Exhibit 59 to Plaintiff's
Memorandum of Points and Authorities
in Support of Its Motion for Temporary
Restraining Order and Preliminary Injunction
(PX00676)
Part 3 of 17

Henry's 2004 Reorg. Assessment: Conclusion

In hindsight, it appears that, while the reorganization successfully reduced overhead, those savings came at the expense of local market procurement expertise which resulted in higher costs and retail prices, in turn leading to an erosion of sales and customer traffic. [redacted]

Recommendation

- Reinstate grocery buyers based in California who can work directly with brokers to capitalize on the spot buys.
- Relaunch beef program with lower-cost supplier – **COMPLETE**
- Relaunch seafood program with lower-cost supplier – **COMPLETE**
- [redacted]

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"Trader Joe's" Grocery Strategy

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PX00676-036

"Trader Joe's" Grocery Strategy: Overview

- Henry's is positioned as a low-cost, limited assortment operator with a primary reputation for conventional produce, bulk and natural living.
- The current Henry's grocery offering consists of natural and organic products, which are relatively high-priced, with a limited offering of value-priced private label.
- The gap between value-priced produce and premium-priced, specialty grocery creates a disconnect for the customer.
- Trader Joe's offers primarily high-quality private label grocery products, with a substantial percentage being "natural" or organic, at low prices. They have a limited selection of branded products, depending on the category. Also, their produce and fresh meat/seafood offering is very limited.

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"Trader Joe's" Grocery Strategy

Proposition:

- [redacted]
  - [redacted]

Redacted

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PX00676_038

"Trader Joe's" Grocery Strategy

[redacted]

Pros

- Lower retail prices and improved price perception among customers
- [redacted]
- Leverage to negotiate lower costs with more suppliers
- % margin improvement and margin enhancement
- Increased volume provides more product development opportunity
- [redacted]
- [redacted]

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"Trader Joe's" Grocery Strategy

[redacted]

Cons

Partial loss of annual co-op advertising of $[redacted]M

- [redacted]

Customer dissatisfaction that brand selection has been reduced

[redacted]

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PX00676-040

"Trader Joe's" Grocery Strategy

Recommendation: [redacted]

Next Steps:

- Evaluate each category individually, starting with commodity items and those with limited shelf space
- [redacted]
- Develop sales plan to grow private label volume by [redacted]% and reduce costs by [redacted]%

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Wild Oats Natural Marketplace

- Store Prototype and Layout
- New Store Performance
- Store Financial Model
- Operating Performance
- Current Design Work On Oats Prototype

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Wild Oats Store Prototype

Department	Prototype Sq. Ft. Total+	Prototype % to	Older Stores** Av.Sq. Ft. Total	Older Stores** Av.% to
Produce	[redacted]	[redacted]	[redacted]	[redacted]
Grocery	[redacted]	[redacted]	[redacted]	[redacted]
Deli	[redacted]	[redacted]	[redacted]	[redacted]
Holistic Health	[redacted]	[redacted]	[redacted]	[redacted]
Meat/Seafood	[redacted]	[redacted]	[redacted]	[redacted]
Frozen	[redacted]	[redacted]	[redacted]	[redacted]
Dairy	[redacted]	[redacted]	[redacted]	[redacted]
Bakery	[redacted]	[redacted]	[redacted]	[redacted]
Cheese	[redacted]	[redacted]	[redacted]	[redacted]
Bulk	[redacted]	[redacted]	[redacted]	[redacted]

+ Based on [redacted] sq. ft. - Dept. % based on [redacted] sq.ft. selling and prep areas
** [redacted] – dept. % based on [redacted] sq. ft. selling and prep areas.

