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Medifast and Take Shape For Life: Weight loss pyramid scheme?

Posted by [Tracy Coenen](#) on September 14, 2009 · [7 Comments](#)

Earlier this year, Barry Minkow and Fraud Discovery Institute railed on Medifast, a company with a weight-loss plan being marketed with a multi-level marketing plan. The company was built primarily through marketing of the weight loss program through physicians. The Medifast executives realized that the MLM structure was their golden opportunity.

Why is multi-level marketing such a cash cow for the owners and executives of companies like these? Because product and service sales become largely irrelevant. The company instead markets the "opportunity" for making extra money and achieving financial freedom. (Almost no one is able to actually achieve either of these when they sign up to sell MLM junk, but that's beside the point. Get people to believe it's **possible**, and you're golden.) Recruit people into the MLM, require "minimum purchases" from each to continue to "qualify" in the pyramid, and you are likely going to have exponential growth for the company.

Once Medifast realized there was a chance to make gobs of money via the multilevel marketing model, they focused on that and the company's earnings have reflected this successful strategy.

With the help of MLM expert Robert FitzPatrick, Barry Minkow demonstrated how a pyramid scheme like Medifast's Take Shape For Life program works. (And this company isn't alone with this method of marketing. Plenty of other companies use it. One such company is YTB, which got nailed by regulators for being a pyramid scheme.)

Exhibit 18, pg. 01

Another financial expert is criticizing Medifast for promoting their alleged pyramid scheme. David Hamilton at BNET has written two articles on Medifast and Take Shape For Life (TSFL). The second really focuses on the pyramid scheme aspect.

He raises some excellent points. The weight loss industry as a whole has suffered greatly thanks to the economy. Big declines in revenue are hitting companies like Weight Watchers International and Nutrisystem. How then, can Medifast be doing so well? For the six months ended June 30, 2009 Medifast reported revenue of \$74.4 million, an increase of 41% over the prior year, according to the company's earnings release.

The answer could be that the company's program is much better than others. There's no objective data that supports that contention however.

There are zillions of diet pills, programs, and meal plans out there. Why is Medifast so successful of late? The growth isn't coming from the physicians who promote the program or the weight loss centers that offer products and service. The success is in the Take Shape For Life unit (the MLM arm of the company), which accounted for 58% of revenue in 2009. In contrast, this part of the company contributed only 33% of the revenue in 2009. TSFL alone had a 96% increase in revenue in 2009 over the prior year.

But maybe the MLM part of the company is so successful because it works so well for the "coaches" recruited into the program? We'll never know for sure, as Medifast doesn't disclose how much money the coaches are making, how much they spend on expenses of the business, what their attrition rates are, or how many recruits are actively selling or recruiting.

Take Shape For Life, however, makes it clear that to make real money, you have to recruit new people into the plan. This is where the allegations of being a pyramid scheme come in. Like all other MLMs that I've looked at, the product or service isn't really the focus. It's simply the bait to get someone in and make the company look legitimate. The real focus, however, is the recruiting of new marks into the scheme.

So the company's products haven't been proven to be stellar. The traditional outlets for the products are not doing well. And the MLM portion of the company is booming, even though there's no evidence that the products themselves are actually selling well. Everything points to the real deal being endless chain recruitment into a pyramid scheme.

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Comments

7 Responses to "Medifast and Take Shape For Life: Weight loss pyramid scheme?"

1. *Lauren* says:

12 January 2010 at 7:07 pm

I am a TSFL client. As far as it being a fraud well, I've tried other weight loss programs and this is the best by far (free or cost). The first awesome thing about it is the coaching system. It is so great to have someone who actually cares about my progress and encourages me to stay the course as often as I need them. I don't pay for their services just the food. The second thing I love about it is the food. I am so busy a busy mom of 6 so having my daily proteins, carbs, and AND daily vitamins already prepackaged for me takes a load off. I just add water and microwave or turn on the blender. If I'm away I have bars or shakes that I can take with me. Third it's a simple system that's honest to the client. They forewarned me that the first 3-5 days was hard. Yes the food is a bit more then I would normally spend but I think I'm worth the investment. Also as I transition (coach guided) off the diet I purchase less food. Until I am eating mostly regular food, but smaller portions 6 times a day of healthy food. As far as the coaches getting more people into the program I think that's awesome! Most of our country is fat and out of shape, and so many have diabetes or heart disease which the food was actually designed for. People with diabetes/heart disease live healthier lives when on the program. My opinion? If someone can lose weight, be healthy, and help others to be healthy why shouldn't they be compensated? Are you telling me every doctor, lawyer, or accountant got into their field simply for to help people. Of course that's not true or these people would drastically lower their fees. Health coaches in Beverly Hills, New York, and Hollywood charge huge fees for their services. TSFL Coaches need to be rewarded for their time and effort. I don't compensate my coach for his services TSFL does...and I'm glad!

As far as our economy, people are still spending money on what they want. Think goodness they want to be healthy.

2. *Tracy Coenen* says:

13 January 2010 at 10:48 am

Lauren – I don't think anyone has suggested the products are bad or don't work. And no one has suggested that people shouldn't get paid for selling the products. **QUITE THE CONTRARY.** The people making the "real" money (and there are very, very few of those) aren't making money from selling the products. They're making money by recruiting people with the promise of riches. That's the problem.

3. *Lauren says:*

13 January 2010 at 12:09 pm

Hi Tracy,

The word "opportunity" is not the same as the word "promise". Do you have anything that TSFL has written or said stating that they promise whoever coaches will get rich? If you do I'd like to get the link. I honestly think that so many people are looking for an easy way out, get quick rich scheme. That they see the upside of something and just think it's going to happen overnight. As you obviously know success requires hard work and may take years to obtain. There are so many who just aren't willing to sacrifice that much work, train themselves, wait, or how about this one....change. We can know that because those at the top are few and those at the bottom unfortunately are many. Human nature is like water, it takes the path of least resistance. I wonder how many people go into anything hoping for a quick turn over and when it doesn't happen they get disgusted and quit. I saw it in college, the military, and, my goodness, even Walmart and my neighborhood grocery has a high turn over rate.

I've been scammed before (at 22 yrs) by real pyramid schemes and it doesn't feel good. But I've learned to ask questions and discipline my self that anything worth doing is going to cost me. I've learned if something sounds too good to be true then get away from it. But I've also learned there are possibilities out there that may pay off and then again they may not. Hence the California gold Rush...few got rich but hey the country expanded. That's just life but if you don't have to sell your first born to try something go for it. Just being alive is a risk. Have a great day!

4. *Ben says:*

22 January 2010 at 2:01 pm

Hi Tracy: Your comment, "They're making money by recruiting people with the promise of riches" is not accurate. I worked as a Health Coach for a year and the money came from selling food NOT recruiting people. As a Health Coach, you make very little from the people below you and you make nothing from signing people up. I had 13 coaches below me and they generated very little money for me or anyone above me. We all made a pretty good amount 20%-30% on the food we sold, just like any sales job. Here is link to the compensation plan right from the website: http://www.tsfl.com/pdfs/TSFL_CompensationPlan.pdf There is nothing to hide. I hope this helps you understand the business model. Ben

5. *Tracy Coenen says:*

22 January 2010 at 6:33 pm

Ben – I understand the business model just fine, and you actually proved my point. They recruit with PROMISES of riches, but almost no one makes a living wage in TSFL. You couldn't possibly sell enough of those meals to make a living. And you made almost nothing from recruiting, although that's not what you'll be told when you're recruited.

MLMs are NOT just like any sales job. They're presented that way, but it's just not how it is. Imagine if grocery stores had sales people who went out and tried to sell food person-to-person.

Could the salesperson make a living doing that? Of course not. That's why having YOU retail food is just idiotic.

The bottom line is that Medifast is making money hand over fist from these recruiting activities, but the people being recruited are making next to nothing.

6. *Gina Scalise* says:
30 January 2010 at 8:47 am

Tracy,

I have to but in on this conversation. I am a client of TSFL my family has lost a total of 200 lbs in less than 3 months. We have tried many programs and have never had this success. This being said, no one has ever approached me or my family members to get rich and become a coach. There is no pressure to sell anything or join anything. My doctors office has been signing up their patients to obtain optimal weight. Who cares who is making the money, it is a program that is very easy to follow and is saving peoples lives from a lifetime of obesity and unhealthiness. I have been on every program out, and this is by far is the only one I can say my family will follow for the rest of our lives. I have also been involved in many mlm companies. TSFL doesn't have to promise financial rewards the program speaks for itself. I am going to become a coach to help my friends and family become healthy. By no means did anyone promise me financial success or freedom. I will keep my job and this will be my contribution to a very unhealthy, overweight community. There will always be those individuals who join one mlm after another, make a killing and move on. This is one mlm that should be for individuals who really care about people not money. You will always find the few opportunists that will promise anything to make a buck. They hit pay dirt because the program sells itself without any promises. It is just plain simple it is a great plan that really works and can become a leader in weight control.

7. *Clay* says:
4 February 2010 at 2:11 pm

Hi Tracy – my wife and I have lost 110 lbs between us in 6 months. I have gone from a size 40 waist to a size 34 in those 6 months. No promise to get rich was made and only a cursory mention of “oh by the way, if you are interested you can get income by being a coach and helping other people.” No heavy handed recruiting. So now my wife is a coach. What's wrong with this? Isn't this how businesses are supposed to work in a free country? Additionally, the cost of the product without the coaching is exactly the same as the cost of the product with the coaching... because Medifast knows that “with coaching,” the success rate of the diet goes up dramatically. After having tried South Beach, Akins and a host of other diets... this one worked! Your article makes TSFL sound like a Bernie Madoff scheme where greedy little men in penthouses are taking money from unsuspecting dupes who, in the end, are left bankrupt. Those only things TSFL took from me is 53 lbs and 6 inches. And I am happy to pay them for that.

