December 29, 2012 and December 31, 2011, respectively.

**6. ACCOUNTS RECEIVABLE FINANCING PROGRAM**

Under its accounts receivable financing program ( 2012 ABS Facility ), which replaced the Company's prior accounts receivable securitization program, our subsidiary, US Foods and certain of its subsidiaries sell on a revolving basis their eligible receivables to a 100% owned, special purpose, bankruptcy remote subsidiary (the Receivables Company ). This subsidiary, in turn, grants a continuing security interest in all of its rights, title and interest in the eligible receivables to the administrative agent for the benefit of the lenders (as defined by the 2012 ABS Facility). The Company consolidates the Receivables Company and, consequently, the transfer of the receivables is a transaction internal to the Company and the receivables have not been derecognized from the Company's Consolidated Balance Sheets. On a daily basis, cash from accounts receivable collections is remitted to the Company as additional eligible receivables are sold to the Receivables Company. If, on a weekly settlement basis, there are not sufficient eligible receivables available as collateral, the Company is required to either provide cash collateral to cover the shortfall or, in lieu of providing cash collateral to cover the shortfall, it can pay down its borrowings on the 2012 ABS Facility. Due to sufficient eligible receivables available as collateral, no cash collateral was held at December 28, 2013 or December 29, 2012.

The maximum capacity under the 2012 ABS Facility is \$800 million. Borrowings under the 2012 ABS Facility were \$686 million as of December 28, 2013 and December 29, 2012. Included in the Company's accounts receivable balance as of December 28, 2013 and December 29, 2012 was \$930 million and \$918 million, respectively, of receivables held as collateral in support of the 2012 ABS Facility. See Note 11 Debt for a further description of the 2012 ABS Facility.



**7. RESTRICTED CASH**

At December 28, 2013 and December 29, 2012, the Company had \$7 million of restricted cash included in its Consolidated Balance Sheets in Other assets. This restricted cash primarily represented security deposits and escrow amounts related to certain properties collateralizing the commercial mortgage-backed securities loan facility ( CMBS Fixed Facility ). See Note 11 Debt.

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Property and equipment consisted of the following (in thousands):

	December 28, 2013	December 29, 2012	Range of Useful Lives
Land	\$ 287,385	\$ 286,758	
Buildings and building improvements	1,052,355	1,013,792	10 40 years
Transportation equipment	586,376	487,858	5 10 years
Warehouse equipment	278,732	263,388	5 12 years
Office equipment, furniture and software	532,389	446,875	3 7 years
Construction in process	104,717	97,556	
	2,841,954	2,596,227	
Less accumulated depreciation and amortization	(1,093,459)	(889,839)	
Property and equipment net	\$ 1,748,495	\$ 1,706,388	

Transportation equipment included \$94 million of capital lease assets at December 28, 2013, and zero at December 29, 2012. Buildings and building improvements included \$33 million and \$32 million of capital lease assets at December 28, 2013 and December 29, 2012, respectively. Accumulated amortization of capital lease assets was \$14 million and \$4 million at December 28, 2013 and December 29, 2012, respectively. Interest capitalized was \$2 million in 2013 and \$1 million in 2012.

Depreciation and amortization expense of property and equipment including amortization of capital lease assets was \$240 million, \$217 million and \$208 million for the fiscal years 2013, 2012 and 2011, respectively.

**9. GOODWILL AND OTHER INTANGIBLES**

Goodwill and other intangible assets include the cost of acquired businesses in excess of the fair value of the tangible net assets recorded in connection with acquisitions. Other intangible assets include customer relationships, the brand names comprising our portfolio of exclusive brands, and trademarks. Brand names and trademarks are indefinite-lived intangible assets and, accordingly, are not subject to amortization.

Customer relationship intangible assets have definite lives, so they are carried at the acquired fair value less accumulated amortization. Customer relationship intangible assets are amortized on a straight-line basis over the estimated useful lives (four to 10 years) and amortization expense was \$147 million, \$139 million and \$135 million for the fiscal years ended 2013, 2012 and 2011, respectively. The 2013 business acquisition customer relationship intangible asset is being amortized on a straight-line basis over four years. The weighted-average remaining useful life of all customer relationship intangibles was approximately three years at December 28, 2013. Amortization of these customer relationship assets is estimated to be \$150 million in 2014, \$147 million in 2015, \$140 million in 2016, and \$63 million in 2017. The 2013 business acquisition noncompete agreement intangible asset is being amortized on a straight-line basis over five years. Amortization of this intangible asset is estimated to be \$0.2 million annually through 2017 and \$0.1 million in 2018.



