Exhibit 59 to Plaintiff's
Memorandum of Points and Authorities
in Support of Its Motion for Temporary
Restraining Order and Preliminary Injunction
(PX00676)
Part 2 of 17

Henry's Assessment of Sales and Customer Count Trends

5. The circular for Orange County was discontinued for two months – from May – July 2004.

Company action to address:

- weekly circular was reinstated 7/04

6. [redacted]

Company action to address:

- [redacted]

Redacted

OAT-105548
CONFIDENTIAL

PX00676-014

Henry's Assessment of Sales and Customer Count Trends

June 2005 - [redacted]

[redacted]

OAT- 105549
CONFIDENTIAL

PX00676-015

Henry's Assessment of Sales and Customer Count Trends

Conclusion

- [redacted]
- [redacted]

OAT- 105550
CONFIDENTIAL

PX00676_016

Henry's Assessment of Sales and Customer Count Trends

Action Plan on Henry's:

- Transition to lower-cost (yet high-quality) beef program and supplier – ***completed***
- Transition to lower-cost (yet high-quality) seafood program and distributor – ***completed***
- Hire San Diego-based grocery category manager to work directly with brokers on spot deals (grocery, frozen, dairy, bulk) – ***Q3***
- Hire city marketing managers – one for San Diego, one for Orange County, and one for Phoenix – to build awareness and drive customer traffic at the grass roots level –***completed***
- [redacted]

