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Whole Foods Is Hot, Wild Oats a Dud -- So Said 'Rahodeb'

Then Again, Yahoo Poster
Was a Whole Foods Staffer,
The CEO to Be Precise

By **DAVID KESMODEL** and **JOHN R. WILKE**
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In January 2005, someone using the name "Rahodeb" went online to a Yahoo stock-market forum and posted this opinion: No company would want to buy **Wild Oats Markets Inc.**, a natural-foods grocer, at its price then of about \$8 a share.

"Would Whole Foods buy OATS?" Rahodeb asked, using Wild Oats' stock symbol. "Almost surely not at current prices. What would they gain? OATS locations are too small." Rahodeb speculated that Wild Oats eventually would be sold after sliding into bankruptcy or when its stock fell below \$5. A month later, Rahodeb wrote that Wild Oats management "clearly doesn't know what it is doing OATS has no value and no future."

The comments were typical of banter on Internet message boards for stocks, but the writer's identity was anything but. Rahodeb was an online pseudonym of John Mackey, co-founder and chief executive of **Whole Foods Market Inc.** Earlier this year, his company agreed to buy Wild Oats for \$565 million, or \$18.50 a share.




John Mackey

For about eight years until last August, the company confirms, Mr. Mackey posted numerous messages on Yahoo Finance stock forums as Rahodeb. It's an anagram of Deborah, Mr. Mackey's wife's name. Rahodeb cheered Whole Foods' financial results, trumpeted his gains on the stock and bashed Wild Oats. Rahodeb even defended Mr. Mackey's haircut when another user poked fun at a photo in the annual report. "I like Mackey's haircut," Rahodeb said. "I think he looks cute!"

Mr. Mackey's online alter ego came to light in a [document made public late Tuesday](#)¹ by the Federal Trade Commission in its lawsuit seeking to block the Wild Oats takeover on antitrust grounds. Submitted under seal when the suit was filed in June, the filing included a quotation from the Yahoo site. An FTC footnote said, "As here, Mr. Mackey often posted to

Internet sites pseudonymously, often using the name Rahodeb."

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After The Wall Street Journal contacted Whole Foods yesterday, the company said in a statement that among millions of documents it gave the FTC were postings its CEO made from 1999 to 2006 "under an alias to avoid having his comments associated with the Company and to avoid others placing too much emphasis on his remarks." The statement said, "Many of the opinions expressed in these postings now have far less relevance than when they were written." Whole Foods didn't confirm every Rahodeb posting as being from Mr. Mackey.

Bulletin Boards

Mr. Mackey declined to be interviewed. But he soon posted on the company Web site, saying that the FTC was quoting Rahodeb "to embarrass both me and Whole Foods." He also said: "I posted on Yahoo! under a pseudonym because I had fun doing it. Many people post on bulletin boards using pseudonyms." He said that "I never intended any of those postings to be identified with me."

Mr. Mackey's post continued: "The views articulated by rahodeb sometimes represent what I actually believed and sometimes they didn't. Sometimes I simply played 'devil's advocate' for the sheer fun of arguing. Anyone who knows me realizes that I frequently do this in person, too."

RAHODEB SPEAKS

Postings by 'Rahodeb' on Yahoo:



- Rahodeb's [farewell comment](#)² to the Yahoo message board for Whole Foods stock in August 2006.
- Rahodeb says the [fundamentals of Wild Oats shares haven't improved](#)³ and that its stock price had risen merely because of speculation of a buyout.
- Rahodeb [lambastes a Yahoo user](#)⁴ who claimed Wild Oats had been a takeover target at \$14 to \$16 a share.
- Rahodeb predicts that Whole Foods shares will one day trade at [more than \\$800](#)⁵.
- Rahodeb claims [Whole Foods shares are undervalued](#)⁶ and Wild Oats is overvalued.

Note: *Whole Foods didn't authenticate each and every one of Rahodeb's postings as being from Mr. Mackey. But the company and Mr. Mackey confirmed that he made numerous postings under the name Rahodeb from 1999 to 2006.*

MORE

- [MarketBeat: CEOs Who Blog](#)⁷
- [Whole Foods confirms](#)⁸ that John Mackey used an alias in making comments about the company's stock on Yahoo's Web site.
- [John Mackey's blog](#)⁹
- Read the [full text of the FTC complaint](#)¹⁰ and the [FTC document released July 10](#)¹¹.
- [Whole Foods CEO Has Heated Words for FTC](#)¹² 06/27/2007
- [CEO's Words May Cook Whole Foods](#)¹³ 06/20/2007

Like Whole Foods itself, Mr. Mackey, a 53-year-old vegan, is somewhat unconventional. He dropped out of college and worked at a natural-foods store before co-founding Whole Foods in Austin, Texas, in 1980. He and his wife practice yoga and meditation and own a 720-acre ranch west of Austin. He once took a sabbatical to hike the Appalachian Trail.