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Goodwill and other intangibles, net, consisted of the following (in thousands):

	<b>December 28, 2013</b>	<b>December 29, 2012</b>
Goodwill	\$ 3,835,477	\$ 3,833,301
Customer relationships amortizable:		
Gross carrying amount	\$ 1,377,663	\$ 1,366,056
Accumulated amortization	(877,396)	(729,403)
Net carrying value	500,267	636,653
Noncompete agreement amortizable:		
Gross carrying amount	800	
Accumulated amortization	(27)	
Net carrying value	773	
Brand names and trademarks not amortizing	252,800	252,800
Total other intangibles net	\$ 753,840	\$ 889,453

The 2013 increase in goodwill is attributable to the finalization of the purchase price of a 2012 business acquisition. The net increase in customer relationships during 2013 is attributable to the 2013 business acquisition. The noncompete agreement is related to the 2013 business acquisition.

We completed the annual impairment assessment for goodwill, and our portfolio of brand names and trademarks, the indefinite-lived intangible assets, on June 30, 2013, the first day of our fiscal third quarter, with no impairments noted. Our assessment used a discounted cash flow analysis, comparative market multiples, and comparative market transaction multiples to determine the fair value of the reporting unit for comparison to the corresponding carrying value. If the carrying value of the reporting unit exceeds its fair value, we must then perform a comparison of the implied fair value of goodwill with its carrying value. If the carrying value of the goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to the excess. Based upon our 2013 annual impairment analysis, we believe the fair value of the Company's single reporting unit exceeded its carrying value. Our fair value estimates of the brand name and trademark indefinite-lived intangible assets are based on a discounted cash flow analysis. Due to the many variables inherent in estimating fair value and the relative size of the recorded indefinite-lived intangible assets, differences in assumptions may have a material effect on the results of our impairment analysis.

**10. ASSETS HELD FOR SALE**

The Company classifies its closed facilities as Assets held for sale at the time management commits to a plan to sell the facility and it is unlikely the plan will be changed, the facility is actively marketed and available for immediate sale, and the sale is expected to be completed within one year. Due to market conditions, certain facilities may be classified as Assets held for sale for more than one year as the Company continues to actively market the facilities at

reasonable prices. For all properties held for sale, the Company has exited operations from the facilities and, thus, the properties are no longer productive assets. Further, the Company has no history of changing its plan to dispose of a facility once the decision has been made. At December 28, 2013 and at December 29, 2012, \$10 million and \$12 million, respectively, of closed facilities were included in Assets held for sale for more than one year.

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The changes in Assets held for sale for fiscal years 2013 and 2012 were as follows (in thousands):

	<b>2013</b>	<b>2012</b>
Balance at beginning of year	\$ 23,193	\$ 30,405
Transfers in	4,193	11,804
Assets sold	(10,972)	(16,526)
Tangible asset impairment charges	(1,860)	(2,490)
<b>Balance at end of the year</b>	<b>\$ 14,554</b>	<b>\$ 23,193</b>

During 2013, the Company reclassified an idle facility to Assets held for sale. Additionally, it sold four facilities previously classified as Assets held for sale for net proceeds of \$11 million, which approximated their carrying values. During 2012, the Company reclassified \$12 million of property and equipment from three facilities closed in 2012 and one facility closed in 2011 to Assets held for sale, and sold four facilities previously classified as Assets held for sale for net proceeds of \$17 million. The Company recognized a net gain on sold facilities of \$1 million in 2012.

As discussed in Note 4 Fair Value Measurements, during 2013 and 2012, certain Assets held for sale were adjusted to equal their estimated fair value, less costs to sell. This resulted in tangible asset impairment charges of \$2 million in fiscal 2013 and 2012.

**11. DEBT**

The Company's debt consisted of the following (in thousands):

<b>Debt Description</b>	<b>Contractual Maturity</b>	<b>Interest Rate at</b>		<b>December 28, 2013</b>	<b>December 29, 2012</b>
		<b>December 28, 2013</b>	<b>December 29, 2012</b>		
ABL Facility	May 11, 2016	3.66%		\$ 20,000	\$ 170,000
2012 ABS Facility	August 27, 2015	1.46		686,000	686,000
Amended 2011 Term Loan	March 31, 2019	4.50		2,094,750	
2011 Term Loan					418,625
Amended 2007 Term Loan					1,684,086
CMBS Fixed Facility	August 1, 2017	6.38		472,391	472,391
CMBS Floating Facility					
Senior Notes	June 30, 2019	8.50		1,350,000	975,000
Senior Subordinated Notes					355,166
Obligations under capital leases	2019-2025	4.39	6.25	116,662	31,075
Other debt	2018-2031	5.75	9.00	12,359	12,966
<b>Total debt</b>				<b>4,752,162</b>	<b>4,805,309</b>
Add unamortized premium				18,311	8,516
Less current portion of long-term debt				(35,225)	(48,926)

Long-term debt	\$ 4,735,248	\$ 4,764,899
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As of December 28, 2013, \$1,951 million of the total debt was at a fixed rate and \$2,801 million was at a floating rate.

