



**The Proposed Acquisition of Wild Oats by Whole
Foods Market Will Not Substantially Lessen
Competition in Any Relevant Market**

May 30, 2007



The Whole Foods Market-Wild Oats Transaction Poses No Threat of Competitive Harm

- Wild Oats* is not Whole Foods Market's closest substitute
- Whole Foods Market faces substantial competition from a variety of natural/organic and conventional grocery stores

Staff's [FTC's] Economic Analysis Does Not Predict Competitive Effects from the Proposed Merger

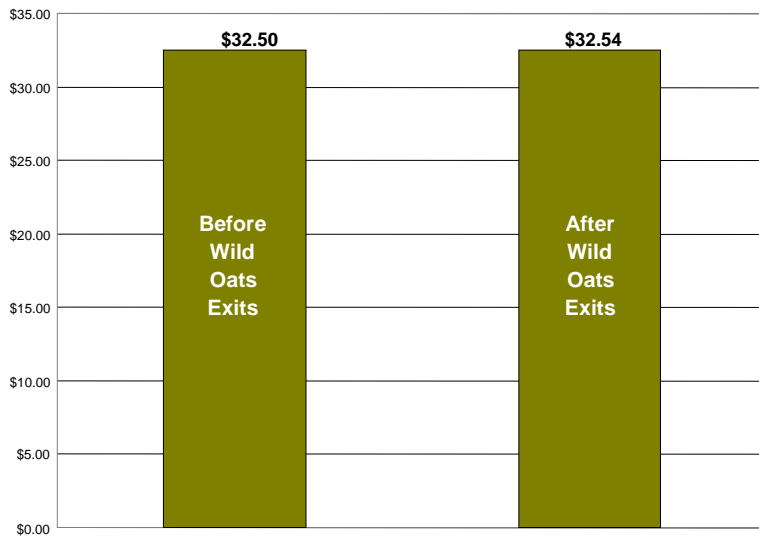
- Staff [FTC] fundamentally misread Wild Oats' financial data
 - Staff's error led it to overestimate the impact of Whole Foods' entry on Wild Oats' margin by more than 300 percent

- Staff's [FTC's] margin analysis also fails to account for multiple non-competitive factors
 - Staff's estimated impact is biased by sales mix, customer mix, shrinkage and other factors

- Staff [FTC] has not shown that the Parties are each other's closest competitor
 - Staff's analysis does not show whether Wild Oats and Whole Foods respond more to each other than other food retailers respond to the Parties

Parties' Economic Analysis Demonstrates No Competitive Effects from the Proposed Merger

No Significant Change in Cost of Whole Foods Basket After Wild Oats Exits



No Significant Change in Cost of Wild Oats Basket After Whole Foods Enters



- Also no evidence of a significant promotional response by Wild Oats following Whole Foods Market's entry into a market



Whole Foods Market's Reasons for the Deal

- Deal Rationale (as articulated in contemporaneous business documents)
 - Merger-specific efficiencies
 - Opportunity for immediate expansion into new markets
 - Opportunity to explore new formats
 - Opportune time for transaction

- Deal Price

- Whole Foods Market's documents and testimony versus competitive realities

Staff's Proposed Relevant Product Market

- *Upscale, Lifestyle-Oriented, Natural & Organic Supermarket with Perishables Focus*
 - Excludes all independent natural/organic stores, Safeway Lifestyles, Trader Joe's, HEB/Central Market, Wegmans, Hannaford, Shaw's and Sunflower, among many others
 - To prevail at litigation, the Commission must convince a federal judge that this is an appropriate market definition

Staff's Proposed Relevant Market Is Inconsistent with Long-Established FTC Precedent

- FTC has consistently defined the relevant product market, at minimum, as the retail sale of food and grocery items in all supermarkets



Staff's Proposed Relevant Market Is Inconsistent with Customer Behavior & Commercial Realities

- Tremendous Overlap in Customers
- Tremendous Overlap in Products



Staff's Proposed Relevant Market Is Inconsistent with Whole Foods' Business Activities

- Whole Foods Focuses on Other Competitors
- Whole Foods Shops Other Competitors
- Whole Foods Responds to Other Competitors

De Minimis [Minimal] Effect in Properly Defined Market

Markets With Both Whole Foods and Wild Oats				
MARKET	NO. OF WILD OATS	SHARE	NO. OF WHOLE FOODS	SHARE
Albuquerque, N.M.	3	2.1%	1	1.7%
Austin, Texas	2	0.8%	3	2.9%
Boston	3	0.4%	16	4.8%
Boulder, Colo.	5	7.0%	1	3.5%
Bridgeport/ Stamford, Conn.	1	0.6%	1	1.5%
Chicago	2	0.1%	10	1.7%
Colorado Springs	1	1.1%	1	2.7%
Columbus, Ohio	1	0.3%	1	0.8%
Denver	7	1.6%	4	2.3%
Hartford, Conn.	1	0.5%	1	1.3%
Kansas City, Kan./Mo.	3	0.8%	1	0.7%
Las Vegas	2	0.6%	2	1.5%
Los Angeles/Orange Co.	11	0.6%	17	2.4%
Louisville, Ky.	1	0.5%	1	1.3%
Miami	1	0.1%	6	1.9%
Omaha, Neb.	1	0.7%	1	1.8%
Phoenix	2	0.3%	2	0.6%
Portland, Maine	1	0.9%	1	2.4%
Portland, Ore.	6	1.4%	2	1.2%
San Antonio	3	1.1%	1	0.9%
San Diego	17	3.8%	2	1.1%
Santa Fe, N.M.	1	3.4%	1	8.6%
St. Louis	1	0.2%	1	0.5%
Trenton, N.J.	1	1.8%	1	4.4%

Source: Metro Market Studies, Tucson, Ariz.

This market-share table is from the March 5, 2007 Supermarket News, which is the leading conventional trade paper



No Significant Barriers to Entry

- Substantial Entry Has Taken Place and Continues to Occur
- Substantial Uncommitted Entry

No Similarities to *Staples/Office Depot*

<i>Fact Patterns</i>	<i>Staples / Office Depot</i>	<i>Whole Foods / Wild Oats</i>
The parties operate in a “unique competitive arena”	YES	NO
The parties offer unique product assortments	YES	NO
The parties offer one-stop shopping	YES	NO
The parties’ stores have a unique look and feel	YES	NO
The parties target and attract a distinct base of customers	YES	NO
The parties uniquely focus on each other as competitors	YES	NO
The parties set price based on whether the other firm is present	YES	NO
The merger combines the two lowest-priced firms	YES	NO
The merger eliminates the industry maverick	YES	NO
Direct empirical evidence indicates that merger effects are likely	YES	NO
Repositioning would require “dramatic change” by rivals	YES	NO
Entry would be difficult and is unlikely	YES	NO

Conclusion

- The proposed transaction **WILL NOT** substantially lessen competition
- The proposed transaction is output enhancing and procompetitive