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Wild Oats New 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

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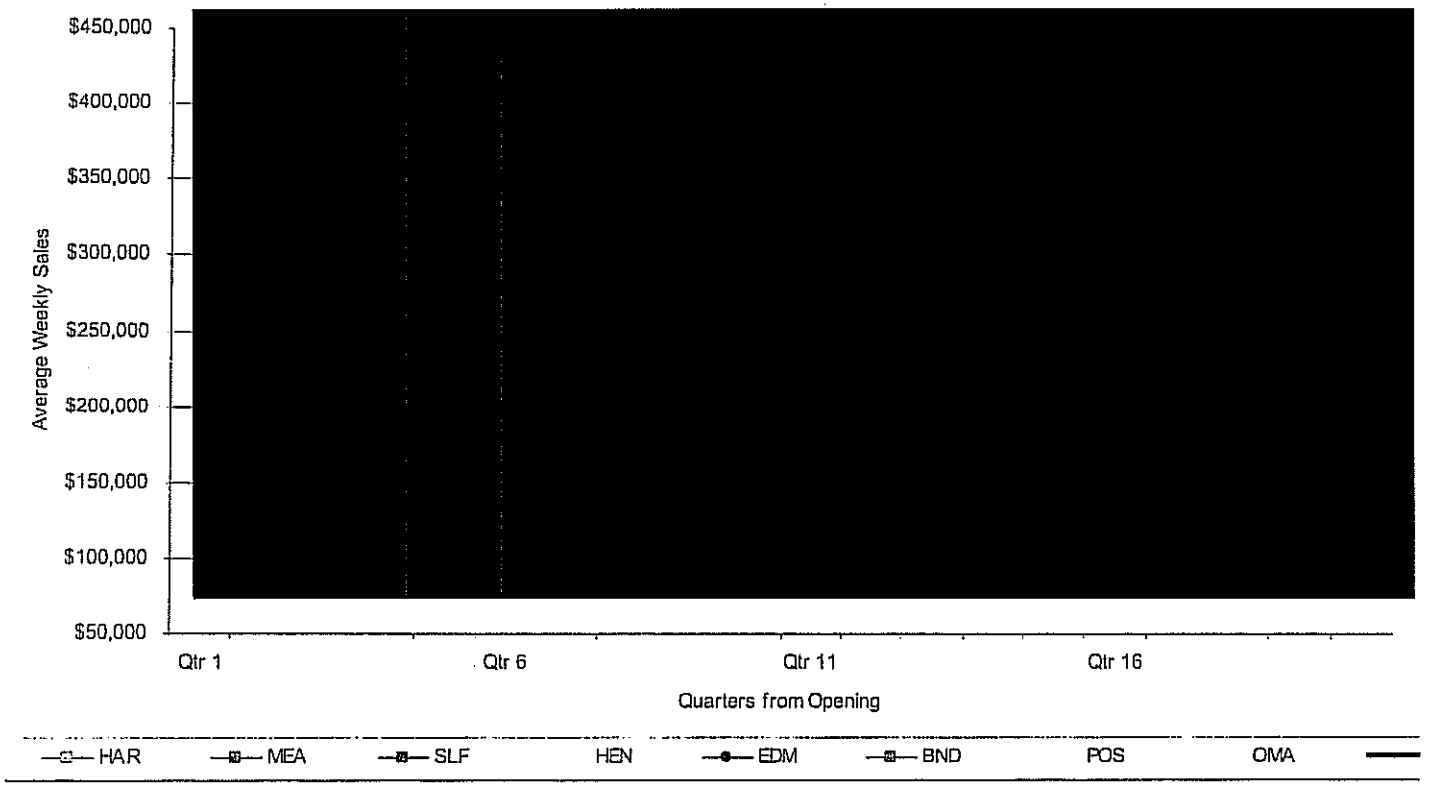
Wild Oats "Old Generation" Sales



