

**For Immediate release**

**Title:** Fraud Discovery Institute blasts Medifast, Inc (NYSE:MED) says record first quarter sales attributed to well-disguised and cleverly-concealed pyramid scheme

**Sub Title:** In new report, FDI compares points of similarity in Medifast, Inc. with two direct selling companies that share like compensation plans to establish incontrovertible evidence of material misrepresentation to recruits and to Wall Street investors

**Thursday, May 21<sup>st</sup>, 2009**

In a surprise move, the company known for its outspoken criticism of the direct selling industry, the Fraud Discovery Institute, Inc today released a report portraying direct seller Avon Corporation in a positive light ([www.frauddiscovery.net](http://www.frauddiscovery.net)).

To prove that Medifast, Inc (NYSE:MED) is a “scheme pyramid” business opportunity as evidenced by its record breaking first quarter earnings in the middle of a recession, the Fraud Discovery Institute, Inc enlisted the help of nationally recognized expert Robert Fitzpatrick, who issued an 11 point comparison between Medifast and Avon showing Medifast comes up short.

Some of the points that Mr. Fitzpatrick made included:

- Downlines are limited to 3 levels of recruiters at Avon. Medifast has 10 levels of downline recruiters. This is a huge distinction. It limits the potential for "kingpins" to develop that can control the business. It forces retail sales, since no one could make a lot of money merely on the personal purchases of a vast downline..
- The upline people receive a shrinking percentage of each sale as they rise in rank. At Medifast the upper levels get an increasingly larger piece of each sale. An upliner who is five levels away from the sale can receive more on the sale than the person who actually makes the sale. At Avon, you make more only if total sales volume grows.
- Avon does not link the value of its product to making money from selling it. Medifast claims that success in losing weight includes having financial security and then offers its own sales rep work as the way to achieve that security. At Medifast, endless chain recruiting becomes what you sell, the central focus.

“So the big question remains, how does Medifast hit record earnings?” asks Barry Minkow. “The key is all in what they do not say, like how many of their ‘coaches’ fail and quit within one year’s time, or how much does the average ‘coach’ earn annually, or finally how much of these record sales come simply from the personal use of the coaches? These are all questions any reasonable person is entitled to ask before jumping into a business opportunity,” said Barry Minkow.

And while Medifast falls far short of Avon, they do compare well with the recently prosecuted multi-level marketing company YTB Travel which, according to the California Attorney General,

must, as of July 1, 2009, disclose to all prospects several things including the average income of potential business building recruits (including expenses against that income) and the amount of money earned by the average person who joins to build a business. To emphasize the seriousness of these material non disclosures, the Fraud Discovery Institute, Inc, created a website especially for Medifast ([www.medifraud.net](http://www.medifraud.net)), where various documents are posted to corroborate these assertions.

“The real reason Medifast resists transparency in the area of disclosing attrition and collapse rates is the material adverse effect it would have on these ‘blow out earnings’ as no one would intentionally and knowingly sign up for a doomed by design, endless chain business opportunity,” added Minkow.