DARDEN
BUSINESS PUBLISHING
UNIVERSITY of VIRGINIA

UV1019
Dec. 23, 2008

WHOLE FOODS MARKET AND WILD OATS MERGER

John Mackey, chairman, CEO, and cofounder of Texas-based Whole Foods Market, sat at his desk, rubbing his eyes. It was April 23, 2008, over a year since Whole Foods announced its intention to acquire Colorado-based Wild Oats Markets, its closest competitor, in February 2007, and the acquisition was still in legal turmoil. After defeating an antitrust lawsuit filed by the U.S. Federal Trade Commission (FTC), Whole Foods had moved forward with its acquisition of Wild Oats in August 2007. But in October 2007, Mackey received word that the FTC had filed an appeal with the U.S. Court of Appeals for the D.C. Circuit; however, nothing had been decided.

Despite the challenging regulatory environment, Mackey and his management team had already begun integrating Wild Oats into Whole Foods. Of the initial 109 Wild Oats stores, Whole Foods sold 35, closed 12, and converted one-third of the remaining stores into Whole Foods outlets.[1] Mackey had no idea how Whole Foods would "undo" the deal if the court did not rule in its favor. Yet, even if Whole Foods won the court battle, the mounting legal fees and potential distraction from operations was sure to have a negative impact on the benefits expected from the $565 million deal. Now, as Mackey thought back to last February, he was uneasy about the decision he and his management team had made to purchase Wild Oats. He was also unsure how to react to the possible implications of the court's impending decision.

Whole Foods Company Background

In 1978, Mackey and his then-girlfriend Renee Lawson Hardy, both University of Texas drop-outs, borrowed $45,000 to open a small natural-foods store named SaferWay in Austin, Texas. After some initial success, in 1980, they partnered with Mark Skiles and Craig Weller, owners of Clarksville Natural Grocery, to form the first Whole Foods Market. This first store measured 12,500 square feet and had 19 employees, making it one of the largest health-food

[1] Christopher Rugaber, "Court Weighs FTC's Request to Halt Whole Foods Deal," *Yahoo! Finance* http://biz.yahoo.com/ap/080423/whole_foods_transaction.html (accessed April 28, 2008).

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stores in the nation at the time.[2] Also in 1980, Mackey was named chairman and CEO of Whole Foods.

More Than Organic Growth

Beginning in the mid-1980s, Whole Foods pursued a geographic expansion strategy that focused on organic growth and the acquisition of small, independent natural- and health-food stores. Growth at Whole Foods really began with new store openings in Houston and Dallas, Texas in 1984, and was followed with the 1986 acquisition of Bluebonnet Natural Foods Grocery in Dallas.

In 1988, the Whole Food Company moved into New Orleans, Louisiana, and the following year opened its first West-Coast store in Palo Alto, California. Throughout the 1990s, Mackey's natural-foods empire continued its organic and acquisition-based growth strategy. The 1990 acquisitions included: Wellspring Grocery of North Carolina, Bread & Circus of northeast United States, Mrs. Gooch's Natural Foods Markets of southern California, Bread of Life of northern California, Fresh Fields Markets on the East Coast and in the Midwest, Bread of Life in Florida, Merchant of Vino in Detroit, Michigan, and Nature's Heartland of Boston, Massachusetts.[3]

Mackey initiated the international reach of Whole Foods in 2002 by opening stores in Canada. Two years later, Whole Foods made its first overseas acquisition when it purchased seven Fresh and Wild stores in the United Kingdom.[4] New stores ranged in size from 60,000–80,000 square feet, a substantial increase from its prior average store size of 50,000 square feet.[5] By 2006, Whole Foods had 42,000 team members across 192 stores, with stores in 32 states, Canada, and the United Kingdom.[6] (See **Exhibit 1** for a list of acquisitions through 2007.)

The Whole Foods' Way

The company's business practices were rooted in the statement: "There's no inherent reason why business cannot be ethical, socially responsible, and profitable."[7] Its motto, "Whole Foods, Whole People, Whole Planet," reflected its commitment not only to quality food but also to its employees, customers, shareholders, and the environment.