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Principal payments to be made on outstanding debt as of December 28, 2013, were as follows (in thousands):

2014	\$ 35,225
2015	727,265
2016	56,857
2017	510,139
2018	38,684
Thereafter	3,383,992
	<b>\$ 4,752,162</b>

**Revolving Credit Agreement**

The Company's asset backed senior secured revolving loan facility ( ABL Facility ) provides for loans of up to \$1,100 million, with its capacity limited by borrowing base calculations. As of December 28, 2013, the Company had \$20 million of outstanding borrowings and had issued Letters of Credit totaling \$293 million under the ABL Facility. Outstanding Letters of Credit included 1) \$93 million issued in favor of Ahold to secure their contingent exposure under guarantees of our obligations with respect to certain leases, 2) \$183 million issued in favor of certain commercial insurers securing our obligations with respect to our self-insurance program, and 3) letters of credit of \$17 million for other obligations. There was available capacity on the ABL Facility of \$787 million at December 28, 2013, according to the borrowing base calculation. As of December 28, 2013, on borrowings up to \$75 million, the Company can periodically elect to pay interest at Prime plus 2.5% or LIBOR plus 3.5%. On borrowings in excess of \$75 million, the Company can periodically elect to pay interest at Prime plus 1.25% or LIBOR plus 2.25%. The ABL facility also carries letter of credit fees of 2.25% and an unused commitment fee of 0.38%. The Company anticipates repaying all or substantially all of the outstanding ABL borrowings at times during the next 12 months, and re-borrowing funds under the facility, as needed. The Company expects its borrowing base capacity will exceed its ABL facility borrowing needs at all times during the next 12 months and, accordingly, it has included these borrowings in long-term debt in its Consolidated Balance Sheets at December 28, 2013. The weighted-average interest rate for the ABL Facility was 3.50% for 2013 and 3.15% for 2012.

**Accounts Receivable Financing Program**

Under the 2012 ABS Facility, which replaced the Company's prior accounts receivable securitization, our subsidiary, US Foods and certain of its subsidiaries sell on a revolving basis their eligible receivables to a 100% owned, special purpose, bankruptcy remote subsidiary of the Company (the Receivables Company ). This subsidiary, in turn, grants a continuing security interest in all of its rights, title and interest in the eligible receivables to the administrative agent for the benefit of the lenders (as defined by the 2012 ABS Facility). The maximum capacity under the 2012 ABS Facility is \$800 million. Borrowings under the 2012 ABS Facility were \$686 million at December 28, 2013 and December 29, 2012. The Company, at its option, can request additional 2012 ABS Facility borrowings up to the maximum commitment, provided sufficient eligible receivables are available as collateral. The portion of the loan held by the lenders who fund the loan with commercial paper bears interest at the lender's commercial paper rate, plus any other costs associated with the issuance of commercial paper, plus 1.25% and an unused commitment fee of 0.35%. The portion of the loan held by lenders that do not fund the loan with commercial paper bears interest at LIBOR plus 1.25% and an unused commitment fee of 0.35%. See Note 6 Accounts Receivable Financing Program for a further description of the Company's Accounts Receivable Financing Program. The weighted-average interest rate for the 2012 ABS Facility was 1.55% for 2013 and 1.57% for 2012.



The 2012 ABS Facility replaced the Company's former ABS facility. See Debt Refinancing Transactions discussed below.

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**Table of Contents****Term Loan Agreement**

The Company's senior secured term loan ( Amended 2011 Term Loan ) consisted of a senior secured term loan with outstanding borrowings of \$2,095 million at December 28, 2013. The Amended 2011 Term Loan bears interest equal to Prime plus 2.5%, or LIBOR plus 3.5%, with a LIBOR floor of 1.0%, based on a periodic election of the interest rate by the Company. Principal repayments of \$5 million are payable quarterly with the balance at maturity. The Amended 2011 Term Loan may require mandatory repayments if certain assets are sold, or based on excess cash flow generated by the Company, as defined in the agreement. At December 28, 2013, entities affiliated with KKR held \$287 million of the Company's Amended 2011 Term Loan debt. The interest rate for all borrowings on the Amended 2011 Term Loan was 4.5% the LIBOR floor of 1.0% plus 3.5% for all periods in 2013.

The term loan agreement was amended during 2013 and 2012. See Debt Refinancing Transactions discussed below.

**Other Debt**

The CMBS Fixed Facility provides financing of \$472 million and is secured by mortgages on 38 properties, consisting primarily of distribution centers. The CMBS Fixed Facility bears interest at 6.38%.