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Tracy Coenen is a forensic accountant and fraud examiner in Chicago and Milwaukee who investigates white collar crimes, including cases of financial statement fraud, embezzlement, tax fraud, and insurance fraud. She is the author of Expert Fraud Investigation and Essentials of Corporate Fraud and more than 100 articles on fraud featured in industry publications.



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Exhibit 18, pg. 08



Updated January, 2010
Expert Report on
***Take Shape for Life*, a Division**
of Medifast, Inc. (NYSE: MED)

Robert L. FitzPatrick

Submitted to: Fraud Discovery Institute

Re: Analysis of Business Models and Practices of
Medifast and *Take Shape for Life*; Review and
Analysis Financial Disclosures and Trends;
Implications for Medifast Shareholders

Robert L. FitzPatrick
1800 Camden Rd. Ste. 107, #101
Charlotte, NC 28203
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Email: RFitzPatrick@FalseProfits.com

Submitted: _____
Robert L. FitzPatrick
January 7, 2009

Background and Overview:

This report is prepared for Fraud Discovery Institute. It reviews and updates earlier in-depth analyses of Medifast, Inc. submitted in early 2009, the last report using data from the 2008 annual report and the first quarter of 2009. As described and analyzed in those earlier reports, Medifast should now be properly described not as a diet or meal replacement company, but rather as a multi-level marketing scheme that primarily markets a "business opportunity." The company uses several other channels of distribution but more than two-thirds of its revenue now comes from its multi-level marketing segment, called Take Shape for Life (TSFL), which accounts for virtually all Medifast growth and profit. That sector is therefore the focus of this report as it was with the earlier ones.

Medifast's true competitors now are not Weight Watchers and NutriSystem, but Amway and Pre-Paid Legal Services, among other such pyramid selling schemes. Some other companies in this field are now also enjoying revenue or recruitment surges. This reflects the true nature of these businesses as purveyors of an "income opportunity". Selling a promise of "unlimited income" and claiming to be "Recession proof", some companies in that market are experiencing a boom, while the markets for the "products" that the schemes' sell – meal replacements, for example, in the case of Medifast – are in decline due to the Recession.¹

This updated report moves the analyses forward from Medifast's endless chain "business opportunity" to the inflation of Medifast's stock. Effectively, the pyramid selling scheme based on the lure of income to consumers from an endless recruiting chain, is being leveraged into the securities market. This evolution of a Medifast consumer pyramid on Main Street to an inflated stock scheme on Wall Street has an obvious and unavoidable analogy. That is the recent real estate disaster in which inflated housing prices and exploding mortgages were sold to consumers on the myth of ever-rising housing values. These doomed assets and loans were then sold into financial markets as lucrative securities. The underlying deception and delusion about ever-rising real estate pricing escalated to new levels and spread to new sectors of the economy, vastly increasing the eventual financial harm.

Review of Medifast's "Income Opportunity"

The foundation of Medifast's stock surge is the recent rise in its revenue, which is driven by the "endless chain" income opportunity that it markets to consumers. Medifast's income scheme is a solicitation to consumers to become distributors that buy and sell the company's meal replacement products and recruit others to do the same. Medifast seamlessly integrates its "income opportunity" product with its meal replacement products. It makes *earning money* a key part of its three-part "system" for weight control

¹ The current revenue surge in most pyramid selling schemes, a.k.a. multi-level marketing, is well documented. In a May 15, 2009 article in *USA Today*, the president of the Direct Selling Association stated, "... unfortunately as the unemployment rate rises to 10% or higher, we'll be picking up more people who need an income-earning opportunity."

and good health – the only company in that field to do this – and its offers consumers the company’s own recruitment scheme as the means to meet financial goals.²

The earlier reports closely examined the financial plight of consumer-investors who join as Take Shape for Life salespeople, called *coaches*. The report dissected TSFL’s complex, nearly indecipherable pay plan and described it as a disguised *chain letter*. The income opportunity, based on the plan’s structure, rules, bonuses and commission schedule, primarily depends upon endless chain recruiting of more “coaches”, not on retail sales of its products. The cost of selling, competitive factors, and the paltry 15-20% commission offered on retail sales make that option a myth and facade to obscure the recruitment pyramid. The income scheme is a classic “endless chain.” The report also raised the question of the plan’s *legality*, its jeopardy under California’s statute against “endless chain” plans, and the risk of its being challenged by other regulators or by consumers in court as a fraud.

For example, suppose that a buyer was promised a chance to obtain a product free of charge by referring five others in the next five months, each promised the same opportunity (health referrals, not an option) at the same rate of increase. After four rounds, the cumulative number of persons enrolled would be 12,201,031. In any of these schemes, never approach a economical proportion. The total amount reached at an early stage. It follows that a large segment of the participants in these schemes will suffer financial loss.

California Senator (later Mayor of San Francisco) George Moscone in a 1966 letter to Governor Ronald Reagan when the endless chain statute was enacted, he describes the most basic type of endless chain promotion that then prevailed:

The proposed reward structure in a pyramid scheme is primarily to an obligation to recruit others into a similar plan and thereby maintain a level in which the proposed rewards cannot come to the vast majority of participants.

Dr. Peter Vandernat, Sr. Economics and Pyramid Scheme Expert, U.S. Federal Trade Commission

Based on available information, the earlier reports projected that under the Take Shape for Life income plan, the vast majority of participants would not be profitable and that only a small group positioned at the top of the pyramid could achieve the advertised profitable gains. These gains, by design, depend upon a large base of unprofitable consumer-investors *at all times*.

The report cited the often quoted description of an endless chain pay plan by FTC expert, Dr. Peter Vandernat, in which he showed that such plans *always* doom the majority of participants to be in loss positions and that the mathematical expansion requirements of the plan are impossible and unsustainable. An endless chain pay plan, while claiming to offer everyone a chance at income, in fact, doom the vast majority, regardless of ambition, talent and “positive thinking.” For these reasons, such plans are treated under the FTC Act as “unfair and deceptive trade

² TSFL Website description of its diet program states that it includes three key components:

- *Healthy Body* - physical health is the foundation of a happy and fulfilling life.
- *Healthy Mind* - how we feel about ourselves also affects long term Optimal Health.
- *Healthy Finances* - debt causes stress - and stress can take a severe toll on both your physical and mental health. By managing and eliminating debt, learning ways to budget, and or *seizing financial opportunities*, you further yourself on the road to Optimal Health. (italics added)

As the promotion goes on to explain, the opportunity to “seize” is to become a sales representative for Take Shape for Life.

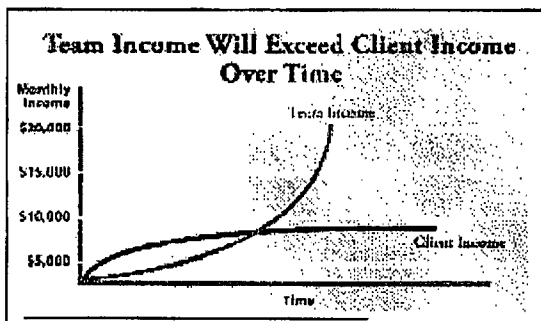
practices” and are declared illegal in California and some other states. The fraud of these plans is not in the physical products offered but in the *marketing ploy used to drive sales*.

At the time of the earlier reports, Medifast did not disclose even the barest details of the income’s scheme *results*. Only “potential income” claims, and “success testimonials” were presented. Consumers were solicited without being provided information on average incomes at the various ranks or the percentages of participants in each rank. After June, 2009, Medifast began to offer consumers some information in the form of its “Official Income Disclosure Statement.”³

This document verifies the results that the earlier reports to Fraud Discovery Institute projected. A full analysis of the data, using numbers of “active” coaches disclosed in Medifast’s Q-2’09 10Q, is at the end of this report as an Appendix item.

- The disclosure report, though offering useful data, still does not disclose the most important factors needed for due diligence, that is, what percentage of all coaches earn any income at all, how many drop out within a year, or the average longevity of coaches. It limits the data to what it calls “active” coaches. If *all* coaches were included, the income averages would necessarily be lower, along with the percentages in each rank.
- Relying only on the data provided by Medifast shows that, on average, the bottom 80% of all “active” coaches do not earn as much per month as they would likely expend to participate in the meal replacement plan themselves and for costs of doing business.
 - ✓ The mean average income of the bottom 80% of coaches – that do earn income – is \$52 a week, about one-half of what the meal replacement products cost.
 - ✓ The mean average “income” does not reflect joining fees or expenditures for products, marketing materials, shipping, or any other business costs, and therefore cannot be called *profit*.
- The data show that the pay plan shifts the great majority of the commission dollars paid out by the company to the recruiters, not retailers.
 - ✓ About two-thirds of every commission dollar generated by sales or purchases of the bottom 80% are transferred to the top 20%

2009 income opportunity promotion on
Take Shape for Life website



³ <http://www.tsfl.com/IDS.pdf>

- ✓ 67% of *all* commissions paid out on total revenue were transferred to the top 10% of active coaches.
- The data also reveal the egregious deceptions of Medifast website promotions that have illustrated incomes ranging from \$8,000 to \$20,000 per month. The actual data show that only those in the top 1% gained such incomes.

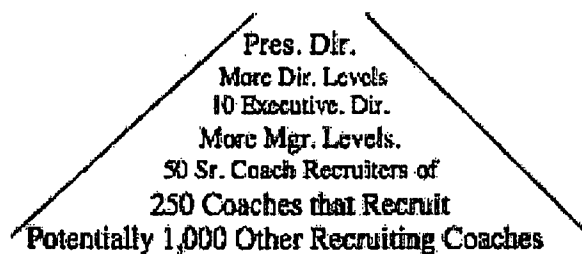
- Take Shape for Life's new disclosure continues to conceal critical data factors. In particular it does not reveal how much of the income of the top 1% is derived from retail sales they themselves made and how much is merely "overrides" on the purchases and sales of the "downline." The mean average commission income for the bottom one-half of the "active" sales channel (Fast Track Coaches and Health Coaches) – \$24 a week – indicates a monthly retail sales level of about 2 meal replacement customers per coach. Medifast does not disclose the overall average retail sales per coach, just as it does not reveal how many coaches are actually enrolled, including those that make no sales but do purchase goods and pay fees.