Redacted

OAT-105551
CONFIDENTIAL

PX00676-017

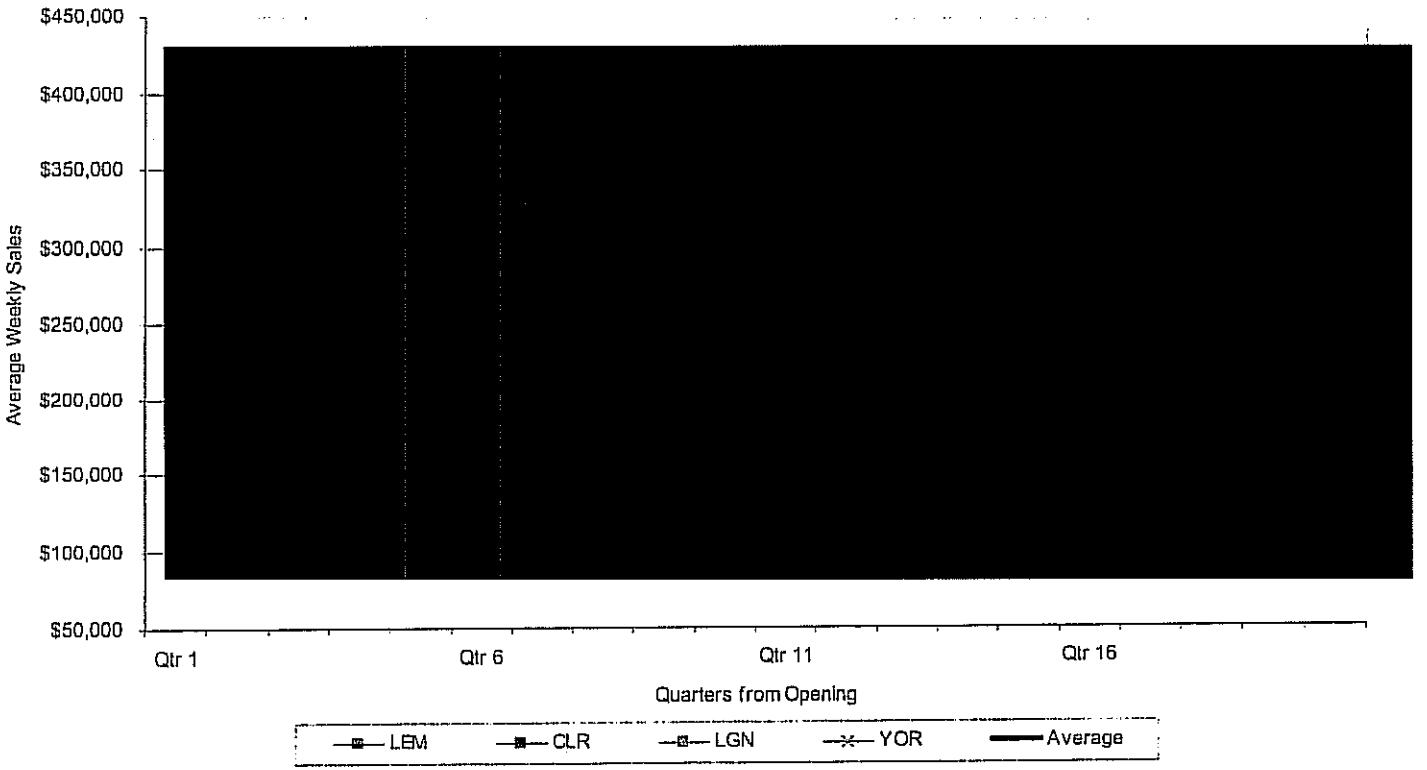
Henry's Store Performance

- Sales trends – old stores' sales, new stores' sales vs. pro forma and old stores
- EBITDA - old stores, new stores, new stores vs. pro forma and old stores
- Customer count graph vs. old stores

OAT- 105552
CONFIDENTIAL

PX00676-018

Henry's "Old Generation" Sales



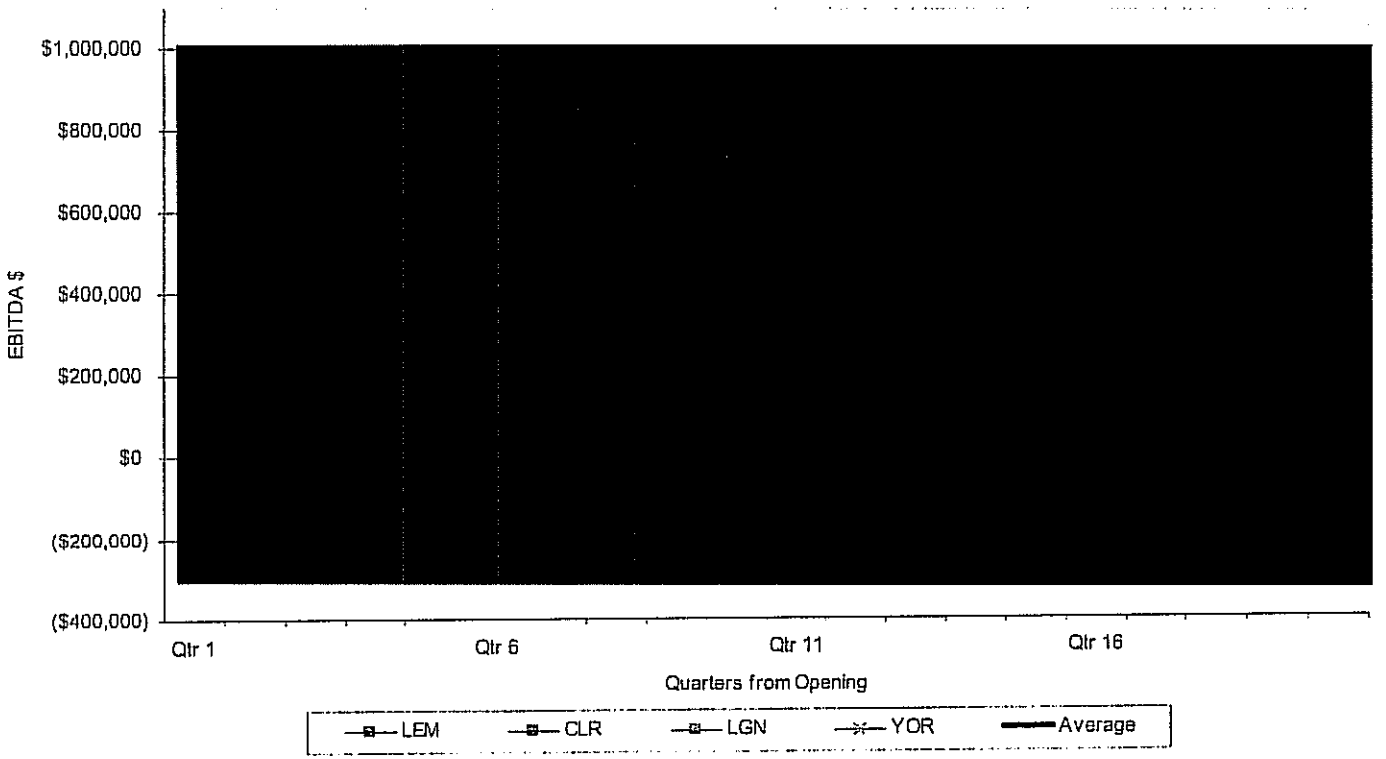
Conclusion: Soft opening – slow sales build – larger comps