The unsecured Senior Notes with outstanding principal of \$1,350 million and \$975 million at December 28, 2013 and December 29, 2012, respectively, bear interest at 8.5%. There was unamortized original issue premium associated with the Senior Notes issuances of \$18 million and \$9 million at December 28, 2013 and December 29, 2012, respectively. This is amortized as a decrease to Interest expense over the remaining life of the debt facility. As of December 28, 2013, entities affiliated with KKR held \$2 million of the Company's Senior Notes.

Effective December 19, 2013, upon consent of the note holders, the Senior Notes Indenture was amended so that the proposed Acquisition will not constitute a Change of Control, as defined in the Indenture. In the event of a Change of Control, the holders of the Senior Notes would have the right to require the Company to repurchase all or any part of their notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase. If the Acquisition is terminated under terms of the agreement or not completed by September 8, 2015 the Senior Notes Indenture will revert to its original terms. See Note 14 Related Party Transactions for a discussion of Senior Notes Indenture amendment fees paid by Sysco, and Note 1 Proposed Acquisition by Sysco.

Obligations under capital leases consist of amounts due for transportation equipment and building leases.

**Debt Refinancing Transactions**

Since 2011, we have entered into a series of transactions to refinance our debt facilities and extend debt maturity dates, including the following transactions:

***2013 Refinancing***

In June 2013, the Company refinanced its term loan agreements. The aggregate principal outstanding of the 2011 Term Loan was increased to \$2,100 million, and the maturity date of the loan facility was extended from March 31, 2017 to March 31, 2019. The Amended 2011 Term Loan facility refinanced an aggregate of \$2,091 million in principal under the Company's Amended 2007 Term Loan and 2011 Term Loan facilities. Continuing lenders

refinanced an aggregate of \$1,634 million in principal of Term Loan debt. They also purchased \$371 million in principal of Term Loan debt from lenders electing not to participate in, or electing to decrease

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their holdings in, the Amended 2011 Term Loan facility. Additionally, the Company sold \$95 million in principal of the Amended 2011 Term Loan to new lenders.

The Company performed an analysis by creditor to determine if the terms of the Amended 2011 Term Loan were substantially different from the previous term loan facilities. Based upon the analysis, it was determined that continuing lenders holding a significant portion of the Amended 2011 Term Loan had terms that were substantially different from their original loan agreements. As a result, this portion of the transaction was accounted for as an extinguishment of debt and the contemporaneous acquisition of new debt. Lenders holding the remaining portion of the Amended 2011 Term Loan had terms that were not substantially different from their original loan agreements and, as a consequence, this portion of the transaction was accounted for as a debt modification as opposed to an extinguishment of debt.

In January 2013, the Company redeemed the remaining \$355 million in aggregate principal amount of its 11.25% Senior Subordinated Notes ( Senior Subordinated Notes ) due June 30, 2017. This was done at a price equal to 105.625% of the principal amount of the Senior Subordinated Notes, plus accrued and unpaid interest to the redemption date. An entity affiliated with CD&R held all of the redeemed Senior Subordinated Notes. To fund the redemption of these notes, the Company issued \$375 million in principal amount of its Senior Notes at a price equal to 103.5% of the principal amount, for gross proceeds of \$388 million.

The 2013 refinancing resulted in a loss on extinguishment of debt of \$42 million. That consisted of a \$20 million Senior Subordinated Notes early redemption premium, a write-off of \$13 million of unamortized debt issuance costs related to the old debt facilities, and \$9 million of lender fees and third party costs related to these transactions. Unamortized debt issuance costs of \$6 million related to the portion of the Term Loan refinancing accounted for as a debt modification will be carried forward and amortized through March 31, 2019 the maturity date of the Amended 2011 Term Loan.

***2012 Refinancing***

In 2012, the Company entered into two transactions to amend its 2007 Term Loan, originally scheduled to mature on July 3, 2014. Holders of \$1,691 million in principal of the 2007 Term Loan consented to extend the maturity date from July 3, 2014 to March 31, 2017. The Company repaid \$249 million in principal of the 2007 Term Loan to lenders not consenting to extend their term loan holdings. The transactions did not require repayment and the receipt of new proceeds for the \$1,691 million of extended 2007 Term Loan principal.

We performed an analysis by creditor to determine if the terms of the Amended 2007 Term Loan were substantially different from the previous facility. Continuing lenders holding a significant portion of the Amended 2007 Term Loan had terms that were substantially different from their original loan agreements. As a result, this portion of the transaction was accounted for as an extinguishment of debt and the contemporaneous acquisition of new debt. Lenders holding the remaining portion of the Amended 2007 Term Loan had terms that were not substantially different from their original loan agreements. As a consequence, this portion of the transaction was accounted for as a debt modification as opposed to an extinguishment of debt.