Over the last 30 years, endless chain trickery has evolved from chain letters, investment plans, "gifting" clubs and penny stock scams into yet another disguise, that of a *business model*. This is the model that Medifast has adopted in its Take Shape for Life division. In the recent real estate sham, investors were called "homeowners". In the Medifast model, they play the role of home-based business owners, "direct sellers" or "coaches". In recent bubbles, investment dollars were dressed up as mortgages and stock portfolios. In the business model, they are disguised as sign-up fees, inventory purchases, marketing fees, seminar registrations, etc.

Medifast's business model manifestly meets the pyramid definition.

- Gaining a position on the Take Shape for Life pyramid pay plan requires a payment of between \$100 and \$300. Each coach would also purchase inventory, marketing materials and possibly attend the TSFL annual convention, with a registration fee of \$250 plus all travel and accommodation costs.
- The coach likely purchases the TSFL meal replacement diet products which cost approximately \$300 per month.
- The new salesperson is lured with claims and testimony of high income potential of \$8,000 to \$20,000 or more.
- The pay plan pays far more – per sale – to those who recruit other coaches than to those who actually sell products to consumers, and the greatest share of all commissions is transferred to those in the top positions of the pyramid.
- The pay plan leverages 10 expanding levels of coaches on a five-recruit-25-recruit-125, etc. plan.
- Bonuses are nakedly paid up front for recruiting new coaches
- Every new coach is authorized to recruit others, with no limit and no control on saturation. Each coach is offered financial rewards to expand the number of "competitor" salespeople!

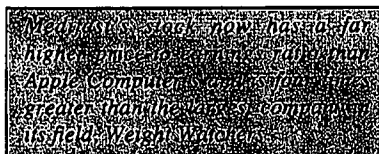
Take Shape for Life's Endless Chain Incentive Scheme Pays Escalating Bonuses to Recruiters up the chain. From Presidential Director down to the newest recruit, income is based on recruiting more and more coaches in a geometric progression to infinity. By design a profitable coach must have many "below", locking in the vast majority into non-profitable "feeder" roles.



Pyramid Meets Pump-and-Dump

The limitless income opportunity spread by Medifast promoters has recently produced a sudden rise in revenue as consumers have become desperate for income. This revenue surge now creates another deception on Wall Street. This is the myth of Medifast as an explosively growing company, a maverick in its field, a company not tethered by market trends or market sizes. In the face of broad market trends to the contrary, Medifast has even claimed that its \$300 a month meal replacement products increase in appeal as the Recession deepens and joblessness spreads because people become more concerned by their appearance!⁴ This delusion inflates the stock out of all proportion to revenue because the future expansion is presented as "unlimited", just like the coaches' mythical prospects for earnings.

Medifast's stock now has a far higher price-to-earnings ratio than Apple Computer's and is four times greater than the largest company in its field, Weight Watchers. However, the recent and massive rise in share price for this small company with undistinguished products and operating in a depressed market sector is not new. Indeed, it is part of a pattern for Medifast. Previous market surges were associated with what turned out to be false or grossly exaggerated claims about its product. Rapid declines followed revelations of the deception or, in one case, the discovery that the company CEO was falsely hyping the stock under a pseudonym on the internet.⁵



Additionally, the market surge is accompanied by yet another notable pattern for Medifast, insider stock sell offs. More than \$6 million worth of shares have been dumped in the last two months alone and, no shares were purchased by insiders in the last six months, though many were awarded in 2009.

The 2009 recent market surge, like others before, is attributable to a deceptive claim. This time the company has convinced the Wall Street that the endless chain income scheme of its Take Shape for Life division is truly "limitless." Share price now appears to reflect a belief that company growth, based on ever-expanding recruitment of "coaches", can continue indefinitely.

Pyramid Power

As revealed in the size of the recent real estate bubble, the scale of the credit-default swap market, and the bloated base of Bernard Madoff investors, the classic pyramid scheme (also known as a bubble, Ponzi scheme, advance-fee fraud or closed market swindle) has enormous market power. Harnessed to stock sales, investment portfolios, product sales, home mortgages, or breeding pigeons, it can mobilize millions of people and draw in billions of dollars very rapidly. Because it is always stealing from the future,

⁴ In a December, 16, 2008 press release, announcing Q-3 sales growth, Medifast's board chair, Brad MacDonald stated, "...during tough economic times, consumers turn their attention to improving their health and appearance."

⁵ In early 2007, Medifast's stock took yet another sudden dip when CEO, Bradley T. MacDonald, quickly resigned his position. *Barron's Magazine* had disclosed that he had placed postings on Yahoo financial boards under a pseudonym. (*Barron's*, Jan. 8, 2007).

it creates the illusion of extraordinarily fast growth, unstoppable advancement and unlimited expansion. When, it is in "momentum", only a clear-eyed evaluation of the fundamentals can reveal the bad end it is moving toward. Among those profiting from the "growth", such an analysis is typically resisted and denied.⁶

Medifast has vastly outperformed all competitors. This little known company, without advertising, has show spectacular growth during the "Great Recession." While all its competitors who sell essentially the same types of products suffered significant declines Medifast grew rapidly.

Medifast has shown phoenix-like growth. Yet, this unusual growth should be a red flag to investors and regulators that something is awry. It was Bernard Madoff's uncanny consistency of 12% profits each year, and his ability to deliver projected returns regardless of the size of his portfolio and in the face of down market trends that first attracted the suspicion of whistle-blowers.

Nothing in Medifast's product line indicate a competitive advantage. Pricing of its products closely matches others in the field. Only one factor differentiates Medifast. That is its multi-level marketing structure. Revenue growth matched and depended upon the company's ability to continually expand its base of "coaches" who are paid contractors. Though the stock market has resoundingly responded to Medifast's revenue growth, little or no inquiry has been made into sustainability of the recruitment plan, which is the source of the revenue. Each new "coach" is promised a viable opportunity to earn thousands of dollars per month – based on recruiting yet more coaches. It is that promise that generates the Medifast revenue and has catapulted the company's growth rate beyond all its competitors.

The expectation of the continued fulfillment of that promise is the foundation for Wall Street's show of confidence in Medifast. A price-to-earnings ratio that is nearly four times greater than the industry leader surely indicates Wall Street's belief in Medifast's maintaining its current rapid expansion rate.

⁶ The factors of delusion and denial were classically illustrated in Charles Ponzi's 1920 scam as they have manifested in all others ever since. Ponzi attracted the support of newspapers, some politicians, charities and several banks who attacked those who questioned his legitimacy. The crusading journalists and law enforcement officials who investigated Ponzi were vilified in the press. (See the excellent biography of Ponzi, "Ponzi's Scheme" by Mitchell Zuckoff, 2006, Random House.)

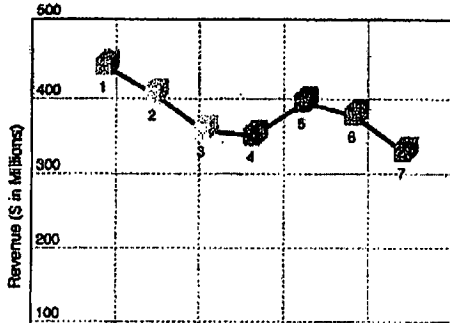
As burden of proof rests with regulators and analysts, pyramid operators adroitly hide data and operations. Medifast follows this tradition also by failing to disclose basic factors that many other multi-level marketing companies publish and some have been ordered to disclose by judges and regulators, e.g., drop-out rates, actual retail sales levels, the facts of saturation, the requirements for intense recruiting, among other indicators that expose the "endless chain" structure and its inevitable large-scale loss rates.

This expectation cannot be warranted as long as Medifast's growth depends on continuing its recruitment rates. While there may be a theoretical potential for Medifast to overtake Weight Watchers, it is indeed not possible to achieve this under the current model. As the base of coaches rises, the income potential for each new coach must diminish. Despite Medifast's "infinite expansion" incentive plan, the real world market for meal replacement consumers and for consumers that will invest in its "endless chain" business opportunity is indeed limited.⁷

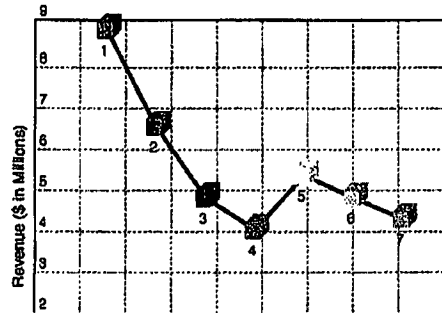
⁷ The Research Report from First Research, Inc., "Industry Profile Weight Reduction Services Quarterly Update 11/2/2009" offered no indicators for significant growth for the meal replacement business. It noted that US personal income, which drives consumer ability to pay for weight reduction services, fell 2.6 percent in August 2009. Other noted challenges include minimal growth in the services sector, high drop-out rate among purchasers and high cost to acquire customers compared to costs in 2008.

Declining Revenue Trends of Main Competitors Contrasted with Take Shape for Life's Extraordinary Growth Trend in Same Time Frame

Weight Watchers

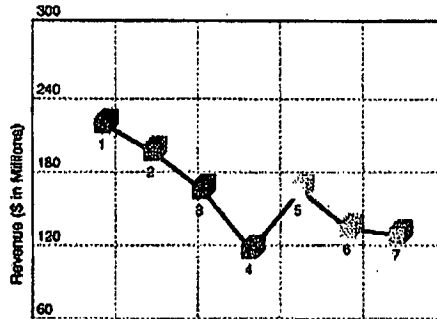


eDiets, Inc.