OAT-105553
CONFIDENTIAL

Redacted

PX00676-010

Henry's "Old Generation" EBITDA



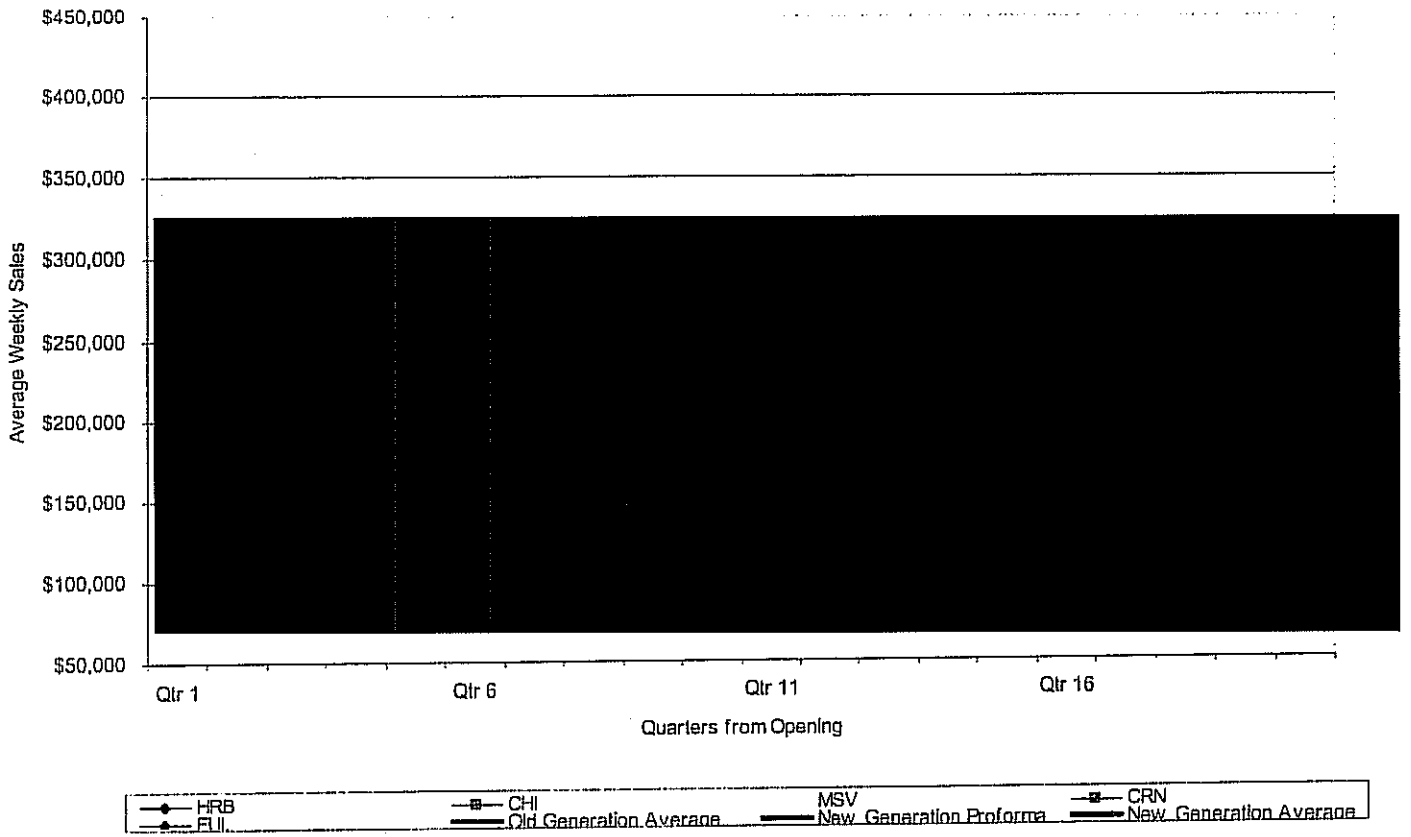
Conclusion: EBITDA build at same rate as sales