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[2] "Our History," *Whole Foods Market,* http://www.wholefoodsmarket.com/company/history.html (accessed April 30, 2008).

[3] "Our History."

[4] "Our History."

[5] Marian Burros, "Is Whole Foods Straying from its Roots?" *New York Times*, February 28, 2007.

[6] Whole Foods 2007 annual meeting of shareholders.

[7] Field Maloney, "Is Whole Foods Wholesome? The Dark Secrets of the Organic-Food Movement," *Slate*, March 17, 2007.

Armed with an attitude that actions speak louder than words, Whole Foods initiated several policies and programs that reinforced its core values and attracted like-minded consumers. Whole Foods donated 5% of its after-tax profits to its communities and sponsored several charitable foundations. In 2006, the company began a corporate effort to increase its awareness for compassion to animals and created a $10 million annual contribution to a low-interest loan program for local farmers.[8] In January 2006, Whole Foods established itself as the first *Fortune* 500 company to offset 100% of the electricity it used in its stores, facilities, bake houses, distribution centers, and regional and national headquarters by purchasing renewable energy credits.[9] Whole Foods accomplished all this guided by its core values:

- Selling the highest quality natural and organic products available
- Satisfying and delighting customers
- Supporting team member happiness and excellence
- Creating wealth through profits and growth
- Caring about our communities and our environment[10]

In-Store Shopping Experience

Whole Foods regarded its in-store shopping as a core distinction, and it aimed to transform food shopping from a chore to a culinary adventure. Mackey stated: "We are a lifestyle brand and have created a unique shopping environment built around satisfying and delighting our customers."[11] To support this concept, Whole Foods focused its resources not only on its new stores and acquisitions but also on what was inside them.

The firm continued to upgrade its stores by expanding its prepared-foods section and adding a restaurant area with seating to promote the idea of a third place, much like Starbucks' strategy. Rather than being the kind of store used primarily for purchasing specialty foods, Whole Foods wanted to "change the way the world shops, eats, and appreciates food."[12] At the heart of its in-store experience was its ability to charge premium prices; Whole Foods' customers were willing to "pay more for the Whole Foods experience" because these customers valued quality products and exceptional customer service.[13]

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[8] Burros.
[9] "Fast Facts," *Whole Foods Market Newsletter* http://media.wholefoodsmarket.com/pr/wf/fast-facts.aspx (accessed April 28, 2008).
[10] Whole Foods 2007 annual stakeholders' report.
[11] Marc Hogan, "High and Low," *BusinessWeek*, July 21, 2006.
[12] John Moore, "The Biggest Challenge Facing Whole Foods Market," *Brand Autopsy*, December 6, 2006.
[13] Robert Walberg, "Is Whole Foods the Next Starbucks?" *MSN Money*, May 19, 2005.

Team Members and Management Structure

Whole Foods employees were called team members and given a complete compensation package including an above-average living wage and a strong benefits package that included health care. More than 90% of the permanent team members were full-time employees.[14] Hourly team members started at $10 an hour, compared with the U.S. minimum wage of $7.25. In addition, team members were given profit-sharing opportunities.[15] Team members also were empowered with the chance to vote on and change their employee benefits every three years. And, unlike most *Fortune* 500 firms, Whole Foods' stock options were not all held by its top executives, with more than 93% of its options granted to nonexecutives. CEO John Mackey received $1 per year in salary, and the salaries of the company's top executives were capped when they were 19 times the average annual salary of full-time team members.[16] All these efforts contributed to Whole Foods being named one of *Fortune's* "100 Best Companies to Work for in America" every year since the list's inception in 1998 and ranked fifth on the list in 2007.[17]

Mackey built the Whole Foods culture around the idea of team-member empowerment and decentralized decision making. He claimed, "We don't have lots of rules that are handed down from headquarters in Austin. We have lots of self-examination going on. Peer pressure substitutes for bureaucracy. Peer pressure enlists loyalty in ways that bureaucracy doesn't."[18]