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Redacted

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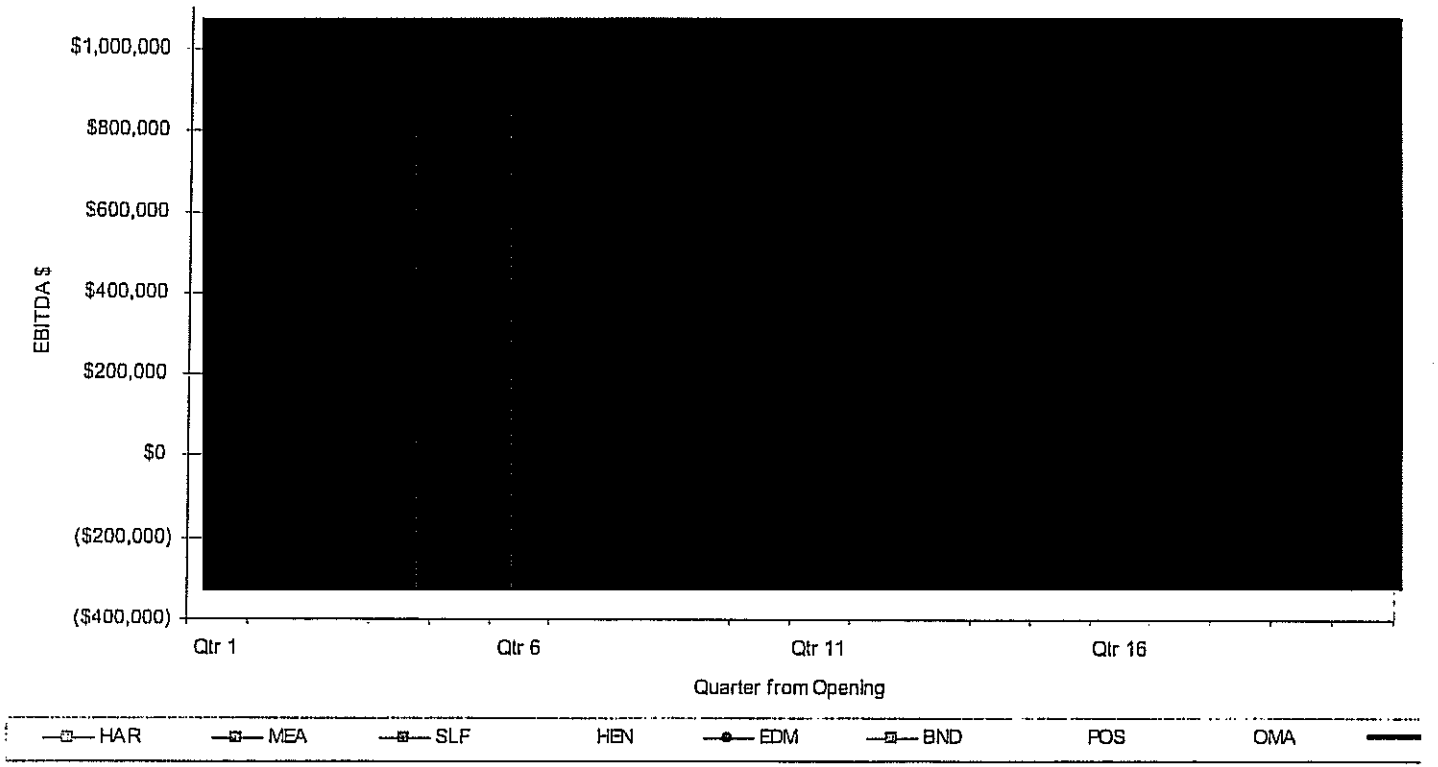
Wild Oats "Old Generation" EBITDA