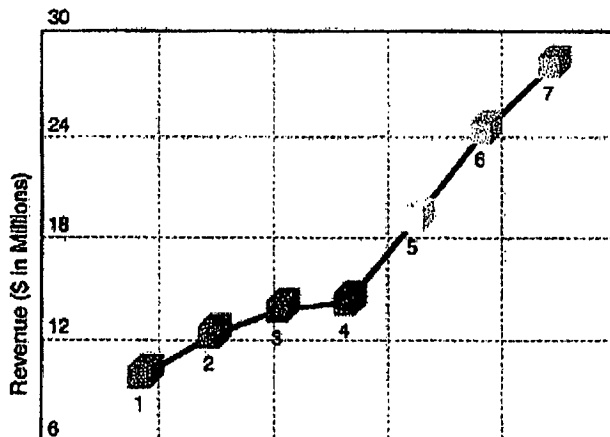
- Legend:
- 1 2008-Q-1
 - 2 2008-Q-2
 - 3 2008-Q-3
 - 4 2008-Q-4
 - 5 2009-Q-1
 - 6 2009-Q-2
 - 7 2009-Q-3

Nutrisystem



- Legend:
- 1 2008-Q-1
 - 2 2008-Q-2
 - 3 2008-Q-3
 - 4 2008-Q-4
 - 5 2009-Q-1
 - 6 2009-Q-2
 - 7 2009-Q-3

Take Shape for Life



- Legend:
- 1 2008-Q-1
 - 2 2008-Q-2
 - 3 2008-Q-3
 - 4 2008-Q-4
 - 5 2009-Q-1
 - 6 2009-Q-2
 - 7 2009-Q-3

Forward Looking Stock

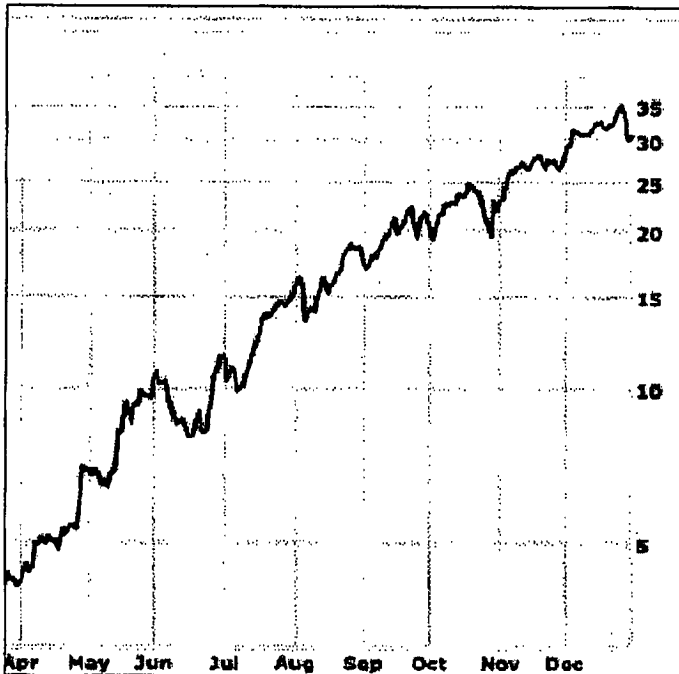
Revenue growth is often accompanied by shareholder price increase. Yet, Medifast's rocket-like stock rise cannot be so simply explained. Given its history of deception, the company CEO's controversial attempt to surreptitiously hype the stock, and the company's record of great price drops following its questionable rises, the current surge gives even more cause for inspection.

From the start of the 2nd quarter, 2009, Medifast stock has risen from 4.24 to an astonishing 33.23, a rise of 800% in nine months.

While stock prices are not always indicators of a company's current performance, they are, in general, considered valid indicators of future developments. Higher share price relative to current revenue or earnings indicates belief in a company's prospects for robust future growth. Lowered share prices on currently sound and profitable businesses

point to Wall Street fears of looming declines.

Medifast Share Price Rise from April, 2009 to Dec. 31, 2009



During the period of Medifast's great share price rise, Medifast's quarterly revenue has also shown strong growth but it pales in proportion to the rise in its stock value. The company now trades at 50 times its earnings, a far higher ratio than even Apple Computer's or Microsoft. Its market capitalization is approaching one-fourth that of the giant Weight Watchers, while its revenue is less than 9% of that company's.

Wall Street is obviously engaging in extremely optimistic forecasting for

Medifast. How is this justified in a company that few had heard of just one year ago when the stock was in the \$4 range and the credibility of which *Barron's* magazine in 2006 had questioned for falsely hyping its product and for "rampant" insider trading?⁸

⁸ "Medifast's Diet Disorder: Heavy insider selling only strengthens the case against diet-food maker Medifast, which already suffers from credibility problems," by Neil A. Martin, September 4, 2006

The Mirage of Pyramid Expansion

The classic pyramid scheme pattern of expansion shows rapid, almost astonishing growth. With multiples of investors feeding money back to earlier investors, extraordinary gains are recorded by those first investors, giving the impression of a get-rich-quick opportunity for all others as well. The system appears magical in its money-producing capability. Its popularity soars.

Here is where reality metastasizes into a fateful delusion. A belief arises that the money transfer system can continue indefinitely, without regard to the limits of available investors. This is the delusion that Medifast has cultivated on Wall Street. Only arithmetic can break the spell.

Medifast has recorded a 100% increase in quarterly revenue over the course of the last four quarters in which SEC filings are available. Q-3'08 produced \$13.65 million in revenue for Take Shape for Life. Q-3'09 generated \$27.9 million. However, as the company clearly acknowledges in its 10-Q filings, these gains were directly tied to corresponding increases in the recruitment of coaches.

3,200 coaches produced Q-3'08's results. One year later, to double sales, the company reported 5,800 coaches. Exactly how many coaches actually were enrolled over the year is not disclosed. Most multi-level marketing companies report a 50-70% annual dropout rate. If this were applied to Take Shape for Life, the company may have used the investments and labors of as many as 7,400 coaches during the 12-month period (3,200 plus 1,600 new recruits to replace the 50% dropouts, plus another 2,600 gained to produce a net of 5,800 by the end of the year.)

Using Medifast's net figures, the data shows an inextricably bound relationship of revenue growth to coach recruitment. Coaches must increase 80% for the company to double its revenue each year. 3,200 coaches produced approximately \$14 million. A year later, 5,800 coaches produced approximately \$28 million.

Wall Street, which is paying 50 times earnings for Medifast share in January 2010, is clearly expecting continued growth at or near current rates. Yet, because Medifast's growth is tied to pyramid recruitment of coaches, this growth is jeopardized. The threat to Medifast's growth is due to its dependence on pyramid recruitment. The market for "coaches" is unknown but surely not "unlimited."

If Medifast were to maintain its current 100% growth rate – which has driven in its high share price – over the next five years, the coaches must be increased proportionately by 80% per year. To achieve just one-half the current rate, coaches must grow at a rate of 40%.

Medifast "Coach Growth" to Maintain Revenue Growth	At Current Rate of Revenue Growth	At One- half Current Rate
2010	10,440	8,120
2011	18,792	11,368
2012	33,826	15,915
2013	60,886	22,281
2014	109,595	31,193

It may indeed be possible for Medifast to recruit tens of thousands of new coaches, over the next several years but this could not be done *legally*. Deception would have to be employed on a large-scale to convince all new recruits that they too could all continue to recruit tens of thousands more. The myth of unlimited

market expansion will be increasingly difficult to maintain.⁹ No industry can expand its market base by merely authorizing more and more sales representatives, unless the "salespeople" are the prime customers. Yet, if only the salespeople consumed the goods and the company gained revenue primarily by recruiting more salespeople, the business would be likely declared a naked pyramid scheme, as other multi-level marketing schemes have been that lacked significant retail sales.

The real estate market, currently in decline, cannot be magically expanded by licensing more and more real estate brokers. Yet, Take Shape for Life's marketing program is based firmly on this very concept – more and more salespeople, despite a flat or declining market for meal replacements.

As market saturation for sales representatives grows within a product market already in decline, three developments will occur, and may already be underway at Medifast:

1. The growth rate of coaches must eventually slow considerably.
2. In reaction to the declining enrollments, intensified recruiting with bonuses and other rewards will be undertaken, but these efforts will not produce the corresponding revenue growth that it had historically. Between Q-1'09 and Q-2'09, TSLF increased its revenue by more than \$7,800 for each new coach it reportedly gained. Yet, from Q-2'09 to Q-3'09 each new coach that the company netted produced less than a \$4,000 increase in company revenue, the lowest net gain in revenue per new coach in the last six quarters. This decline in revenue per new coach may fluctuate but will eventually settle into an unalterable pattern.
3. A larger proportion of total revenue will eventually begin to come directly from the salespeople themselves, rather than from retail customers. This pattern can be seen clearly in one other publicly traded multi-level marketing company with many similarities to Medifast, Pre-Paid Legal.¹⁰

Two realities intrude into Medifast's cultivated Wall Street myth of long term expansion at today's current rates of growth.

⁹ The real world limits of this market are shown in First Research, Inc.'s study, "Industry Profile Weight Reduction Services Quarterly Update 11/2/2009." It estimates the total US market at \$2 billion. This includes revenue from program fees, food supplements, and other merchandise sales related to diet and weight reduction as well as real food, which Take Shape for Life markets. Food and other merchandise sales account for about 40 percent. Typical meal replacement customers spend about \$100 a week and stay on the programs about 11 weeks.

¹⁰ Pre-Paid Legal (NYSE: PPD), like Medifast, charges a fee to become a salesperson and then rewards the salespeople to recruit more new salespeople. Average sales per salesperson is about 4 customers (Medifast does not disclose actual retail sales ratios but that number is probably comparable). Prices for its services are the same for retail customers as for the salespeople, as they are at Medifast. Pre-Paid also enjoyed rocket-like growth as Medifast is now. Then, sales and recruiting ebbed, followed by recent gains in recruiting as the Recession worsened, as at Medifast. In 2009, the pattern of generating revenue more and more from recruiting salespeople, with the lure of income over product sales, has become fixed at Pre-Paid Legal. For the year 2009, enrollments of salespeople grew 52.2% while the customer base decreased about 1.0%. The number of salespeople enrolled during the year was three times that of the retail customers. Since the sales people are also customers – as is also true at Medifast – the Pre-Paid data for Q-4'09 show that the number of salespeople recruited accounted for over 300% of the increase in sales.