Yet empowerment and accountability through self-examination went beyond employee compensation and benefits—it was also rooted in the unique Whole Foods management system. Each retail store had approximately eight teams that managed the various departments such as produce or seafood. Each team made key operating decisions regarding: product selection, pricing, staffing, and in-store promotion. Each team was organized as its own profit center and measured on its productivity, customer service, and department sales. To align the outcomes with the incentives, each team's profit per labor hour was calculated every four weeks, and members on the high-performing teams received bonus incentives on the basis of this metric.[19]

Team members were also empowered by the staffing process. A new associate was tentatively assigned to a team. After four weeks, the team voted on whether the associate should stay by a two-thirds majority vote.[20] This peer voting process was also used for corporate roles on the corporate finance and IT teams. Mackey also did his best to promote transparency at all levels. Although considered quite unorthodox, all team members' salaries, store sales, and

[14] Maloney.
[15] "Whole Foods: a Retail Phenomenon," *BBC News* http://news.bbc.co.uk/2/hi/uk_news/6726969.stm (accessed June 6, 2007).
[16] Whole Foods 2007 annual meeting of shareholders.
[17] "Fast Facts."
[18] G. Hamel and B. Breen, "Whole Foods: Creating a Community of Purpose" *The Future of Management* (Boston: Harvard Business School Press, 2007).
[19] Hamel and Breen.
[20] Hamel and Breen.

productivity numbers were considered public information and provided to all team members.[21] There were few secrets regarding compensation and store performance—something Mackey believed would help team members focus more on customer satisfaction and improved service.

Financial Outlook

Mackey and his managers were clear about their understanding of the Whole Foods customer base. "The Whole Foods' business model is built around a simple but powerful premise: People will pay a premium for food that's good for them, good-tasting, and good for the environment,"[22] Mackey said. This business model had proven successful over the years, as exemplified by a 31% compounded annual growth rate in Whole Foods sales since its IPO in 1992 that resulted in $5.6 billion in sales by 2006.[23] For comparison, at $900 in sales per square foot in 2006, Whole Foods had doubled the grocery industry average.[24] Yet, its financial performance stumbled, and its stock price fell 41% from $77.10 on January 3, 2006 to $45.48 on January 3, 2007.

After experiencing more than 11% same-store sales growth during the previous three years, Whole Foods adjusted its outlook in November 2006 from 6% to 8% growth for 2007. In the month of the announcement, the stock dropped 29% from $63.16 to $48.80.[25] Then, the stock had hovered in the $35–$50 range. (See **Exhibit 2** for historical stock price and **Exhibit 3** for financial and executive information.)

Given its lower-than-expected same-store sales-growth outlook in 2007, Whole Foods needed other avenues for growth, and it had achieved success in the past with smaller acquisitions. Wild Oats had an attractive geographical footprint, an established customer base, and was the only formidable competitor in the natural-foods retail market. An acquisition would ensure that as the trend toward health and natural foods continued Whole Foods would be the primary beneficiary.

Wild Oats Markets Company Background

Wild Oats Markets was founded by Gilliland and Elizabeth Cook in 1987 in Boulder, Colorado. The Cooks bought a health-food store, Crystal Market, and in 1992 renamed it Wild Oats in an attempt to profit from the affluent Boulder market.[26] Prior to the merger with Whole

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[21] Hamel and Breen.
[22] Hamel and Breen.
[23] Whole Foods 2007 annual meeting of shareholders.
[24] Stephen Gray, "Boss Talk: Natural Competitor: How Whole Foods CEO Mackey Intends to Stop Growth Slippage; Leadership on Salary of $1 a Year," *Wall Street Journal*, December 4, 2006.
[25] Whole Foods 2007 annual meeting of shareholders.
[26] "Important Specialty Food Retailers," *Gourmet Retailer*, September 1, 2004.

Foods, the company operated in the natural and organic foods and farmers' markets industries. The company's products appealed to health-conscious shoppers, while offering products similar to those found in traditional supermarkets, such as produce, meat, poultry, seafood, dairy, frozen and prepared foods, baked goods, vitamins, health and body care, and household items. In addition, Wild Oats offered private-label and imported products.