He built Whole Foods in part by acquiring many smaller chains. In January, he slashed his salary to \$1, saying, "this is what my heart is telling me is the appropriate thing to do right now."

Whole Foods agreed this February to acquire Wild Oats, of Boulder, Colo. The FTC sued in federal court in Washington to block the deal, saying it would reduce competition. The agency is trying to use Mr. Mackey's own words against him. Its suit quotes the CEO as telling other board members the takeover would enable Whole Foods "to avoid nasty price wars" and reduce the risk that a big conventional grocer would create a competitor to Whole Foods.

When that part of the suit became public, Mr. Mackey fired back with a 14,000-word treatise on [his blog](#)¹⁴ on the Whole Foods Web site. He accused the government of "bullying tactics," failing to do its homework and taking out of context "macho posturing" by executives that's common.

Rahodeb had begun posting on Yahoo Finance in the late 1990s, and quickly became known as a cheerleader for Whole Foods stock. "I admit to my bias," he wrote in 2000. "I love the company

and I'm in for the long haul. I shop at Whole Foods. I own a great deal of its stock. I'm aligned with the mission and values of the company ... Is there something wrong with this?"

Rahodeb expressed pride in the CEO's work. "While I'm not a 'Mackey groupie,'" he wrote in 2000, "I do admire what the man has accomplished."

By 2005, Whole Foods' \$4 billion in annual sales made it the leading player in natural and organic foods. In January of that year, with the stock at a split-adjusted price of about \$47, Rahodeb predicted great things: "13 years from now Whole Foods will be a \$800+ stock before splits." The stock closed yesterday at \$39.50.

For an executive to use a pseudonym to praise his company and stock "isn't per se unlawful, but it's dicey," said Harvey Pitt, a former Securities and Exchange Commission chairman. Told of the Mackey posts, Mr. Pitt said, "It's clear that he is trying to influence people's views and the stock price, and if anything is inaccurate or selectively disclosed he would indeed be violating the law." He added that "at a minimum, it's bizarre and ill-advised, even if it isn't illegal."



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A "Rahodeb" posting on Yahoo Finance.

A spokeswoman for Whole Foods said Mr. Mackey only revealed information about Whole Foods that already was public knowledge. His comments "weren't illegal" and weren't "against company policy," she said.

Rahodeb sometimes sparred with other users. "Your quarterly cash flow variance isn't statistically meaningful because the time period is too short," he told a user who criticized Whole Foods in March 2006. Rahodeb then pasted a summary of the previous six years of the company's operating cash flow, saying that over five years it "has increased 330%."

When it came to rival Wild Oats, Rahodeb didn't pull punches. He often criticized Perry Odak, who resigned as Wild Oats CEO last year. "While Odak was trying to figure out the business and conducting expensive 'research studies,' to help him figure things out, Whole Foods was signing and opening large stores in OATS territories," Rahodeb wrote in 2005. "Odak drove off most of the long-term OATS natural foods managers." Reached yesterday, Mr. Odak said he had no idea Mr. Mackey was behind the postings, but "it doesn't surprise me."

Keeping Abreast

Sometimes when Rahodeb went without posting for several weeks, other users expressed concern. Once, Rahodeb reassured them he was keeping abreast of the chat.

Last August, Rahodeb filed his last post on the Yahoo message board. He said he had lost a bet with "hubris12000" about Whole Foods' stock performance, and the bet's terms required that he quit posting. He blamed the whims of the stock market for a 40% decline in the company's shares.

"Whole Foods itself has a very bright future, and I will continue to hold my stock for a very long time," he wrote. "I've enjoyed my eight years on this Board, but all things must come to an end. I wish everyone the very best. Hog152 -- keep the faith. Liberfar -- good luck with your market-

timing game. Hubris12000 -- take your profits while you can."

- [Deal Journal: Identity Crisis at Whole Foods; Plus, Readers' Responses](#)¹⁶

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('/article/SB118420444686364236.html','info:fx',760,524,'off',1,0,0,1);void

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(17) <mailto:david.kesmodel@wsj.com>

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