Redacted

OAT- 105554
CONFIDENTIAL

PX00676-020

Henry's "New Generation" Sales



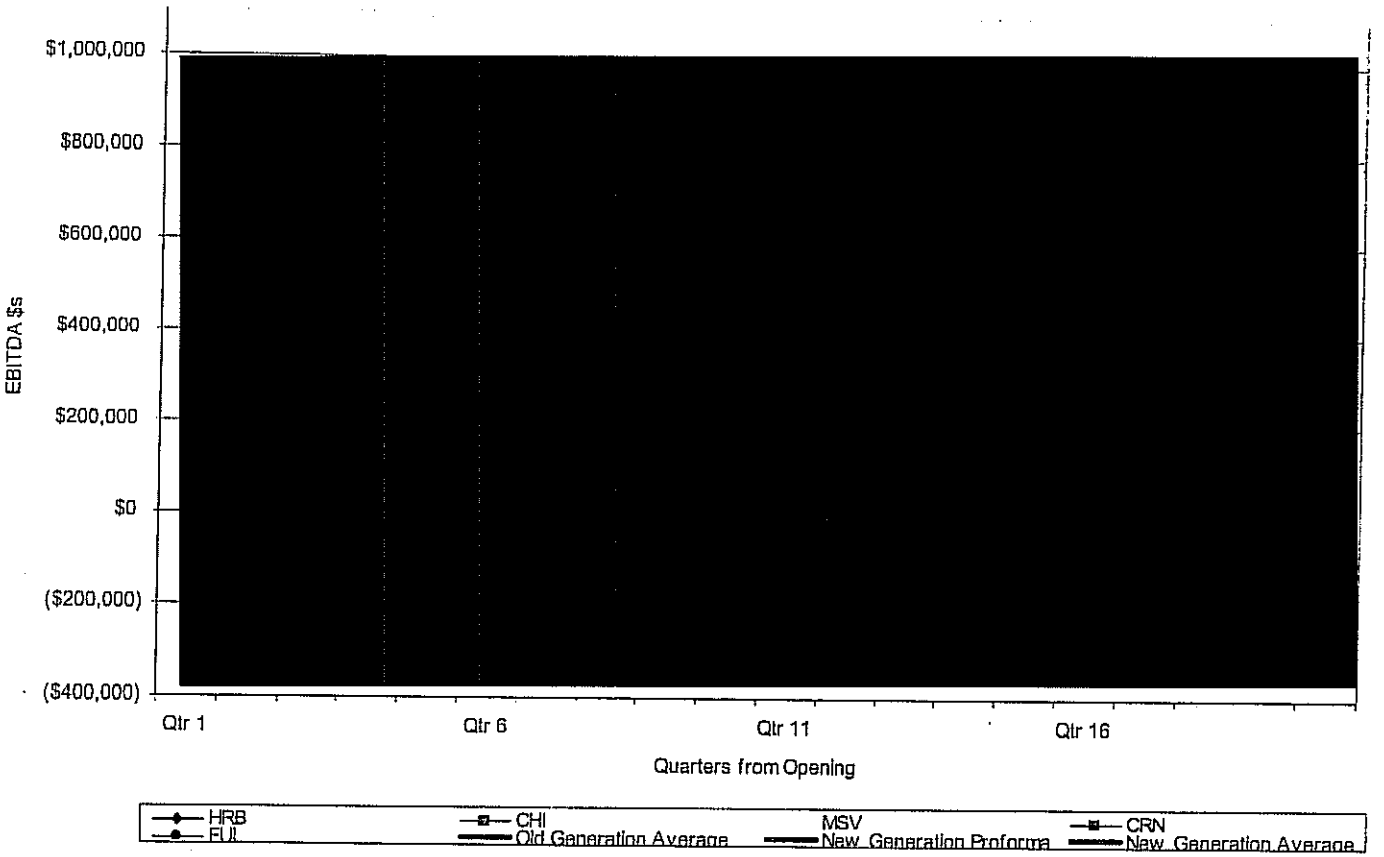
Conclusion: Average higher opening sales but slower increases

Redacted

OAT-105555
CONFIDENTIAL

PX00676_021

Henry's "New Generation" EBITDA



Conclusion: EBITDA trend consistent with pro forma. Steep rate.