The Wild Oats mission was: "…to provide education and products that promoted health and well-being."[27] Similar to Whole Foods, Wild Oats was committed to providing superior service to its customers and a great place to work for its employees. After a few years of tremendous growth, the company went public in 1996, raising $48 million in equity, with its stock trading on the NASDAQ.[28] Wild Oats pursued growth through new-store development and acquisitions; the result was the following list of stores:

- Natural Food stores
- Wild Oats Marketplace (nationwide)
- Capers Community Market (Canada)
- Farmers' Markets
- Henry's Farmers Markets (southern California)
- Sun Harvest (Texas)

In 2001, Gilliland was replaced as CEO by Perry Odak, who came from Ben & Jerry's, where he had successfully built an outstanding business with a community focus. In October 2006, Odak resigned after a disagreement in the terms of his contract, and Board Chairman Gregory Mays became interim CEO, bringing with him 33 years of retail-grocery experience. Mays announced that, although he planned to remain on the board of directors, he did not want to stay in the role of CEO for long.[29]

By 2007, Wild Oats was a leader in the natural-foods industry, with annual sales of $1.2 billion. It operated 109 stores in 23 states and Canada and had 6,000 employees.[30] Prior to the merger, Wild Oats had competed directly with Whole Foods in California, Colorado, Florida, Illinois, Massachusetts, New Mexico, and Texas. Wild Oats stores were much smaller than Whole Foods stores, averaging 24,000 square feet compared with Whole Foods' gigantic, 50,000 square-foot stores. Wild Oats averaged sales of $457 per square foot versus $900 per square foot for Whole Foods.[31] Despite the departure of several top Wild Oats executives, some store closings, declining revenues, problems with suppliers, and many "hold" and "sell" ratings from

[27] "Important Specialty Food Retailers."
[28] "Important Specialty Food Retailers."
[29] "Important Specialty Food Retailers."
[30] Whole Foods 2007 annual stakeholders' report.
[31] Whole Foods 2007 annual stakeholders' report.

investors, Whole Foods offered to merge the company in 2007. **Exhibit 4** provides Wild Oats' financial and executive information.

The Organic and Natural Foods Industry

As traditional supermarkets struggled, the organic- and natural-foods industry had seen annual growth rates of more than 20% during the previous five years.[32] Natural foods were defined as foods that were minimally processed, largely or completely free of artificial ingredients, preservatives, and other nonnatural chemicals, and remained as close to their natural state as possible. In other words, organic foods were grown without pesticides and contained more of what was good for you than foods grown with pesticides. These key industry characteristics fostered:

1. Trend toward a healthy lifestyle, growing a larger customer base
2. Media focus on the negative effect of certain food hormones, leading consumers to organic- and natural-food alternatives
3. Growing focus on safety and sustainability in the food and agriculture industry
4. Investment by farmers in the production of organically certified products[33]

Consumers of organic and natural food could be characterized as highly educated, upper income, informed, committed to a healthy lifestyle, and willing to pay premium prices for healthy food and groceries. As of 2005, gross margins in the industry were from 30% to 50%, substantially better than that of the more traditional grocery chains, whose margins ranged from 25% to 30%.[34] Whole Foods was the market leader, with Wild Oats occupying the number-two position. In addition to Wild Oats, Trader Joe's, a privately held company that offered specialty, upscale foods at discounted prices, was a key competitor.

Traditional grocery retailers like Kroger and Safeway quickly began to expand their organic product offerings.[35] According to the Food Marketing Institute, 56% of consumers purchased organic items from traditional grocery retailers in 2006, up from 43% in 2004. Consumers were spending less time in stores, demanding more from their shopping experiences, and shopping at stores that catered to their busy lifestyles. Large discounters such as Target and Wal-Mart took notice of this growing trend and entered the organic- and natural-foods

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[32] Betsy McKay, "When Buying Organic Makes Sense and When It Doesn't," *Wall Street Journal*, January 16, 2007.