In December 2012, the Company redeemed \$166 million in principal of its Senior Subordinated Notes with proceeds from the issuance of \$175 million in principal of Senior Notes. The Senior Notes were issued at 101.5% for gross proceeds of \$178 million. An entity affiliated with CD&R held all of the redeemed Senior Subordinated Notes.

In August 2012, the Company entered into a new ABS loan facility: the 2012 ABS Facility. The Company borrowed \$686 million under the 2012 ABS Facility and used the proceeds to repay all amounts due on its previous ABS Facility. A portion of the lenders under the 2012 ABS Facility

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were also lenders under the previous ABS Facility. Since the terms of the 2012 ABS Facility were not substantially different from the previous facility, the portion of the 2012 ABS Facility pertaining to those continuing lenders was accounted for as a debt modification versus an extinguishment of debt.

The 2012 refinancing resulted in a loss on extinguishment of debt of \$31 million. This consisted of \$12 million of lender fees and third party costs related to the transactions, a write-off of \$10 million of unamortized debt issuance costs related to the old debt facilities, and a \$9 million Senior Subordinated Notes early redemption premium.

***2011 Refinancing***

In May 2011, the Company entered into a series of transactions resulting in the redemption of \$1 billion in principal of its 10.25% Senior Notes due June 30, 2015 ( Old Senior Notes ). The refinancing redeemed all of the Old Senior Notes outstanding. It was funded primarily by the issuance of \$400 million in principal of Senior Notes, and proceeds from the \$425 million in principal issued under the 2011 Term Loan.

The redemption of the Old Senior Notes resulted in a loss on extinguishment of debt of \$76 million. That included an early redemption premium of \$64 million and a write-off of \$12 million of unamortized debt issuance costs related to the Old Senior Notes.

***Refinancing Transaction Costs***

The Company incurred transaction costs of \$29 million, \$35 million and \$30 million related to the 2013, 2012 and 2011 debt refinancing transactions, respectively. Transaction costs primarily consisted of loan fees, arrangement fees, rating agency fees and legal fees.

***Security Interests***

Substantially all of our assets are pledged under the various debt agreements. Debt under the 2012 ABS Facility is secured by certain designated receivables and, in certain circumstances, by restricted cash. The ABL Facility is secured by certain other designated receivables not pledged under the 2012 ABS Facility, inventory and tractors and trailers owned by the Company. The CMBS Fixed Facility is collateralized by mortgages on the 38 related properties. Our obligations under the Amended 2011 Term Loan are guaranteed by security in all of the capital stock of our subsidiaries, each of the direct and indirect 100% owned domestic subsidiaries (as defined in the agreements), and are secured by substantially all assets of the Company and its subsidiaries not pledged under the 2012 ABS Facility and the CMBS Facilities. More specifically, the Amended 2011 Term Loan has priority over certain collateral securing the ABL Facility, and it has second priority for other collateral securing the ABL Facility. The former CMBS Floating Facility was collateralized by mortgages on 15 related properties until July 9, 2012, when its outstanding borrowings were repaid. Currently, 14 properties remain in the special purpose, bankruptcy remote subsidiary and are not pledged as collateral under any of the Company's debt agreements.

***Restrictive Covenants***

Our credit facilities, loan agreements and indentures contain customary covenants. These include, among other things, covenants that restrict our ability to incur certain additional indebtedness, create or permit liens on assets, pay dividends, or engage in mergers or consolidations. Certain debt agreements also contain various and customary events of default with respect to the loans. Those include, without limitation, the failure to pay interest or principal when it is due under the agreements, cross default provisions, the failure of representations and warranties contained in the agreements to be true, and certain insolvency events. If a default event occurs and continues, the principal amounts outstanding together with all accrued unpaid



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interest and other amounts owed may be declared immediately due and payable by the lenders. Were such an event to occur, the Company would be forced to seek new financing that may not be on as favorable terms as its current facilities. The Company's ability to refinance its indebtedness on favorable terms or at all is directly affected by the current economic and financial conditions. In addition, the Company's ability to incur secured indebtedness (which may enable it to achieve more favorable terms than the incurrence of unsecured indebtedness) depends in part on the value of its assets. This, in turn, relies on the strength of its cash flows, results of operations, economic and market conditions and other factors.