1. The market for health coaches is limited more so than the total market for meal replacement customers. To grow market share, TSFL must continue to make the case to all new coaches that they can always recruit an unlimited number of new coaches.
2. Under the Medifast's chain letter pay plan, the great majority of the coaches can *never* reach the tantalizing income lures that are used in Take Shape for Life's promotion. A typical web-based solicitation¹¹ makes the often repeated statement, "The average Health Coach at the Executive level makes about \$3,000 per month supporting roughly 30 people. It goes up from there."

This statement omits the crucial fact that Executive Level coaches constitute only 6% of the entire organization. They and those "up from there" are in the top echelon, with at least 90% of all other coaches below them. The incomes of the top 10% of executives exist only if there are 90% below. Recruiting more coaches is required to achieve Executive level. For every new "Executive Level" coach there must be a corresponding growth of 90 more coaches below.

History Repeating Itself

Barron's Magazine singled out Medifast in 2006 for one unusual characteristic, its uncannily sudden rises followed drops in share pricing.

- It noted that in 2003, shares shot from 3.79 to 18 and then soon went back to below 3.
- Then, in 2005, shares surged by nearly 600% to a high of 21, then fell down to 12. In those cases, the surges were driven by hype about a new system of generating sales leads and a supposed medical breakthrough. Neither proved to be substantive or sustainable.
- In 2006 Medifast shares went from a low of about 5 to over 21 and then down again to 8.
- 2007 shares ranged from a high to 13, falling to more than 50% to about 6 and then another surge of 50% upward to 9 and falling back to 4.
- 2009's 800% stock surge is now based on Medifast's use of the pyramid recruitment model in its Take Shape for Life Division. The surge coincides with the deepening Recession and follows the pattern of sudden growth in salespeople – who are also customers – among other pyramid selling schemes.

Unlike other multi-level marketing schemes, Medifast has key limitations. Its market is not universal. It is limited to those who suffer from weight problems and are able and willing to pay thousands of dollars on meal replacement regimens. Its salespeople cannot enroll just anyone they meet in grocery stores, such as Amway's reps famously do. The market for meal replacements is defined and the number of people who could possibly gain a profit from endlessly recruiting other salespeople into this field has severe limits.

Those limits will be reached in due time. Its current revenue growth, as a basis for its extraordinary 800% rise in share price, is as unsustainable as the previous sparks that ignited share price rises and were similarly hyped.

¹¹ See <http://www.getyouhealth.com/medifast-healthCoach.asp>

Analysis of Take Shape for Life's Official Income Disclosure Statement

Active Health Coach Ranks	Number of Active Coaches in Rank	% of "Active" Health Coaches by Rank	Avg. Monthly Commission by Rank	Total Dollars Paid to all "Active" Coaches in Each Rank per month	% of Total Commissions Paid to Each Rank per Month
Presidential Director	12	0.20%	\$48,241.09	\$578,893	11.77%
Global Director	27	0.47%	\$16,747.18	\$452,174	9.19%
National Director	35	0.61%	\$9,546.78	\$334,137	6.79%
Total for Top of Pyramid	74	1% (rounded)	\$18,449	\$1,365,204	28% (rounded)
Regional Director	172	2.97%	\$4,435.17	\$762,849	15.51%
Executive Director	366	6.31%	\$3,253.26	\$1,190,693	24.21%
Director	63	1.09%	\$1,919.41	\$120,923	2.46%
Associate Director	171	2.95%	\$1,438.38	\$245,963	5.00%
Manager	294	5.07%	\$897.93	\$263,991	5.37%
Total for Upper Level Recruiters	1,066	19% (rounded)	\$2,424	\$2,584,419	52% (rounded)
Senior Coach	1,695	29.23%	\$402.86	\$682,848	13.88%
Fast Track Coach	2,544	43.86%	\$99.90	\$254,146	5.17%
Health Coach	421	7.25%	\$76.83	\$32,345	0.66%
Total for Bottom Level Coaches	4,660	80% (rounded)	\$208	\$969,339	20% (rounded)
Total for all Groups	5800	100%		\$4,918,962.00	100%

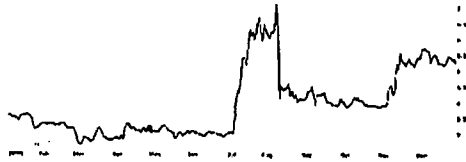
- Top 1% (1.28) receive 28% of all commissions
- Top 4% (4.25) receive 43% of all commission
- Top 10% (10.56) receive 67% of all commissions
- Bottom 50% (51.11) receive 6% of all commissions

Note:

- Raw data for this analysis is posted on the Take Shape for Life website at <http://www.tsfl.com/TDS.pdf>
- The company disclosure uses a time frame of the first six months of 2009. It offers average dollar figures and percentages of "active" coaches at each level, but it does not apply the data to actual numbers of coaches involved. Medifast does not disclose churn rates of coaches or average tenure of coaches, or the number of "inactive" coaches, (those that do not earn at least \$25). It is therefore not known how many coaches fail to make any sales at all, but paid in fees and purchased goods and generated commissions for the other coaches.
- If inactive coaches were disclosed, percentages per level would be adjusted downward to reflect the larger size of sales force, and overall average incomes of coaches would be degraded to include those who made no income at all.
- Without hard data on the true number of coaches enrolled over time, it is also not known how much of Take Shape for Life's total revenue is attributable to the direct purchases and fee payments of coaches.
- This analysis applied the percentages and monthly averages to the last total number of "active" coaches disclosed by Medifast: 5,800 at the end of Q-3'09.

Medifast's Volatile Stock Performance

2005



2006



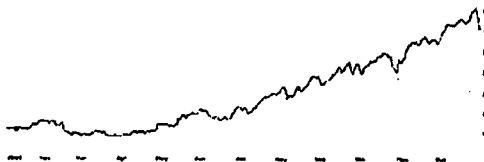
2007



2008



2009



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For Immediate Release

Title: Multi-level marketing expert releases new findings on Medifast, Inc. (NYSE:MED): calls company a 'consumer pyramid'

Sub-Title: Expert: "Under the Medifast (NYSE:MED) chain letter pay plan, the great majority of the coaches can never reach the tantalizing income lures that are used in Take Shape for Life's promotion"

January 8, 2010 San Diego, CA

The Fraud Discovery Institute, Inc. today released a new, updated report on Medifast, Inc. (NYSE:MED). The report reveals that the company derives almost two-thirds of their revenue from their multi-level marketing company, making them competitors with companies like Mannatech, Amway and PrePaid Legal, Inc. and not Weight Watchers, Jenny Craig or NutriSystem as Wall Street analysts assert. Nationally recognized multi-level marketing expert Robert Fitzpatrick makes the following observation about Medifast, Inc.'s meteoric stock price rise from April of 2009 to January 2010:

"The foundation of Medifast's stock surge is the recent rise in its revenue, which is driven by the "endless chain" income opportunity that it markets to consumers. Medifast's income scheme is a solicitation to consumers to become distributors that buy and sell the company's meal replacement products and to recruit others to do the same. Medifast seamlessly integrates its "income opportunity" product with its meal replacement products. It makes earning money a key part of its three-part "system" for weight control and good health – the only company in that field to do this – and it offers consumers the company's own recruitment scheme as the means to meet financial goals."

Mr. Fitzpatrick goes on to make the following observations that are not readily disclosed by Medifast, Inc.

- * About two-thirds of every commission dollar generated by sales or purchases of the bottom 80% are transferred to the top 20%
- * 67% of all commissions paid out on total revenue were transferred to the top 10% of active coaches
- * Take Shape for Life's new disclosure continues to conceal critical data factors. In particular it does not reveal how much of the income of the top 1% is derived from retail sales they themselves made and how much is merely "overrides" on the purchases and sales of the "downline."

* The mean average commission income for the bottom one-half of the "active" sales channel (Fast Track Coaches and Health Coaches) – \$24 a week – indicates a monthly retail sales level of about 2 meal replacement customers per coach.

* Medifast does not disclose the overall average retail sales per coach, just as it does not reveal how many coaches are actually enrolled, including those that make no sales but do purchase goods and pay fees.

Medifast has shown phoenix-like growth. Yet, this unusual growth should be a 'red flag' to investors and regulators that something is awry. It was Bernard Madoff's uncanny consistency of 12% profits each year, and his ability to deliver projected returns regardless of the size of his portfolio and in the face of down market trends that first attracted the suspicion of whistle-blowers. Under the Medifast chain letter pay plan, the great majority of the coaches can never reach the tantalizing income lures that are used in Take Shape for Life's promotion.

The report, included in entirety at www.medifraud.net, goes on to add: "A typical web-based solicitation makes the often-repeated statement, 'The average Health Coach at the Executive level makes about \$3,000 per month supporting roughly 30 people. It goes up from there.' This statement omits the crucial fact that Executive Level coaches constitute only 6% of the entire organization." The Fraud Discovery Institute, Inc. also responded to Medifast, Inc's (NYSE:MED) alleged 'independent investigation' of past claims about the pyramid scheme compensation plan that lures in new prospects and is the only reason for the company's growth (www.frauddiscovery.net).