[33] "Investor FAQ," *Wild Oats Markets, Inc., Investor Relations* http://phx.corporate-ir.net/phoenix.zhtml?c=70699&p=irol-faq (accessed April 30, 2008).

[34] "Investor FAQ."

[35] McKay.

marketplace. As competition increased, and chains looked for growth opportunities outside of their often saturated markets, consolidation became a common occurrence.

The Merger Proposition

The joint press release issued by Wild Oats Markets and Whole Foods Market on February 21, 2007 stated:

> Whole Foods Market, Inc., (NASDAQ: WFMI) and Wild Oats Markets (NASDAQ: OATS) have today announced they have signed a definitive merger agreement under which Whole Foods Market will acquire Wild Oats Markets' outstanding common stock in a cash tender offer of $18.50 per share or approximately $565 million based on fully diluted shares. Whole Foods Market will also assume Wild Oats Markets' existing net debt totaling approximately $106 million as reported on September 30, 2006.

Transaction Highlights

The following highlights were listed in the *Whole Foods Market* newsletter.

- Whole Foods Market offers $18.50 per share in cash, a 23% premium to the one-month average closing price.
- Transaction enterprise value, including debt, is expected to be approximately $700 million.
- Transaction to be funded at closing with $700 million of senior term loans; in conjunction with the transaction, Whole Foods Market also intends to upsize its long-term senior revolving-credit facility to $250 million.
- All of Whole Foods Markets' 11 operating regions will gain stores, with three of its smallest regions gaining critical mass, and Whole Foods Market will gain immediate entry into a significant number of new markets.
- Whole Foods Market experts to recognize significant synergies through G&A cost reductions, greater purchasing power, increased utilization of support facilities, and new team-member talent.

The merger facilitated the immediate entry of Whole Foods into 15 new markets and five new states in such key areas as the Rocky Mountains, Pacific Northwest, and Florida.[36]

[36] John Moore, "Whole Foods Acquires Wild Oats," *Brand Autopsy*, February 21, 2007.

As part of the merger, Whole Foods divested all 35 of its Henry's and Sun Harvest stores and a Riverside, California distribution center. The sales were completed in October 2007.[37]

John Mackey discussed the merger rationale:

> Our companies have similar missions and core values, and we believe the synergies gained from this combination will create long-term value for our customers, vendors, and shareholders as well as exciting opportunities for our new and existing team members. The growth opportunity in this category has led to increased competition from many players, most of whom are not dedicated natural- and organic-food supermarkets but are considerably larger than we are.... We have made 18 retail acquisitions in our history, many of which were platform acquisitions from which we have been able to accelerate our growth geographically. Wild Oats Markets will be our largest acquisition and is a great geographical fit…. We consider the integration of acquisitions to be a core competency and have found it generally takes up to two years to transition to our decentralized operations and implement our incentive programs. We expect this acquisition to be similar and that over time we will recognize significant synergies through G&A cost reductions, greater purchasing power, and increased utilization of facilities. We are particularly excited to gain many talented team members who will provide valuable support in reaching our growth goal of $12 billion in sales in 2010. Our company continues to evolve at a rapid pace. We have always benefited through learning from past acquisitions and believe this merger will result in a company that is much stronger and better-positioned for the future.

CEO Gregory Mays commented on his company's perspective of the merger with Whole Foods:

> As the natural- and organic-foods industry continues to receive attention from larger conventional players, the timing for our two companies to join forces could not be better. We believe this strategy is in the best interest of our stakeholders, and our board of directors has unanimously recommended that Wild Oats Markets' stockholders tender their shares in this offer. Whole Foods Market will be evaluating each banner as well as each store to see how it fits into its overall brand and real estate strategy. Wild Oats Markets has been rationalizing its store base over the last several years to shed underperforming stores, but some additional store closures are expected as well as the relocation of some stores that overlap with stores Whole Foods Market currently has in development. Whole Foods Market expects to make significant investments in remodeling stores before eventually re-branding them as Whole Foods Market stores.[38]

[37] Whole Foods 2007 annual stakeholders' report.
[38] "Whole Foods Market and Wild Oats Markets Announce Merger."