OAT- 105556
CONFIDENTIAL

PX00676-022

Henry's Store Economics

	Henry's "Old Generation" (ENC-POW-CLR)					Henry's "New Generation" (HRB-CHI-MSV)				
	Sq Ft Mix	Sales Mix	Margin %	Payroll %	Dept Contribution %	Sq Ft Mix	Sales Mix	Margin %	Payroll %	Dept Contribution %
Meat and Seafood	[redacted]					[redacted]				
Dairy										
Grocery										
Bulk										
Frozen										
Bakery										
Deli										
Produce										
Natural Living										
Other										
Total	[redacted]					[redacted]				
Avg Basket Size					$ [redacted]					$ [redacted]
Net Contribution per Customer Transaction					$ [redacted]					$ [redacted]

OAT- 105557
CONFIDENTIAL

PX00676-023

Henry's Operating Summary

(Dollars in $,000s)	2002	2003	2004	2005 MayYTD	May Annualized
Comparable Sales Growth %	[redacted]				
Sales	$				
Cost of Goods Sold					
Merch Profit					
%					
Occupancy and Depreciation					
Gross Profit					
%					
Direct Store Expenses					
%					
Store contribution					
%					
Depreciation					
Store Cash Flow					
%					

Redacted

OAT- 105558
CONFIDENTIAL

PX00676-024

Henry's
"New Generation" Performance Summary

Store		Average Weekly Sales 1st Year	Average Weekly Sales 2nd Year	Average Weekly Sales 3rd Year	EBITDA[1] 1st Year	EBITDA[1] 2nd Year	EBITDA[1] 3rd Year
HRB	Actual	[redacted]	[redacted]	-	[redacted]	[redacted]	-
	Proforma			-			-
CHI	Actual			-			-
	Proforma			-			-
MSV	Actual		-	-		-	-
	Proforma		-	-		-	-
CRN	Actual		-	-		-	-
	Proforma		-	-		-	-
FUL	Actual		-	-		-	-
	Proforma	[redacted]	-	-	[redacted]	-	-

[1] Amounts have been annualized based on most recent quarterly performance for comparability.

OAT- 105559
CONFIDENTIAL

PX00676-025

Henry's Store Financial Model

- Model
- Summary

OAT-105560
CONFIDENTIAL

PX00676-026

Henry's Store Financial Model

Henry's Current New Store Model
Square Feet: [redacted]

Buildout Expense

	Total	Per SF
Equipment	[redacted]	
Tenant Improvements		
Pre-Opening Expense*		
Soft Costs and Other		
Total Cash Outlay		

	Year 1	Year 5
Comp	[redacted]	
Weekly Sales		
SALES MIX		
Bakery	[redacted]	
Dairy		
Deli		
Cheese		
Floral		
Grocery		
Bulk Grocery		
Frozen		
Meat		
Seafood		
Natural Living		
Mercantile		
Produce		
Sushi		
Wine/Beer		
TOTAL ANNUAL SALES	$[redacted]	$[redacted]

MARGIN	Year 1	Year 5
Bakery	[redacted]	
Dairy		
Deli		
Cheese		
Floral		
Grocery		
Bulk Grocery		
Frozen		
Meat		
Seafood		
Natural Living		
Mercantile		
Produce		
Sushi		
Wine/Beer		
Merchandise Margin		
Gross Margin	$[redacted]	$[redacted]
Gross Margin %	[redacted]%	[redacted]%
PAYROLL %	[redacted]	
PAYROLL Taxes & Benes %		
DIRECT STORE EXPENSE %		
STORE CASH FLOW	$[redacted]	$[redacted]
SGA Allocation	$[redacted]	$[redacted]
Post-Tax Cash Flow	[redacted]	$[redacted]