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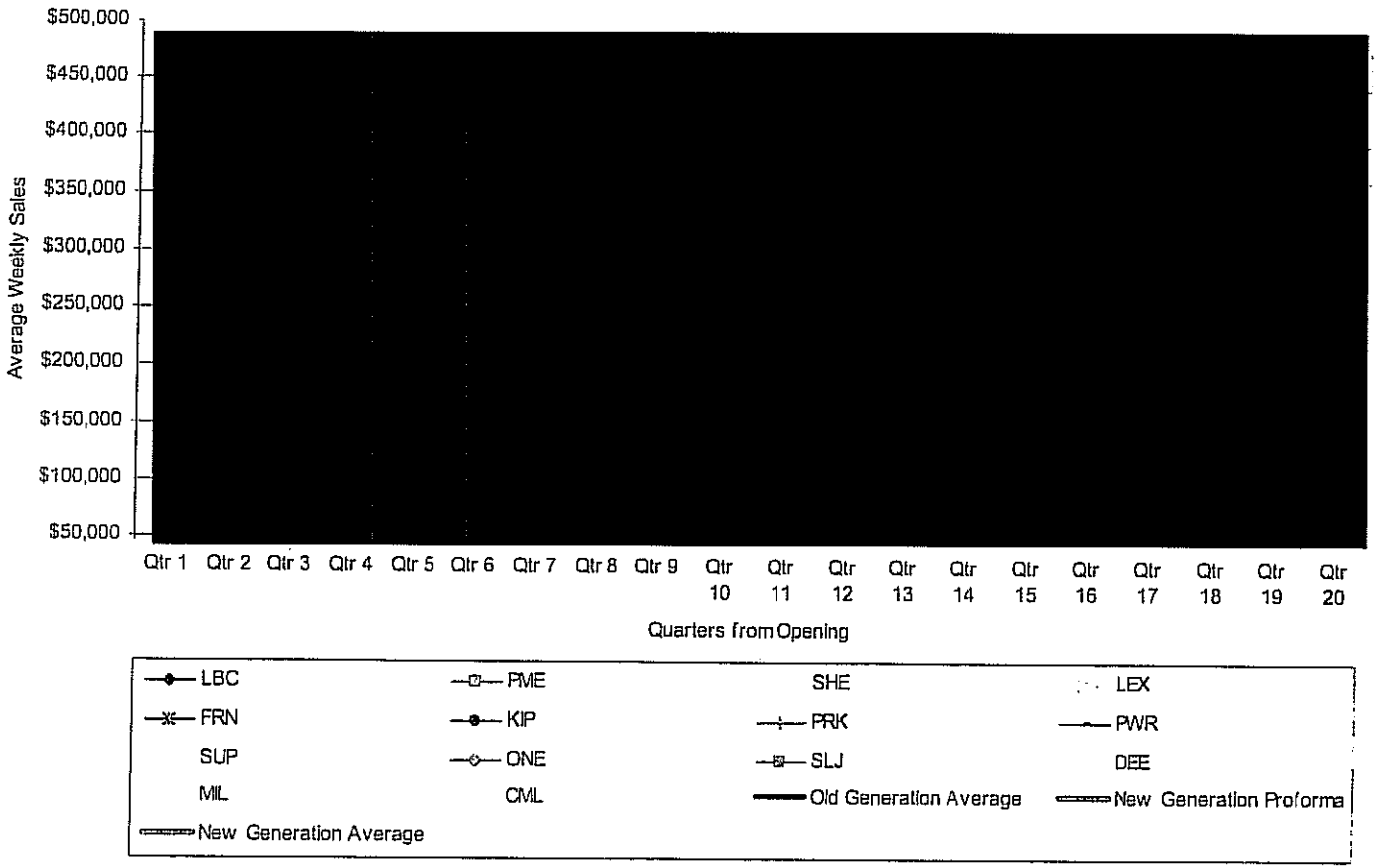
Wild Oats "New Generation" Sales



Conclusion: New generation stores are reaching Q1 sales level faster than old generation stores