A Challenge: The Federal Trade Commission

On June 7, 2007, four months after Whole Foods and Wild Oats had entered into their agreement, the FTC filed a lawsuit against Whole Foods to block the merger. The FTC argued about the existence of two separate grocery-store industries: the natural- and organic-grocery stores and the traditional grocery stores saying that a merger between the two largest players in the natural- and organic-grocery industry would result in an anticompetitive market and create a monopoly. The third- and fourth-largest players were Earth Fare, with 13 stores in four states, and New Seasons, with eight stores—all in Oregon. According to the FTC, "Consumers in those markets have reaped price and nonprice benefits of competition between Whole Foods and Wild Oats. Those benefits will be lost if the acquisition occurs in the markets where the two currently compete, and they will not occur in those markets where each is planning to expand."[39]

In response, Whole Foods and Wild Oats argued that the relevant market was all supermarkets; therefore the two companies were not the largest players. They pointed out that many of the traditional supermarkets and retailers such as Wal-Mart and Kroger offered natural- and organic-product lines in their stores, and consumers who may have traditionally shopped at Whole Foods and Wild Oats already had convenient alternatives at mainstream supermarkets; therefore, if the merger occurred, the two companies asserted that direct competitive threats would remain.

Ultimately the U.S. District Court, on August 16, 2007, decided that the relevant market was, in fact, all supermarkets, approved the deal, and stated: "About 60% of natural and organic food products sold come from conventional stores."[40] The two companies closed the deal by the end of August 2007.

On October 24, 2007, however, the FTC surprised stakeholders by appealing the decision. The FTC generally did not appeal decisions after deals were approved because deals were often hard to untangle once the integration process began. But, in this case, the FTC argued that many of the Wild Oats stores were still operating under the Wild Oats banner and the district court had applied incorrect legal standards to its decision.

As of April 23, 2008, no decision had been made. The U.S. Court of Appeals panel had no set timeline and could rule in favor of the FTC, deny the appeal, or send the decision back to the district court for further consideration.[41]

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[39] "Federal Trade Commission, Plaintiff, v. Whole Foods Market, Inc., and Wild Oats Markets, Inc." (2007). Civ. No. 07-cv-01021-PLF, FTC File No. 28, April 2008.

[40] "Court Clears Way for Whole Foods Merger with Wild Oats," *USA TODAY,* August 23, 2007.

[41] Rugaber.

Next Steps

Of the original 109 Wild Oats stores, 62 remained. Of those, one-third had been rebranded under the Whole Foods name. John Mackey had received reports indicating that team-member morale was higher than what had been experienced in other mergers. Management had set up short-term operational goals: by January 2009, all benefits and payroll functions would be completely integrated. Information systems and procurement were to be consolidated by the end of the second quarter of 2009.[42] Unraveling the integration would be both painful and costly.

Mackey thought about the series of acquisitions he had completed since his company's inception. By now the present integration process showed the results of careful planning and core competency. Moreover, Wild Oats was a perfect fit for his Whole Foods' empire. With similar values and products and different geographic store locations, it was sure to provide Mackey with the avenue of growth on the scale he needed to better compete with mainstream grocery stores. Yet government intervention threatened his growth strategy.

Mackey thought about his strategic options. He could continue to integrate Wild Oats into Whole Foods or postpone further integration until the court made its decision. As Mackey thought about the situation, he realized there were some bigger issues. Whole Foods' management needed to understand the industry and how the company's acquisitions would change the competitive landscape. As traditional grocery stores encroached upon the Whole Foods' customer base, Mackey knew that the very basis of his argument against the FTC's lawsuit—that his store competed in the broader grocery market—would have significant implications on how Whole Foods would continue to grow. Would it compete directly with traditional grocery stores such as Kroger and Albertsons as well as the Wal-Mart and Target supercenters? Would this merger require Whole Foods to adopt a new growth and operational strategy? Would Whole Foods have to expand the breadth of its products to include more household items, in order to compete with the traditional and supercenter competitors? Or should it stay focused on natural- and organic-food products while it continued to pursue organic growth and international expansion? John Mackey rubbed his eyes again, checked his e-mail, and then headed home for the night. Without a decision from the court, he was at a loss about his next steps.