**12. ACCRUED EXPENSES AND OTHER LONG-TERM LIABILITIES**

Accrued expenses and other long-term liabilities consisted of the following (in thousands):

	December 28, 2013	December 29, 2012
<b>Accrued expenses and other current liabilities:</b>		
Salary, wages and bonus expenses	\$ 110,427	\$ 60,855
Operating expenses	61,500	66,795
Workers' compensation, general liability and fleet liability	42,204	44,868
Group medical liability	20,379	21,701
Customer rebates and other selling expenses	63,038	60,598
Restructuring	13,184	11,696
Property and sales tax	22,526	20,790
Interest payable	70,702	79,951
Interest rate swap derivative		2,034
Other	19,675	19,018
Total accrued expenses and other current liabilities	\$ 423,635	\$ 388,306
<b>Other long-term liabilities:</b>		
Workers' compensation, general liability and fleet liability	\$ 111,364	\$ 114,601
Accrued pension and other postretirement benefit obligations	100,393	239,549
Restructuring	58,034	65,602
Unfunded lease obligation	33,404	28,371
Other	31,613	31,519
Total Other long-term liabilities	\$ 334,808	\$ 479,642

**Self-Insured Liabilities** The Company has a self-insurance program for general liability, fleet liability and workers compensation claims. Claims in excess of certain levels are fully insured. The self-insurance liabilities, included in the table above under Workers' compensation, general liability and fleet liability, are recorded at discounted present value. This table summarizes self-insurance liability activity for the last three fiscal years (in thousands):

2013	2012	2011
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Balance at beginning of the year	\$ 159,469	\$ 175,891	\$ 187,694
Charged to costs and expenses	56,526	37,763	46,127
Payments	(62,427)	(54,185)	(57,930)
Balance at end of the year	\$ 153,568	\$ 159,469	\$ 175,891

### 13. RESTRUCTURING AND TANGIBLE ASSET IMPAIRMENT CHARGES

The Company periodically closes distribution facilities, because it has built new ones or consolidated operations. Additionally, as part of its ongoing efforts to reduce costs and improve operating efficiencies,

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the Company continues to implement its plan to migrate from a decentralized to a functionalized organization, with more processes and technologies standardized and centralized across the Company. During all periods presented, the Company incurred restructuring costs as a result of these activities.

**2013 Activities** During 2013, the Company recognized Restructuring and tangible asset impairment charges of \$8 million. The Company announced the closing of three distribution facilities that ceased operations in 2014. These actions resulted in \$4 million of severance and related costs. Also during 2013, certain Assets held for sale were adjusted to equal their estimated fair value, less costs to sell, resulting in tangible asset impairment charges of \$2 million. In addition, the Company incurred \$2 million of other severance costs, including \$1 million for a multiemployer pension withdrawal liability.

**2012 Activities** During 2012, the Company recognized Restructuring and tangible asset impairment charges of \$9 million. The Company announced the closing of four facilities, including three distribution facilities and one administrative support facility. The closed facilities ceased operations in 2012 and were consolidated into other Company locations. The closing of the four facilities resulted in \$5 million of tangible asset impairment charges to property and equipment, and minimal severance and related costs.

During 2012, the Company recognized \$3 million of net severance and related costs for initiatives to reorganize our business along functional lines and optimize processes and systems. Also, certain Assets held for sale were adjusted to equal their estimated fair value, less costs to sell, resulting in tangible asset impairment charges of \$2 million. Additionally, the Company reversed \$2 million of liabilities for unused leased facilities.

**2011 Activities** During 2011, the Company announced the closing of four distribution facilities and recognized Restructuring and tangible asset impairment charges of \$72 million. Three of the facilities ceased operations in 2011 and the other facility ceased operating in 2012. One facility was closed due to construction of a new facility, and the operations of the remaining three closed facilities were consolidated into other Company facilities. These actions resulted in \$45 million of severance and related costs, including a \$40 million multiemployer pension withdrawal charge, and \$7 million of tangible asset impairment charges. The Company also recognized \$17 million of severance and related costs, primarily for the reorganization and centralization of various functional areas including finance, human resources, replenishment and category management plus \$1 million of facility closing costs. Additionally, certain other Assets held for sale were adjusted to equal their estimated fair value, less costs to sell, which resulted in tangible asset impairment charges of \$2 million.

Changes in the restructuring liabilities for the last three fiscal years were as follows (in thousands):

	<b>Severance and Related Costs</b>	<b>Facility Closing Costs</b>	<b>Total</b>
Balance at January 1, 2011	\$ 42,365	\$ 6,505	\$ 48,870
Current period charges	64,302	1,135	65,437
Change in estimate	(2,445)	(360)	(2,805)
Payments and usage net of accretion	(18,822)	(1,687)	(20,509)
<b>Balance at December 31, 2011</b>	<b>85,400</b>	<b>5,593</b>	<b>90,993</b>
Current period charges	4,703	51	4,754
Change in estimate	(1,575)	(1,786)	(3,361)