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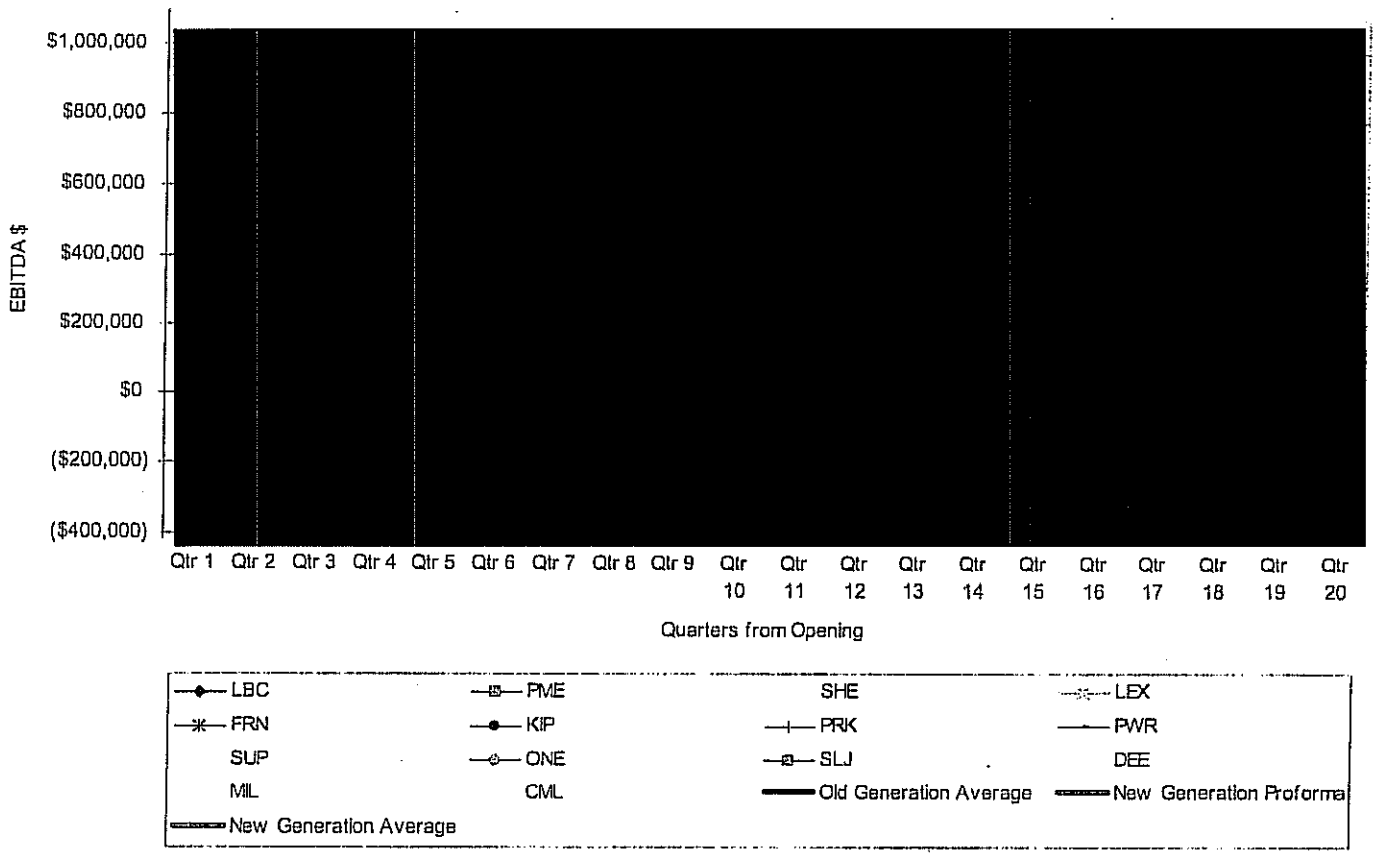
Wild Oats "New Generation" EBITDA