[42] Whole Foods 2007 annual meeting of shareholders on March 10, 2008.

Exhibit 1

WHOLE FOODS MARKET AND WILD OATS MERGER

Whole Foods' Acquisition History

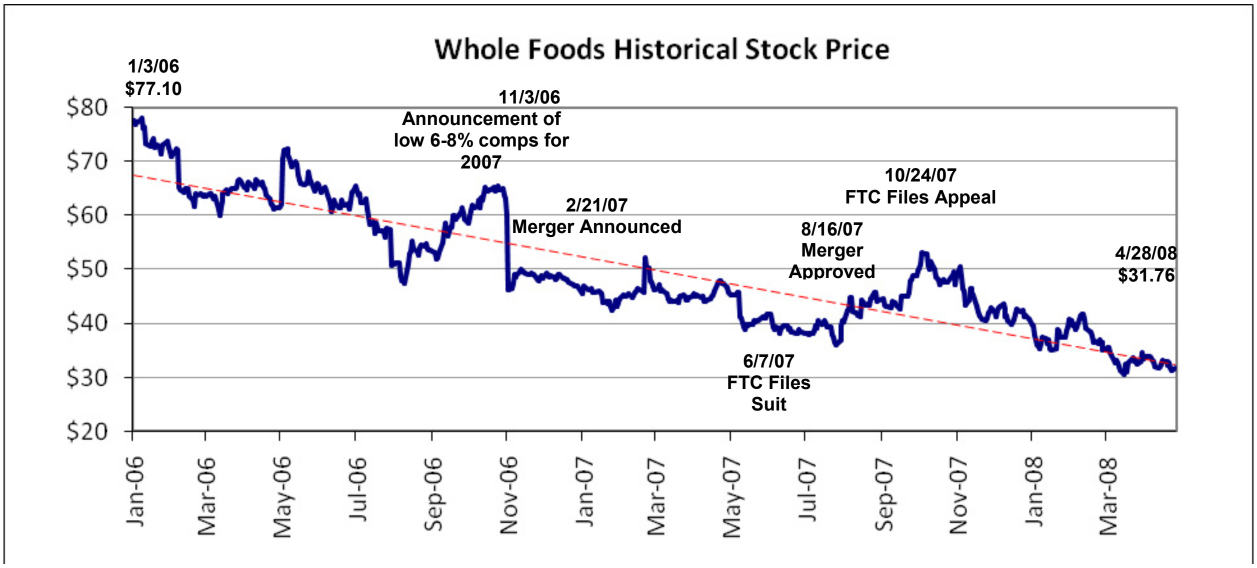
Retailer	Acquisition Year	Number of Stores	Primary Location(s)
Bluebonnet Natural Foods Grocery	1986	1	Dallas, TX
Whole Food Company	1988	1	New Orleans, LA
Wellspring Grocery	1991	2	North Carolina
Bread & Circus	1992	6	Northeast U.S.
Mrs. Gooch's	1993	7	Southern CA
Unicorn Village, Ltd.	1995	1	Southern FL
Bread of Life (Cana Foods, Inc.)	1995	2	Northern CA
Oak Street Market	1995	1	Evanston, IL
Fresh Fields Markets	1996	22	East Coast U.S. and Chicago, IL
Bread of Life (Cana Foods, Inc.)	1997	2	South FL
Granary Market (Organic Merchants, Inc.)	1997	1	Monterey, CA
Merchant of Vino	1997	6	Detroit, MI
Nature's Heartland	1999	4	Boston, MA
Food for Thought & Deli (Natural Abilities, Inc.)	2000	3	Sonoma County, CA
Harry's Farmers Market, Inc.	2001	3	Atlanta, GA
Fresh & Wild Holdings Limited	2004	7	United Kingdom
Whole Grocer	2007	1	Portland, ME
Wild Oats Natural Marketplace	2007	*74	U.S. with heavy NW and W U.S.