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Payments and usage net of accretion	(14,407)	(681)	(15,088)
Balance at December 29, 2012	74,121	3,177	77,298
Current period charges	7,308	328	7,636
Change in estimate	(480)	(630)	(1,110)
Payments and usage net of accretion	(11,877)	(729)	(12,606)
Balance at December 28, 2013	\$ 69,072	\$ 2,146	\$ 71,218

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This is a summary of the restructuring and tangible asset impairment charges for the last three fiscal years (in thousands):

	2013	2012	2011
Severance and related costs	\$ 6,828	\$ 3,128	\$ 61,857
Facility closing costs	(302)	(1,735)	775
Tangible asset impairment charges	1,860	7,530	9,260
Total	\$ 8,386	\$ 8,923	\$ 71,892

The \$69 million of restructuring liabilities as of December 28, 2013, for severance and related costs included \$60 million of multiemployer pension withdrawal liabilities related to closed facilities. This is payable in monthly installments through 2031 at effective interest rates of 5.9% to 6.7%.

**14. RELATED PARTY TRANSACTIONS**

The Company pays a monthly management fee of \$0.8 million to investment funds associated with or designated by the Sponsors. For each of the fiscal years 2013, 2012 and 2011, the Company recorded \$10 million in management fees and related expenses reported as Distribution, selling and administrative costs in the Consolidated Statements of Comprehensive Income (Loss). Entities affiliated with KKR received transaction fees of \$2 million and \$3 million, respectively, for services related to the 2013 and the 2012 debt refinancing transactions. During the fiscal years 2013, 2012 and 2011, the Company purchased \$12 million, \$19 million and \$2 million of food products, respectively, from an affiliate of one of its Sponsors. At December 28, 2013 and December 29, 2012, \$0.2 million and \$1 million, respectively, were due to this affiliate.

As discussed in Note 11 Debt, entities affiliated with the Sponsors hold various positions in some of our debt facilities and participated in our 2013 and 2012 refinancing transactions. At December 28, 2013 and December 29, 2012, entities affiliated with KKR held \$289 million and \$381 million, respectively, in aggregate principal of the Company's debt facilities. At December 29, 2012, entities affiliated with CD&R held \$355 million in aggregate principal of the Company's Senior Subordinated Notes, which were redeemed in January 2013. At December 28, 2013, entities affiliated with CD&R had no holdings of the Company's debt facilities.

Also as discussed in Note 11 Debt, upon consent of the noteholders, the Senior Note Indenture was amended so that the proposed Acquisition by Sysco will not constitute a Change of Control that would have granted the holders of the Senior Notes the right to require the Company to repurchase all or any part of their notes at a premium equal to 101% of the principal amount, plus accrued and unpaid interest. Sysco paid \$3.4 million in consent fees to the holders of the Senior Notes in December 2013 on behalf of the Company and agreed to pay related transaction costs and fees incurred by the Company. At December 28, 2013, the Company had accrued a \$0.3 million liability for transaction costs and fees and a related receivable of \$0.3 million from Sysco.

**15. SHARE-BASED COMPENSATION, COMMON STOCK ISSUANCES AND TEMPORARY EQUITY**

The Stock Incentive Plan, as amended ( Stock Incentive Plan ) provides for the sale of common stock to named executive officers and other key employees and directors of our wholly owned subsidiary, US Foods. It also grants

1) stock options to purchase shares of common stock, 2) stock appreciation rights, and 3) restricted stock and restricted stock units to certain individuals. The Board of Directors or the Compensation Committee of the Board is authorized to select the officers, employees and directors eligible to participate in the Stock Incentive Plan. Either the Board of Directors or the Compensation Committee

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may determine the specific number of shares to be offered, or options, stock appreciation rights or restricted stock to be granted to an employee or director.

In May 2013, the Stock Incentive Plan was amended to, among other things, increase the number of shares of common stock available for grant from approximately 31.5 million shares to approximately 53.2 million shares.

The Company measures compensation expense for share-based equity awards at fair value at the date of grant, and it recognizes compensation expense over the service period for share-based awards expected to vest. Total compensation expense related to share-based payment arrangements was \$8 million, \$4 million and \$15 million for fiscal years 2013, 2012 and 2011, respectively. No share-based compensation cost was capitalized as part of the cost of an asset during those years. The total income tax benefit recorded in the Consolidated Statement of Comprehensive Income (Loss) was \$3 million, \$1 million, and \$6 million during fiscal years 2013, 2012 and 2011, respectively.

Each participant in the Stock Incentive Plan has the right to require the Company to repurchase all of his or her restricted shares or shares issued or issuable pursuant to their awards in the event of a termination of employment due to death or disability. The Company also has the right but not the obligation to require employees to sell purchased shares back to the Company when they leave employment.