Conclusion: EBITDA ramps faster than old generation stores

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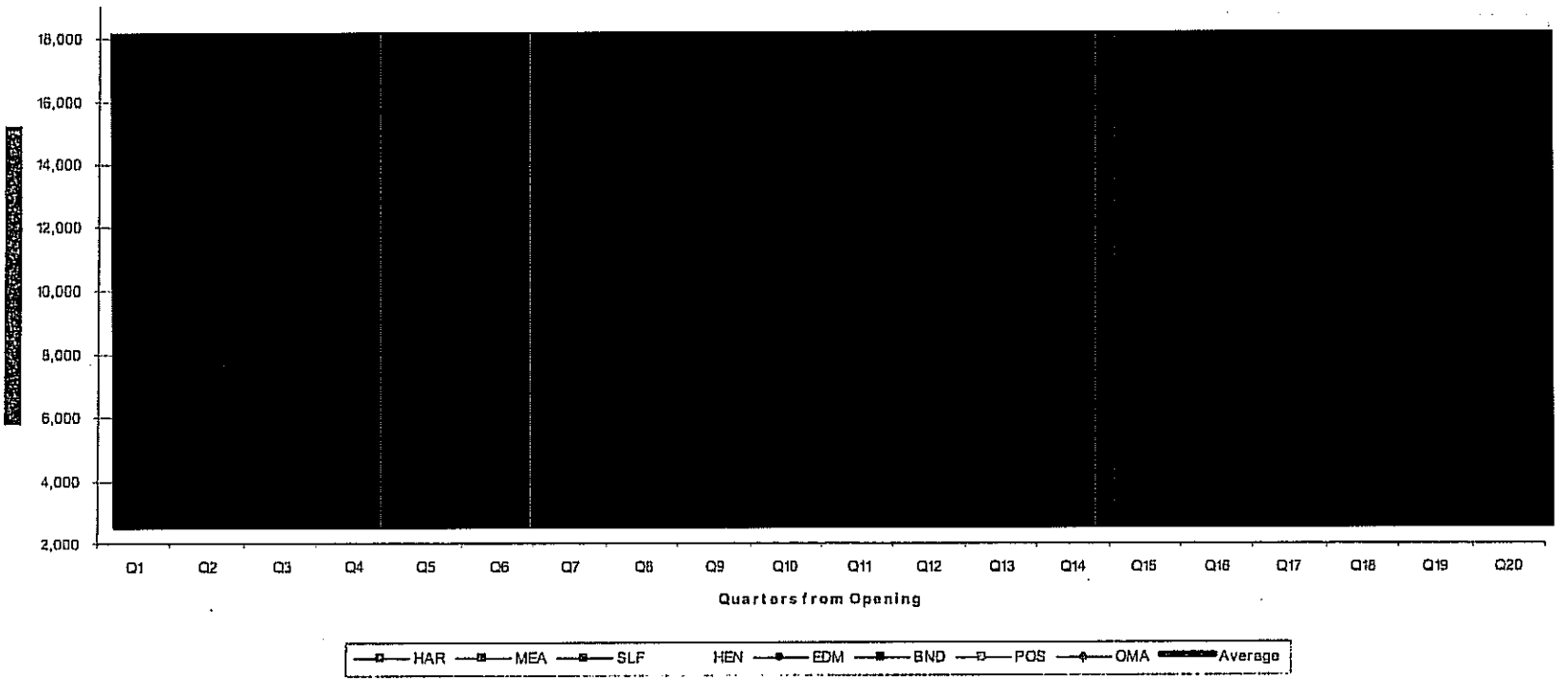
Wild Oats "Old Generation" Traffic



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Redacted

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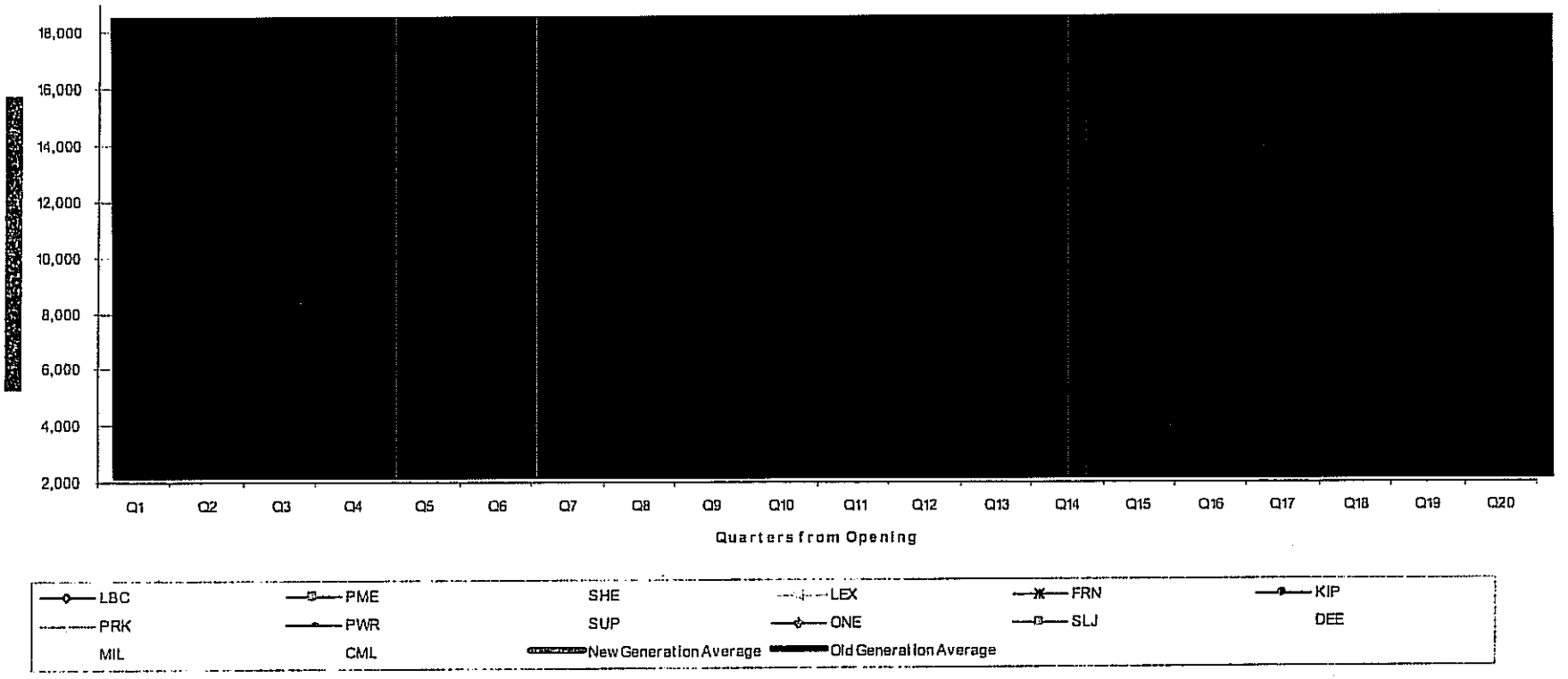
Wild Oats "New Generation" Traffic