**Note: 74 stores is net 35 sold to Smart & Final.*

Exhibit 2

WHOLE FOODS MARKET AND WILD OATS MERGER

Whole Foods' Historical Stock Price



Source: Yahoo! Finance.

Exhibit 3

WHOLE FOODS MARKET AND WILD OATS MERGER

Whole Foods' Financial and Executive Information

Basic Financial Information	
Fiscal year-end	September
2006 sales ($ millions)	$5,607
One-year sales growth	19.3%
2006 net income ($ millions)	$ 204
One-year net income growth	50.0%

Source: Whole Foods 2007 annual report.

Whole Foods	2006	2005	2004	2003
Revenue ($ millions)	$5,607	$4,701	$3,865	$3,149
Gross profit ($ millions)	$1,960	$1,649	$1,341	$1,078
Operating income ($ millions)	$319	$237	$216	$167
Total net income ($ millions)	$204	$136	$130	$99
Diluted EPS (net income)	$1.41	$0.99	$0.99	$0.79
Gross margin	35%	35%	35%	34%
Operating margin	5.7%	5.0%	5.6%	5.3%
Net income margin	3.6%	2.9%	3.4%	3.1%

Source: Whole Foods 2007 annual report.

Whole Foods' Store Data	2006	2005	2004	2003
No. of stores at end of fiscal year	186	175	163	145
Avg. weekly sales per store ($ thousands)	$593	$537	$482	$424
Comparable store sales growth	11.0%	12.8%	14.9%	8.6%
Identical store sales growth	10.3%	11.5%	14.5%	8.1%

Source: Whole Foods 2007 annual report.

Exhibit 3 (continued)

Whole Foods Executives

- **John Mackey, chairman of the board and CEO**
  Co-founder, chairman and CEO of Whole Foods since 1980
- **A.C. Gallo, co-president and COO**
  Joined Whole Foods through the Bread & Circus, Inc. acquisition in 1992.
- **Walter Robb, co-president and COO**
  Joined Whole Foods in 1991.
- **Glenda Chamberlain, EVP and CFO**
  Joined Whole Foods in 1988.
- **James Sud, EVP of Growth and Business Development**
  Joined Whole Foods in 1997.
- **Lee Valkenaar, EVP of Global Support**
  Joined Whole Foods in 1987.

Exhibit 4

WHOLE FOODS MARKET AND WILD OATS MERGER

Wild Oats' Financial and Executive Information

Basic Financial Information	
Fiscal Year-End	December
2006 sales ($ millions)	$1,183
One-year sales growth	5.3%
2006 net income ($ millions)	($16.6)
One-year net income growth	-621.7%

Source: U.S. Securities and Exchange Commission.

Wild Oats	2006	2005	2004
Revenue ($ millions)	$1,183	$1,124	$1,048
Gross profit ($ millions)	$355	$328	$297
Operating income ($ millions)	$(11.2)	$10.6	$(8.9)
Total net income ($millions)	$(16.6)	$3.2	$(40.0)
Diluted EPS (net income)	$(0.57)	$0.11	$(1.37)
Gross margin	30%	29%	28%
Operating margin	−0.9%	0.9%	−0.8%
Net income margin	−1.4%	0.3%	−3.8%

Source: U.S. Securities and Exchange Commission.

Wild Oats' Executives:

- **Gregory Mays, chairman of the board and interim chief executive officer, retail consultant**
  Past experience: Former executive VP, Ralphs Grocery Company and Food 4 Less
  Joined Wild Oats in July 2006.
- **Freya Brier, senior VP, legal and general counsel**
  Past experience: Amgen; Holme Roberts & Owen LLP
  Joined Wild Oats in November 1996.
- **Roger Davidson, senior VP, Merchandising and Marketing**
  Past experience: H.E. Butt Grocery Company and SuperValu
  Joined Wild Oats in October 2006.
- **Sam Martin, senior VP, Operations**
  Past experience: ShopKo, Toys "R" Us, Inc., Fred Meyer Stores
  Joined Wild Oats in January 2006.