For Immediate Release

Title: FDI responds to Medifast's (NYSE:MED)'Independent' review of 'convicted felon's allegations'

Sub-Title: Through the utilization of the fraud technique of diversion, Medifast (NYSE:MED) misleads the public in public response to critic

January 8, 2010 San Diego, CA

In Medifast Inc.'s (NYSE:MED) latest 10-Q released on November 9th, 2009, the company makes the following assertion: *"An Independent Committee of the Board of Directors of Medifast was constituted to review the public allegations of a third party "Convicted Felon" on his website. The Independent Committee of the Board of Directors of Medifast Inc. recommended that the Company make a formal complaint to the Securities and Exchange Commission and the Attorney General of Maryland as it pertains to the convicted felon Minkow and his "for profit" company's false and misleading claims against Medifast. There are currently no pending matters of a material nature related to any government investigation of the case involving Mr. Minkow, his company, its affiliates or associates. Any actions related to any government investigation pertaining to this complaint have been deemed confidential at this time."*

According to FDI Co-Founder Barry Minkow, "there is only one problem with the above statement. Neither FDI nor myself made the detailed allegations in previous reports released on the official FDI website. On the contrary, FDI sought the outside opinion of nationally recognized, multi-level marketing expert Robert Fitzpatrick, who has testified for law enforcement on numerous occasions about these kinds of schemes. Mr. Fitzpatrick is not a short-seller and has never had a financial interest in Medifast's stock at any time nor would Mr. Fitzpatrick, for the nominal fee paid for his analysis of the Medifast business model, make up out of thin air the specific problems inherent with the company."

In fact, nowhere in the Medifast 10-Q are any of Mr. Fitzpatrick's calculations or evaluations refuted or addressed. Mr. Minkow goes on to point out: "The company and its 'independent committee,' dismissed, a-priori, the Fitzpatrick findings through smoke and mirrors and name calling. Don't be confused with all these facts, figures and expert analysis because Barry Minkow is a short-seller. The problem is the person who made the findings is not a short-seller and his conclusion about the Medifast "doomed by design business model" still stands un-refuted."



**Open Letter to Mr. Bradley MacDonald, Chairman, Medifast, Inc.
and the "Independent Committee of distinguished members of the
Board of Directors of Medifast, Inc."**

January 12th, 2010

Dear Mr. MacDonald and "Committee,"

I am writing in reference to your recent press releases where you indicated that our past and current reports prepared by our expert were "false, misleading, and/or without merit... The same is true for the re-issue of the report posted January 8, 2010 – the allegations are false, misleading, and/or without merit."

I will immediately retract and formally apologize to you, your stockholders and your Board of Directors (including the "distinguished members of the Board of Directors of Medifast, Inc.") if you can simply show me where we are factually incorrect.

Were we 'false, misleading or without merit' when we demonstrated that Medifast knowingly and willingly omits and fails to disclose that only 6% of the entire organization of TSFL ever reaches the Executive level? Were we 'false, misleading or without merit' when we demonstrated that 67% of all commissions paid in the TSFL scheme go to a 10% remnant of the organization?

Were we 'false, misleading or without merit' when we stated that the foundation of Medifast's recent stock surge is tied to the recent rise in its revenue, which is driven by the "endless chain" income opportunity that it markets to consumers through the integration of its "Income opportunity" product with its meal replacement products?

Were we 'false, misleading or without merit' when we stated that the pyramid selling scheme of Medifast, based on the lure of income to consumers from an endless recruiting chain, is now being leveraged by the company into the securities market on Wall Street?

Were we 'false, misleading or without merit' when we demonstrated that the mean average income of the bottom 80% of coaches – of those that do earn income – is a modest \$52.00 (that is fifty two dollars only) a week, which is about one-half of what the meal replacement products cost?

I look forward to receiving the documentation from the independent committee of the Board of Directors of Medifast, Inc. as they must have them right at their fingertips



info@frauddiscovery.net

Phone & Fax:
1-888-300-8307

before publicly stating that our computations are "false, misleading or without merit."
Since truth is our only real defense against your recent allegations, we would appreciate
you forwarding the corroborative documentation that substantiates your assertions.

Respectfully Submitted

A handwritten signature in black ink, appearing to read "B. Minkow", is written over the typed name.

Barry Minkow
Co-Founder
Fraud Discovery Institute, Inc
www.frauddiscovery.net

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Medifast multi-level marketing scheme called into question by expert

Posted by [Tracy Coenen](#) on January 12, 2010 · [1 Comment](#)



Robert FitzPatrick, a multi-level marketing expert known around the world for his analysis of the business model, has released a report on Medifast Inc. (NYSE:MED) and its Take Shape For Life division. TSFL is the multi-level marketing arm of the weight loss company, and is the force behind the company's overall increase in revenue.

FitzPatrick writes:

The foundation of Medifast's stock surge is the recent rise in its revenue, which is driven by the "endless chain" income opportunity that it markets to consumers. Medifast's income scheme is a solicitation to consumers to become distributors that buy and sell the company's meal replacement products and to recruit others to do the same. Medifast seamlessly integrates its "income opportunity" product with its meal replacement products. It makes earning money a key part of its three-part "system" for weight control and good health – the only company in that field to do this – and it offers consumers the company's own recruitment scheme as the means to meet financial goals.

He also reports the following:

- About two-thirds of every commission dollar generated by sales or purchases of the bottom 80% are transferred to the top 20%
- 67% of all commissions paid out on total revenue were transferred to the top 10% of active coaches
- Take Shape for Life's new disclosure continues to conceal critical data factors. In particular it does not reveal how much of the income of the top 1% is derived from retail sales they themselves made and how much is merely "overrides" on the purchases and sales of the "downline."
- The mean average commission income for the bottom one-half of the "active" sales channel (Fast Track Coaches and Health Coaches) – \$24 a week – indicates a monthly retail sales level of about 2 meal replacement customers per coach.
- Medifast does not disclose the overall average retail sales per coach, just as it does not reveal how many coaches are actually enrolled, including those that make no sales but do purchase goods and pay fees.

This report is an update to a mid-2009 report issued by FitzPatrick. The full text of the current report is found here. And here is my analysis of Medifast and Take Shape For Life from last year.

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Tracy Coenen is a forensic accountant and fraud examiner in Chicago and Milwaukee who investigates white collar crimes, including cases of financial statement fraud, embezzlement, tax fraud, and insurance fraud. She is the author of Expert Fraud Investigation and Essentials of Corporate Fraud and more than 100 articles on fraud featured in industry publications.



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More on the endless chain recruitment scheme of Medifast and Take Shape For Life

Posted by [Tracy Coenen](#) on January 13, 2010 · [Leave a Comment](#)



Yesterday I referenced a [new report on Medifast and Take Shape For Life](#) by multi-level marketing expert Robert Fitzpatrick. Here is more from his report. I want to highlight these things because they're the **facts** that many pushers of MLMs will never tell you.

Those recruiting for MLMs are quick to tell you about how much you can make if you sell their product (often glossing over the fact that you'll have to recruit new people into the scheme in order to have any chance of making a living), but they will never tell you that it's next to impossible. They forget all the reasons why people in these MLMs are selling so few products and making so little money from selling.

Fitzpatrick clues us in:

The income opportunity, based on the plan's structure, rules, bonuses and commission schedule, primarily **depends upon endless chain recruiting of more "coaches"**, not on retail sales of its products. The cost of selling, competitive factors, and the paltry 15-20% commission offered on retail sales make that option a myth and facade to obscure the

Exhibit 24, pg. 01

recruitment pyramid. The income scheme is a classic "endless chain." The report also raised the question of the plan's legality, its jeopardy under California's statute against "endless chain" plans, and the risk of its being challenged by other regulators or by consumers in court as a fraud.

And here's my problem with MLMs in general, in the words of Fitzpatrick:

The pay plan pays far more – per sale – to those who recruit other coaches than to those who actually sell products to consumers, and the greatest share of all commissions is transferred to those in the top positions of the pyramid.

That's right... recruiting pays more than selling. The upline is making way more money off the sale of products than those **actually doing the selling.**

And here are some hard numbers:

- Top 1% (1.28) of coaches receive 28% of all commissions
- Top 4% (4.25) of coaches receive 43% of all commission
- Top 10% (10.56) of coaches receive 67% of all commissions
- Bottom 50% (51.11) of coaches receive 6% of all commissions

Check that out. The bottom half of coaches only receive 6% of all the commissions the company pays. The above statistics are typical for MLMs.... unless you can get into that top tier of the pyramid (and almost no one does), you aren't going to make any money.

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• About the Author



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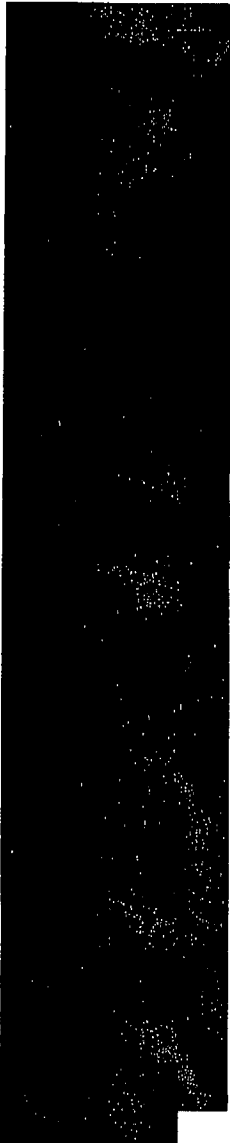
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Medifast continues to mislead shareholders

Posted by [Tracy Coenen](#) on January 13, 2010 · [Leave a Comment](#)

This week multi-level marketing expert Robert Fitzpatrick released [his second report in the last year on Medifast \(NYSE: MED\) and their Take Shape For Life multi-level marketing division](#). The report highlights how little money the company's "health coaches" actually earn from selling the products, and makes it clear that the real money (if there is any) is in recruiting new marks into the scheme.

Following the release of FitzPatrick's first report last year, Medifast management came out with bizarre statements. The most recent version of their statement was included in [a 10-Q filed with the Securities and Exchange Commission on November 9, 2009](#):

An Independent Committee of the Board of Directors of Medifast was constituted to review the public allegations of a third party "Convicted Felon" on his website. The Independent Committee of the Board of Directors of Medifast Inc. recommended that the Company make a formal complaint to the Securities and Exchange Commission and the Attorney General of Maryland as it pertains to the convicted felon Minkow and his "for profit" company's false and misleading claims against Medifast. There are currently no pending matters of a material nature related to any government investigation of the case involving Mr. Minkow, his company, its affiliates or associates. Any actions related to any government investigation pertaining to this complaint have been deemed confidential at this time.