OAT-105584
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Redacted

PX00676-050

Wild Oats Operating Summary

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

Redacted

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Wild Oats "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
LBC	Actual		[redacted]			[redacted]	
	Proforma						
PME	Actual						
	Proforma						
SHE	Actual						
	Proforma						
LEX	Actual						
	Proforma						
FRN	Actual						
	Proforma						
KIP	Actual						
	Proforma						
PRK	Actual						
	Proforma						
PWR	Actual						
	Proforma						
SUP	Actual						
	Proforma						
ONE	Actual						
	Proforma						
SLJ	Actual						
	Proforma						
DEE	Actual						
	Proforma						
MIL	Actual						
	Proforma						
CML	Actual						
	Proforma						

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

Redacted

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Wild Oats Store Financial Model

Wild Oats Current New Store Model
Square Feet: 27,184

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		
Dairy		
Deli		
Cheese		
Floral		
Grocery		
Bulk Grocery		
Frozen		
Meat		
Seafood		
Natural Living		
Mercantile		
Produce		
Sushi		
Wine/Beer		
TOTAL ANNUAL SALES		

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]	
Gross Margin %		
PAYROLL %	[redacted]	
PAYROLL Taxes & Benes %		
DIRECT STORE EXPENSE %		
STORE CASH FLOW	[redacted]	
SGA Allocation	[redacted]	
Post-Tax Cash Flow		

10-Year Investment Metrics **

MIRR:	[redacted]
IRR:	
NPV:	[redacted]

* Cash Only

** [redacted]% Discount and Reinvestment Rate

Redacted

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Wild Oats Store Financial Model

- The Average Build-Out is Approx. $[redacted]M (Assumes a Turnkey Deal with $[redacted]/sf Cost Cap)
- Average Weekly Sales Approx. $[redacted] in Year 1, and $[redacted] by Year 5
- By Year 5, WO Stores Expected to have [redacted]% Gross Margin
- Post-Tax, Post-SGA Allocation & with a [redacted] Multiple EBITDA Terminal Value, the "new generation" WO is expected to have a [redacted]% MIRR **

** Based on [redacted]

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Wild Oats Prototype Design Refinement

- Hired outside design firm to address:
  - "cartoonish" color palette
  - no cohesive façade design
  - lack of interior "pizzazz" and theatre
  - no continuous evolution of interior design
- SmartDesign (designer of Capers Cambie store in B.C.) hired after walkthrough of Superior store with four national design firms
  - fresh pool of ideas
  - European perspective
  - no "sacred cows"
- Scope of Work:
  - Colors and finishes
  - graphics
  - façade
  - adjacencies of departments
  - "view" corridors
  - merchandising presentation

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