10-Year Investment Metrics **

MIRR:	[redacted]%
IRR:	[redacted]%
NPV:	$[redacted]

* Cash Only ** [redacted]% Discount and Reinvestment Rate

Redacted

Wild Oats Markets, Inc.- Company Confidential

OAT-105561
CONFIDENTIAL

PX0076-027

Henry's Store Financial Model

- The average build-out is approx. $[redacted]M (assumes a turnkey deal with $[redacted]/sq.ft. Cost Cap)
- Average weekly sales approx. $[redacted] in Year 1, and $[redacted] by year 5
- By Year 5, Henry's stores expected to have [redacted]% gross margin
- Post-tax, post-SGA allocation & with a [redacted] multiple EBITDA terminal value, the "new generation" Henry's is expected to have a [redacted]% MIRR **

** Based on [redacted]

OAT- 105562
CONFIDENTIAL

PX0067G-028

Henry's 2004 Reorganization Assessment

OAT-105563
CONFIDENTIAL

PX00676-029

Henry's 2004 Reorg. Assessment: Overview

- August 2004 – the Henry's Farmers Market region was reorganized to reduce SG&A and overhead and to improve operating efficiency
- Prior to the reorganization, Henry's operated under a separate structure with its own Merchandising, Marketing, HR, Administration and Operations functions, resulting in duplicate departments for the two retail brands
- Eleven months after the reorganization, it is appropriate to evaluate the pros and cons of this restructuring to determine:
  - [redacted]
  - [redacted]

Redacted

OAT-105564
CONFIDENTIAL

PX00676-030

Henry's 2004 Reorg. Assessment: SG&A Reduction

As a result of the restructuring, approximately $[redacted] million in annual savings was realized.

- Personnel
  - 37 dedicated Henry's employees prior to 8/04 re-org
  - 8 dedicated post 8/04 re-org
    - 3 Merchandising
    - 1 Marketing
  - 25 shared between Wild Oats and Henry's
  - Annual savings associated with personnel reduction: $[redacted]M

- Office overhead eliminated – office sub-leased
- Annual savings associated with overhead: $[redacted]K

Employees dedicated to Henry's		
	# of employees pre-re-org.	# of employees post re-org.
Merchandising	18	3
Marketing	5	1
HR	6	2
Operations	3	2
Administration	5	0
	37	8

[1] Office headquarters in El Cajon, CA

Redacted

OAT-105565
CONFIDENTIAL

PX00676-031

Henry's 2004 Reorg. Assessment: Evolution of Changes

Concurrent with the restructuring, the Henry's brand position was undergoing a transition as well

- Prior to the 8/04 reorganization, Henry's was positioned as a low cost, limited assortment operator that leveraged its reputation for produce across other product categories:
  - Bulk
  - Natural Living
  - Grocery

- Since the reorganization, Henry's has selectively expanded other departments to fill more of the customer's shopping needs:
  - Added Deli/Foodservice
  - Added full-service meat/seafood counter
  - Smaller but more efficient Natural Living department

OAT- 105566
CONFIDENTIAL

PX00676_032

Henry's 2004 Reorg. Assessment: Merchandising Restructuring Overview

Pre-Reorganization

- Dedicated category managers and merchandisers operated autonomously and were able to take advantage of local deals– primarily produce, but other categories as well

Pros:

- [redacted]
- [redacted]
- [redacted]

Cons:

- [redacted]
- [redacted]
- [redacted]

Redacted

Wild Oats Markets, Inc.- Company Confidential

OAT- 105567
CONFIDENTIAL

PX00676_033

Henry's 2004 Reorg. Assessment: Merchandising Restructuring Overview

Post-Reorganization

- Maintained dedicated produce category manager for Henry's based in San Diego to source local produce deals
- Non-produce Category managers now manage categories across retail banners and are able to use internal resources and data to make decisions

Pros:

- [redacted]
- [redacted]

Cons:

- [redacted]
- [redacted]
- [redacted]

OAT- 105568
CONFIDENTIAL

PX00676-034