The problem is that the allegations weren't made by convicted felon Barry Minkow. The allegations were made by multi-level marketing expert Robert Fitzpatrick, who has researched hundreds of

MLMs. Minkow didn't make any "false and misleading claims." FitzPatrick made claims based on Medifast's own published numbers, none of which the company has refuted in any forum.

The madness doesn't stop there, however. In reaction to FitzPatrick's most recent report, Medifast issued a press release entitled "Medifast, Inc. Comments on False and Misleading Allegations." It states in part:

The independent Directors' Committee, after investigation of facts and information concluded the allegations were false, misleading, and/or without merit. The same is true for the re-issue of the report posted January 8, 2010 – the allegations are false, misleading, and/or without merit.

Yet the company has not seen fit to point out what might be false or misleading about FitzPatrick's report. They have the data at their fingertips that could supposedly refute any allegations made, yet the company declines to provide any specifics.

Why not? Because FitzPatrick printed the truth based on Medifast's own numbers. Apparently it isn't bad enough that the company doesn't tell the whole story about the business to either stockholders or health coaches. Now they're maligning an independent expert who merely used the company's own data to show what an awful "opportunity" TSFL offers health coaches, and how heavily the company relies on the recruiting of coaches to grow revenue.

Barry Minkow has issued an invitation to Medifast executives. He's inviting them to point out exactly what is false or misleading about FitzPatrick's report, and to provide the documentation that proves their points. Certainly if there really are material points that FitzPatrick has made which are false or misleading, the company would like to immediately identify them? And Minkow has even offered to retract his statements about FitzPatrick's report and apologize to the company in return for them backing up their allegations about the report.

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JANUARY 13, 2010, 6:41 P.M. ET

Barrack, Rodos & Bacine Announces Investigation of Medifast, Inc.

Urges Shareholders Who Lost More Than \$100,000 to Inquire About This Matter

PHILADELPHIA-- (BUSINESS WIRE)--January 13, 2010--

Barrack, Rodos & Bacine, a leading securities litigation law firm, is investigating potential violations of the federal securities laws by Medifast, Inc. ("Medifast" or the "Company") (NYSE: MED), a Maryland-based weight management company. The investigation focuses on the sustainability of the Company's rapidly growing direct sales distribution channel and the possibility that management made false and misleading statements regarding Medifast's revenues and earnings results and growth potential.

A report was recently issued that questions the validity of Medifast's business model. In particular the report alleges that one of the Company's distribution channels, its direct selling company, Take Shape for Life, Inc., a Medifast subsidiary, is effectively a "pyramid selling scheme" that is driven by an "endless chain" income opportunity. The Company reported that revenues in this segment increased 105% in the third quarter of 2009, which helped to fuel more than a seven-fold increase in Medifast's stock price from April 1, 2009 to January 7, 2010. During the same time period, several members of Medifast management sold significant amounts of their personal stock holdings reaping millions of dollars in gains.

As a result of the dissemination of the report, Medifast's stock price declined dramatically, losing 14% of its value, resulting in losses for investors who purchased Medifast stock since early November 2009. The Company has vigorously disputed the findings made in the report and has made a formal complaint against its creators to the U.S. Securities and Exchange Commission and Maryland Securities Commissioner.

If you purchased shares of Medifast stock since early November 2009, have suffered losses of more than \$100,000 on your investment, and would like to learn more about your legal rights or wish to discuss the matter further, please contact Jeff Golan of Barrack, Rodos & Bacine, 3300 Two Commerce Square, 2001 Market Street, Philadelphia, PA 19103, by telephone at (215) 963-0600, or by email at jgolan@barrack.com.

CONTACT: Barrack, Rodos & Bacine
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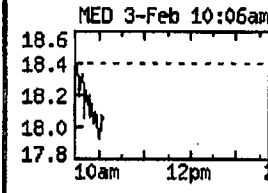




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- •
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- •
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- •
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The work of iBusiness Reporting is funded by the Fraud Discovery Institute, founded by Barry Minkow, an ex-

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Medifast Medifast's rise in revenue traced to unsustainable pyramid-style marketing model

Summary: Medifast's rapid revenue growth during the recession has been fueled by its pyramid-style marketing program that is unsustainable and earns the bottom 80% of its citizen sales force about \$52 a week (about half the cost of a single order of the company's replacement meals), according to public documents and a report by Robert L. FitzPatrick, a national authority on multi-level marketing schemes. You can read his 15-page report, commissioned by the Fraud Discovery Institute, [here](#).

Here are seven red flags about Medifast's business model.

Two-thirds of Medifast's revenue comes from its multi-level marketing program (Take Shape for Life), and most of that revenue comes from attracting citizen sales people

(called coaches) and not from its products, according to its public filings.

■ Only 1% of the Take Shape for Life sales forces earns the \$8,000 to \$20,000 per month commissions shown in the company's promotions; the vast majority of citizen sales people don't make enough to cost the cost of a single order of the company's replacement meals, not to mention out-of-pocket expenses such as membership, marketing and shipping fees. And just 6% of sales associates reach the "Executive Level," where they make about \$3,000 per month, according to an analysis by FitzPatrick of Take Shape for Life's official income disclosure statement

■ If Medifast was to continue its 100% growth rate over the next five years, it would have to recruit 109,595 sales associates (it now claims to have 5,800 "coaches"), according to FitzPatrick.

■ In promotional materials, Take Shape for Life claims that earning money is one of three key ingredients (along the diet and exercise) to "Optimal Health."

■ Weightwatchers, Nutrisystem and eDiets--which don't use multi-level marketing--have seen sharp declines in revenue (and stock prices) since Jan. 2008, as fewer customers can afford to buy replacement meal products during the recession. However, Medifast's quarterly revenue has increased 100% in the latest figures available because it's generating much of its money from recruiting new sales associates (people in need of income in these tough economic times), not meal replacement products.

■ Medifast insiders have dumped more than \$6 million worth of stock in the past two months, and no shares were purchased by insiders in the last six months (though many were awarded in 2009), according to SEC filings.

FALSE

■ Barrack, Rodos & Bacine, a leading securities litigation law firm, is investigating potential violations of the federal securities laws by Medifast. The investigation focuses on the sustainability of the company's rapidly growing direct sales distribution channel and the possibility that management made false and misleading statements regarding Medifast's revenues and earnings results and growth potential.

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(AP) Brad McDonald gets Prestigious Award

24-Jan-10 03:12 pm

(AP) Las Vegas. At this years AVN awarded Brad McDonald (A.K.A. Pimp-Daddy-Brad) with the Prestigious Award as Pimp of the Year for 2010. The AVN recognizing outstanding achievement in the adult film industry and supportive trades. Founded in 1984 by the publisher of the industry trade magazine Adult Video News.

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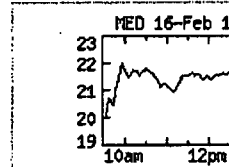
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Mr. T presented the award saying: "Man this dude has it down. He recruits his Ho's then trains them with the skills they need to go out across the nations to sell their goods then the betches just send him the check. This dude even has his Ho's go recruit other Ho's for him. Man this is the Pimp of the decade."

Pimp-Daddy-Brad was quoted as saying "Well I am honored but I was kind of holding out for the Nobel Prize for fighting Global Hunger by having

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Re: (AP) Brad medisdead (1 Rating) 27-Jan-10 12:13 pm
McDonald gets
Prestigious
Award
Hey CG. How
is the TSFL
SCAM going
today?

Re: (AP) Brad medisdead Rate it 13 minutes ago
McDonald gets
Prestigious
Award
Hey CG, how
is Pimp-
Daddy-Brad
doing?
Getting r...

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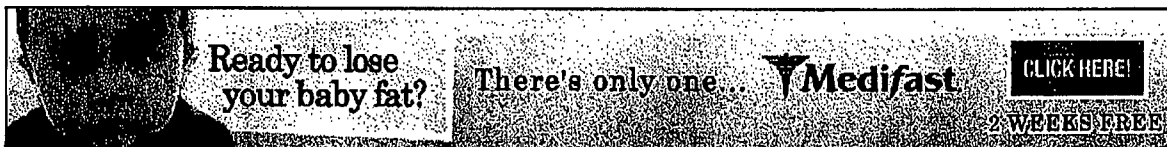
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Get Message Board for:

Re: criminal 13 minutes ago

You wrote:
deceptive derpertrators such as madoff and lewis and many exec. bankers out there.

I disagree. Brad McDonald is worse than any of them. He preys on those that cannot afford to lose their Investment. He seeks out the desperate that will spend every dime they have pursuing that golden promise of a MediFAT pay check.

Pimp-Daddy-Brad is a low life scum bag and a disgrace to the Marine uniform he once wore.

Rating: ★★★★★ (No ratings) **Rate it:** ☆☆☆☆☆

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medisdead



50/Male

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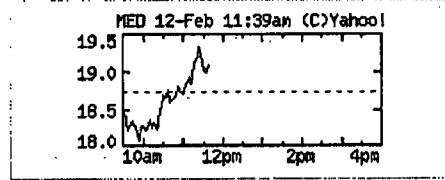
Minimum rating: | 1 star + unrated [What's this?](#)

Subject	Author	Rating	Time of Post (ET)
criminal I think medisdead is a hired help of the creeps ambar a...	jpbjtt	Rate it	20 minutes ago
Re: criminal	medisdead	Not rated	13 minutes ago

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Medifast Inc. (MED)



At 11:39AM ET: **19.08** ↑ 0.34 (1.81%)

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Get Message Board for:

WOW!!! 8-Feb-10 04:03 pm

WOW, Basically using MediFAT products you are only 1 bite away from sickness or death!!!!

