

# CtW Investment Group

July 25, 2007

Dr. John B. Elstrott  
Lead Independent Director  
c/o Director of Internal Audit  
Whole Foods Market, Inc.  
550 Bowie Street  
Austin, Texas 78703

Dear Dr. Elstrott:

We welcome the Whole Foods Market board of directors' decision to form a Special Committee to investigate Chairman and CEO John Mackey's anonymous online financial message board postings. Regardless of whether Mr. Mackey is ultimately found to have violated the law or the company's code of conduct, however, his poor judgment has already damaged his credibility, jeopardized the proposed Wild Oats' acquisition and triggered a Securities and Exchange Commission investigation.

With Whole Foods under mounting legal and regulatory scrutiny, its share price down 37% in two years, and Mr. Mackey's leadership in question, we do not believe the creation of a Special Committee alone is sufficient to restore investor and regulatory confidence in the company and its management. We therefore urge the board to immediately name an independent board chair who can quickly establish credibility with regulatory authorities and shareholders. Armed with the Special Committee's report, the board can subsequently determine what additional steps, if any, are warranted with regard to Mr. Mackey's future role as CEO and director.

The CtW Investment Group works with pension funds sponsored by unions affiliated with Change to Win, a federation of unions representing nearly 6 million members, to enhance long-term shareholder returns through active ownership. These funds are substantial long-term Whole Foods shareholders with an estimated 900,000-plus shares of common stock. In addition, public pension funds in which members of CtW unions participate own an estimated 6 million shares.

As has been widely reported, Mr. Mackey's "rahodeb" postings to Yahoo Finance aggressively trumpeted Whole Foods' stock and disparaged that of its rival and eventual takeover target, Wild Oats. In our view, Mr. Mackey's apparent efforts to anonymously influence the share prices of the two companies were inappropriate, unethical and quite possibly illegal. To the extent that he may have sought to drive down the Wild Oats share price to reduce the cost of an acquisition by Whole Foods, the implications appear especially serious.

Our own review of Mr. Mackey's postings raises a number of legal and ethical issues that merit investigation by the Special Committee. For example,

- Mr. Mackey was especially active posting to the Wild Oats bulletin board during periods when that company's share price was rising (see table below). For example, 78 of his 149 posts to that board occurred between January 7 and June 8, 2005, a period during which Wild Oats shares jumped 41%. In total, he posted 86 messages in 2005, a year in which Wild Oats' share price rose 37%; this represented 17% of his combined posts to the Whole Foods and Wild Oats bulletin boards that year. In 2001, when Wild Oats share price surged 134%, 26% of his posts were to the Wild Oats board. By contrast, he only posted once to the Wild Oats board in 2002, a year in which Wild Oats' shares rose by less than 4%.

Year	Whole Foods		Wild Oats		Wild Oats Posts as % of Total
	Rahodeb Posts	Share Price %Change	Rahodeb Posts	Share Price %Change	
1999	25	-4%	0	6%	0%
2000	201	32%	18	-81%	8%
2001	45	43%	16	134%	26%
2002	82	21%	1	4%	1%
2003	134	27%	5	25%	4%
2004	127	42%	13	-32%	10%
2005	433	62%	86	37%	17%
2006	198	-39%	10	19%	5%
Total	1245		149		11%

- Mr. Mackey's one Wild Oats posting in 2002 occurred on Sunday, June 30, after Wild Oats share price surged almost 6% the prior Friday. In that posting, Mr. Mackey wrote that "OATS stock price is trading almost entirely on speculation that the company will be sold for at least \$20 a share. ...It will take a couple of years of mediocre results, and no actual sale, before the market becomes discouraged about this OATS Sale thesis. I doubt the company will produce good financial results or that it will be sold." On July 1, the following trading day, investment research firm Adams Harkness downgraded Wild Oats and its share price fell 12%, the second largest one-day drop of 2002.
- In the same June 30, 2002 posting, Mr. Mackey also wrote that that he "may short [Wild Oats] in another year if nothing fundamentally changes," a comment that, if accurate, signals conduct in violation of Whole Foods' Code of Conduct and Ethics. That code, the current version of which was adopted in November 2002, states that "A conflict of interest may exist on the part of Team Members, Directors and members of their immediate families who hold financial interests (other than insignificant investments) in competitors of Whole Foods Market, and any such relationships should be reported as required herein."
- In addition to the June 30th posting, other "Rahodeb" posts to the Wild Oats board that correspond to big one day share price declines include May 17, 2000 (closed down 14% on the same day as two lengthy messages); October 26, 2000 (7:00 p.m. posting precedes 55% drop on following day); April 2, 2001 (down almost 9% on the same day as midday posting); and April 27, 2005 (5:04 p.m. posting precedes 6% drop the following day).

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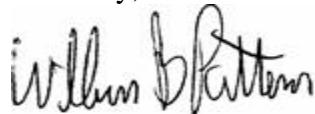
- There is a 17-month gap, from June 2002 to October 2003, during which Mr. Mackey does not post under “rahodeb.” Significantly, in September 2002 another poster on the Wild Oats message board asserted that Mr. Mackey was “rahodeb”, raising the possibility that he wanted to avoid attracting attention because he knew his conduct was inappropriate.
- Finally, most of Mr. Mackey’s messages appear to have been posted during work hours, presumably from his work computer. Moreover, in addition to the sheer number of messages (1394), it is important to recognize that many are quite lengthy. For example, his three-part message posted to the Wild Oats board on February 25, 2004 totals more than 1400 words and presumably required more than 49 minutes to draft based on the time of the first and last message. He was also active posting messages on his own time—including posting 17 times on both September 5, 2005 (Labor Day) and November 11, 2005 (Veterans Day).

In light of these concerns, we look forward to prompt disclosure of the Special Committee’s membership, mandate (which we believe should include reviewing the effectiveness of internal controls governing legal and regulatory compliance) and timeline. Most importantly, we look forward to the timely disclosure of the Committee’s findings and recommendations regarding the ethics and legality of Mr. Mackey’s anonymous online conduct. The board, however, must not await these findings to name an independent chairman who can assert strong board leadership and restore investor and regulatory confidence in the company.

As you know, much has changed since Whole Foods shareholders cast 20% of their votes in favor of a shareholder proposal calling for an independent board chairman at the company’s March 5, 2007 shareholder meeting. Since then, the FTC has sued to block the company’s acquisition of Wild Oats based largely on Mr. Mackey’s statements to the Whole Foods board, the SEC is investigating his anonymous financial message board postings and Whole Foods’ shares are down 18% even as the S&P has jumped 10%.

Thank you for your prompt consideration. I look forward to your response.

Sincerely,

A handwritten signature in black ink that reads "William Patterson". The signature is written in a cursive, slightly slanted style.

William Patterson  
Executive Director

cc: Whole Foods board of directors