Generally, instruments with put rights upon death or disability are classified as temporary or permanent equity awards until such puttable conditions become probable (i.e., upon termination due to death or disability). Once an award meets the puttable conditions, it is accounted for as an award modification and is required to be liability-classified. The Company records an incremental expense measured as the excess, if any, of the fair value of the modified award over the amount previously recognized when the award retained equity classification. These liability awards are remeasured at their fair market value as of each reporting period through the date of settlement, which is generally the first fiscal quarter following termination. Management concluded that the modifications during the current fiscal year did not have a material impact to compensation costs.

As discussed in Note 1 Proposed Acquisition by Sysco, the Acquisition will constitute a Change of Control under the Stock Incentive Plan, which will accelerate vesting of all stock options, equity appreciation rights, restricted stock, and restricted stock units.

**Common Stock Issuances** Certain employees have purchased shares of common stock, pursuant to a management stockholder's agreement associated with the Stock Incentive Plan. These shares are subject to the terms and conditions (including certain restrictions) of each management stockholder's agreement, other documents signed at the time of purchase, as well as transfer limitations under the applicable law. The Company measures fair value of the shares on a quarterly basis, using the combination of a market approach and an income approach. The share price determined for a particular quarter end is the price at which employee purchases and company repurchases are made for the following quarter. In 2013, employees bought stock at \$6.00 per share. The shares were purchased by employees in 2012 at prices of \$5.00 to \$6.00 per share. In 2011, employees bought stock at \$5.00 and \$5.50 per share.

Common stock purchased by employees is contingently redeemable and as a result are accounted for as Temporary Equity. The amount of Temporary Equity ascribed to such common stock, net of any shareholder loans, was \$31 million, \$34 million and \$36 million at December 28, 2013, December 29, 2012 and December 31, 2011, respectively. See Note 2 Temporary Equity for further discussion.

**Stock Option Awards** The Company granted to certain employees Time Options and Performance Options (collectively the Options) to purchase common shares. These Options are subject to the restrictions set forth in the Stock Option Agreements. Shares purchased pursuant to option exercises would be governed by the restrictions in the

Stock Incentive Plan and management stockholder s agreements.

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Vested stock option awards are accounted for as Temporary Equity as a result of the underlying common stock being contingently redeemable. The amount of Temporary Equity ascribed to stock option awards was \$0 for all periods reported because the strike price of the stock option awards was equal to the fair value at date of grant. See Note 2 Temporary Equity for further discussion.

The Time Options vest and become exercisable ratably over periods of four to five years. This happens either on the anniversary date of the grant or the last day of each fiscal year, beginning with the fiscal year issued.

The Performance Options also vest and become exercisable ratably over four to five years, on the last day of each fiscal year (beginning with the fiscal year issued) provided that the Company achieves an annual operating performance target as defined in the applicable stock option agreements ( Stock Option Agreements ). The Stock Option Agreements also provide for catch-up vesting of the Performance Options, if an annual operating performance target is not achieved, but a cumulative operating performance target is achieved. During 2012, the Company changed its policy for granting Performance Options. The award agreements no longer included performance targets for all years covered by the agreement. Instead, the Company established annual and cumulative targets for each year at the beginning of each respective fiscal year. In this case, the grant date under GAAP is not determined until the performance target for the related options is known. The Company did not achieve either the annual or the cumulative operating performance target for 2013, and accordingly, did not record a compensation charge for the 2013 Performance Options. The 2012 performance target was modified in 2013, and the Company recorded a compensation charge of \$2 million in 2013 for 2012. The Company achieved the annual operating performance target in 2011 and recorded a compensation charge for the 2011 Performance Options.

The Options are nonqualified options, with exercise prices equal to the estimated value of a share of USF Holding Corp. stock at the date of the grant. The Options have exercise prices of \$4.50 to \$6.00 per share and generally have a 10-year life. The fair value of each option award is estimated as of the date of grant using a Black-Scholes option-pricing model.

The weighted-average assumptions for options granted for the last three fiscal years are included in the following table:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Expected volatility	35.0%	35.0%	30.0%
Expected dividends	0.0%	0.0%	0.0%
Risk-free rate	1.0%	0.9%	1.2%
Expected term (in years) 10-year options	6.3	6.7	6.5

Expected volatility is calculated based on the historical volatility of public companies similar to USF Holding Corp. The risk-free interest rate is the implied zero-coupon yield for U.S. Treasury securities having a maturity approximately equal to the expected term, as of the grant dates. The assumed dividend yield is zero, because we have not historically paid dividends and do not have any current plans to pay dividends. Due to a lack of relevant historical data, the simplified approach was used to determine the expected term of the options.



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The summary of options outstanding and changes during fiscal year 2013 presented below is based on the Company's determination of legally outstanding option awards.

**Time  
Options**