Exhibit 1 to Plaintiff's
Memorandum of Points and Authorities
in Support of Its Motion for Temporary
Restraining Order and Preliminary Injunction
(PX00773)

From: John P Mackey
Sent: 02/15/2007
To: John Elstrott; WFM Board of Directors; Jim Sud (CE CEN); AC Gallo (NA NAO); Walter Robb (CEN REM); Glenda Chamberlain (CE CEN); Lee Valkenaar (CE CEN)
Cc:
Bcc:
Subject: RE: question

OATS remains a relevant competitor. By buying them we will greatly enhance our comps over the next few years and will avoid nasty price wars in Portland (both Oregon and Maine), Boulder, Nashville, and several other cities which will harm our gross margins and profitability. OATS may not be able to defeat us but they can still hurt us. Furthermore we eliminate forever the possibility of Kroger, Super Value, or Safeway using their brand equity to launch a competing national natural/organic food chain to rival us. Glenda did a nice summary of the reasons to acquire OATS. I'll repeat them here:

Reasons to do this deal:

Elimination of an acquisition opportunity for a conventional supermarket - Cabrito is the only existing company that has the brand and number of stores to be a meaningful springboard for another player to get into this space. Eliminating them means eliminating this threat forever, or almost forever.
Elimination of a competitor – Cabrito competes with us for sites, customers and Team Members.

Note: these two alone make the deal worth doing.

Good geography – their stores are spread around the whole country with each region gaining from x to x stores – three regions especially (Rocky Mountain, Florida and Pacific Northwest) gain critical mass and can now afford a full slate of coordinators and other regional support. Additionally, we get entries into x new markets where we have no stores currently.
Immediate financial accretion – we get an immediate boost in sales growth and comps. EPS accretion will occur as we cut their g&a costs and install EVA incentives.
Continuing boost to comps – as we close some of their stores and transfer volume to our existing stores, as we relocate their stores to new and better locations and as we improve their stores with investments in people and capital.
Low risk – stock price is likely to rise enough to pay for the cost of the deal; even if financial gain is less than expected, number one and two are worth a significant amount of money to us; we are not putting the company or our growth at risk – existing cash flow can support growth and debt service.
Gain of TM talent – we can leverage their talent to help us support our new store growth ahead.
Opportunity to learn – we have learned something from almost every acquisition we have done in our history and it is likely that we will be able to learn from them as well.

John finishes his e-mail with this question/statement:
""Perhaps we are better off investing our resources in continuing to innovate and improve our business model.""

The answer to this is that acquiring OATS will not effect our continuing to innovate and improve our business model. These are not mutually exclusive things. We will continue innovating and improving our business model after we acquire OATS.

Whole Foods E-Team is unanimous in its enthusiasm towards this acquisition. We are all very excited about moving forward on this deal and believe (for all the reasons listed above) that the OATS acquisition will create significant shareholder value for us over the intermediate and long-term. The right time to do this deal is now, while OATS has no CEO or CFO, and no clear strategic direction and their Board is willing to sell at a price below $20 (long their target price).

From: John Elstrott [mailto:elstrott@mac.com]
Sent: Thursday, February 15, 2007 9:34 AM
To: WFM Board of Directors; John P Mackey; Jim Sud (CE CEN); AC Gallo (NA NAO); Walter Robb (CEN REM); Glenda Chamberlain (CE CEN); Lee Valkenaar (CE CEN)
Subject: question

It was unfortunate that airline delays caused me to miss most of our recent meeting. I have a phone call today with Glenda, who I am confident can answer my primarily deal structure and terms related questions.

I do wish to pose one overall strategic question. In pursuing this project are we investing time and resources in overcoming a no longer relevant competitor who in time will waste away or be purchased unwisely by someone else?

WFM's comps have gone down, but not perhaps primarily because of competition from the target. We have been doing fine competing with this target for many years. I heard the argument that we can in theory take them out of play for free, because of the eventual appreciate of our stock price. However, we could invest that same time and resources in better competing with our primary competitors who have impacted us so significantly this past year.

Our primary competitors have shown no interest in the struggling target with its small stores, unprofitable business model, and multiple banners. Our primary competitors are realizing success in repositioning the assets they have and imitating many of the successful innovations we have introduced.

Perhaps we are better off investing our resources in continuing to innovate and improve our business model.

Regards,
John

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