No wonder Pimp-Daddy-Brad does not consume MediCRAP!!!!



medisdead
50/Male

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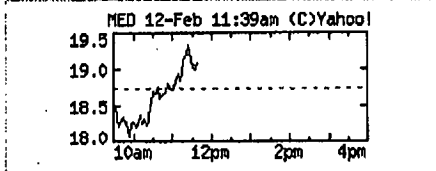
		
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Subject	Author	Rating	Time of Post (ET)
Hershey Canada's Claims Salmonella Contamination from s...	zeeyourself	Rate It	8-Feb-10 03:41 pm
Hershey Canada's Claims Salmonella Contamination from s...	Infinitebul...	Rate It	8-Feb-10 04:02 pm
Good try. The lawsuit is for alleged contaminatio...			
WOW!!!	medisdead	Not rated	8-Feb-10 04:03 pm
Re: WOW!!! Now that is sensationalism at its best. I tr...	Infinitebul...	Rate It	8-Feb-10 04:13 pm
Re: WOW!!! One other point on this, the soy referenced i...	Infinitebul...	Rate It	8-Feb-10 04:57 pm
Re: WOW!!!	medisdead	Rate It	8-Feb-10 05:19 pm

Medifast Inc. (MED)



At 11:40AM ET: **19.1399** ↑ 0.3999 (2.13%)

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Re: MED Diabetic Study presented to American Diabetic Association

8-Feb-10 02:06 pm

You have been listening to CG for too long.

Not one piece of evidence has been submitted in defense of MediFAT and the growing list of allegations against the SCAM Company.

All that has been submitted is "Liar-Liar Pants on Fire."

And for the record, I am not associated with the FDI in anyway. I am just a Board Basher beating the heck out of one of the slimmest Company's operating today.

But that is about to change.

As soon as the FDA takes control over nutrition supplements MediFRAUD will go down.

Pimp-Daddy-Brad will be in prison along with Madoff.

Y guess is that The Department of Justice will also go after the distributors like CG who recruited Investors into MediFAT.

Rating : (1 Rating) Rate It:

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Medifast Inc. (MED)

MED 12-Feb 11:39am (C)Yahoo!

At 11:41AM ET: **19.13** \uparrow 0.39 (2.08%)

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Messages in Topic Minimum rating: **1 star + unrated**

Subject	Author	Rating	Time of Post (ET)
MED Diabetic Study presented to American Diabetic Assoc... MED was a presentation at the American Diabetic Associa...	southcott6	(2 Ratings)	8-Feb-10 12:20 pm
Re: MED Diabetic Study presented to American Diabetic...	medsdead	(1 Rating)	8-Feb-10 12:23 pm

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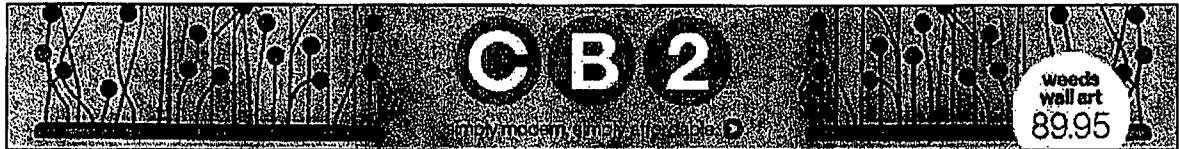
Exhibit 28, pg. 07

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Re: Beware of Spreading False Information about MED

29-Jan-10 05:28 pm

Pimp-Daddy-Brad McDonald is a disgrace to our Armed Forces for running a Madoff Ponzi Scheme and ripping off good people.

medisdead



50/Male

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Messages in Topic

Minimum rating: 1 star + unrated

Subject	Author	Rating	Time of Post (ET)
Beware of Spreading False Information about MED MED has and will continue to improve and focus on its b...	southcott6	(1 Rating)	29-Jan-10 05:13 pm
Re: Beware of Spreading False Information about MED	medisdead	(1 Rating)	29-Jan-10 05:28 pm
Re: Beware of Spreading PUMPER Information WHILE INSL... GET YOUR FACTS STRAIGHT. WE TAKE CARE OF OUR OWN. ...	k_barhe	(1 Rating)	29-Jan-10 05:32 pm

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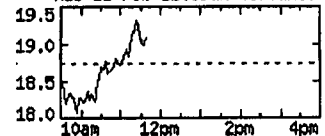
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MED 12-Feb 11:39am (C)Yahoo!



At 11:42AM ET: **19.17** ↑0.43 (2.29%)

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Re: 13 easy 28-Jan-10 12:16 pm

We all miss TANK!!!

I think \$13 is a stretch. Once Pimp-Daddy-Brad is indicted and TSFL shut down MediFAT will implode.

My question is with the TSFL Distributors like CG also be indicted for Fraud?

medisdead



50/Male

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Rating: ★★★★★ (No ratings) Rate it: ☆☆☆☆☆

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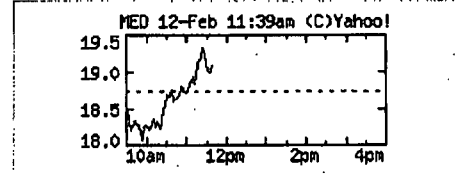
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At 11:42AM ET: 19.23 ↑ 0.49 (2.61%)

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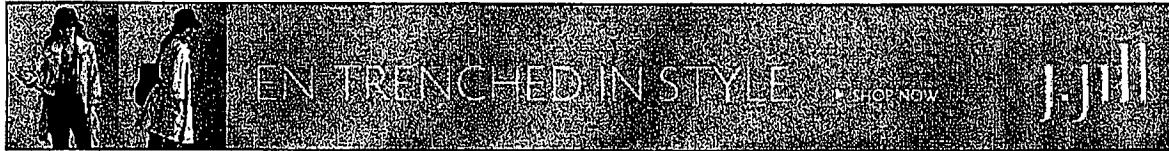
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Re: Diden't I tell you ? I sure did but 30-Jan-10 10:40 am

Everybody is kicking poor CG's A\$\$!!

medisdead

Once again Brad McDonald is a spineless Pimp running as Madoff Ponzi Scheme ripping off good people. A disgrace to the US Armed Forces.



50/Male

Nell claims he is Trolling for Tots on the Internet!!!

I predict Pimp-Daddy-Brad will do more time in Prison then Madoff!

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Rating:

★★★★★ (1 Rating)

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Minimum rating: 1 star + unrated What's this?

Subject	Author	Rating	Time of Post (ET)
Diden't I tell you ? I sure did but some ediot that blindly keep pumping this crap and they...	reachsean	(1 Rating)	29-Jan-10 02:43 pm
Re: Diden't I tell you ? I sure did but	medisdead	(1 Rating)	30-Jan-10 10:40 am

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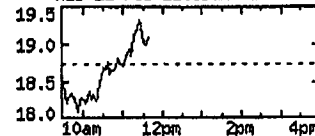
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MED 12-Feb 11:39am (C)Yahoo!



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Lainie Cohen

From: [redacted]
Sent: Tuesday, February 16, 2010 1:13 PM
To: Lainie Cohen
Subject: Emailing: threadview (2)

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The Secret Is Out- Medifast makes Soy Cancer Claims

19-Nov-09 03:48 pm

The Secret Is Out- Medifast makes Soy Cancer Claims

zeeyourself



47/Male
Pasadena, C...

The Secret Is Out, The Medifast Program
By Lisa Davis, Ph.D., PA-C
And Col. Bradley T. MacDonald, USMCR (retired)

Page 24

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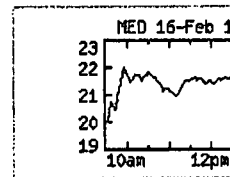
"Soy Protein:

Protects against some of the most harmful diseases we face, including cancer and heart disease."

Medifast has neither absolutely no scientific basis nor any paid by Medifast promotional studies to support this claim regarding cancer.

Medifast has variously referred to Johns Hopkins as "the gold standard" of the medical industry and

Medifast Inc. (M



At 12:57PM ET: 21.7

credited "studies like that as being the cornerstone of our business" by reinforcing "clinically proven" and "scientifically proven" claims in its advertising and public relations.

Medifast engages in deceptive, unpalatable sales and marketing practices that do not comply with SEC and FTC regulations.

Good luck TSFL newbie investors! Viva Dan Bell!

Rating : (3 Ratings) Rate It:

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Subject	Author	Rating	Time of Post
The Secret Is Out- Medifast makes Soy Cancer Claims	zeeyourself	★★☆☆☆	19-Nov-09 03:18:00
Re: The Secret Is Out- peeyourself IS.. A LIAR AND A DOUCHE BAG!!!!!! IT REALLY GOT TO ...	gib4u2	(2 Ratings)	19-Nov-09 03:59:00
LADIES! : The Secret Is Out- Medifast makes Soy Cance... CREDITGUY_97132, PHOTOBUTT GUY AND GIBBYBUTT DO NOT...	k_barhe	(2 Ratings)	19-Nov-09 04:36 pm
Re: LADIES! : The Secret Is Out- Medifast makes Soy... Abstracted from Vanderbilt University (...)	photojourna...	★★★★★	19-Nov-09 07:45 pm
Re: The Secret Is Out- Medifast makes Soy Cancer Clai... And, as relates to Heart Disease (and more), from ...	photojourna...	★★★★★	19-Nov-09 08:11 pm

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[Beware of Medifasts Diet](#) - Read My Diet Story Before You Buy! Get All The Facts - Good & Bad Now. Diet911.com/medifast-diet-reviewed

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Lainie Cohen

From:
Sent: Tuesday, February 16, 2010 1:22 PM
To: Lainie Cohen
Subject: Emailing: Yahoo! Message Boards - Medifast, Inc. (MED) - Latest Skinny on Medifast & FDA to Drop Soy Health Claims -

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Latest Skinny on Medifast & FDA to Drop Soy Health Claims -

19-Oct-09 11:17 am

Tell me something I don't know.

zeeyourself

The TSFL Gnome says the U.S. Food and Drug Administration will drop heart disease health claims for soy protein.



47/Male Pasadena, C...

Better yet-

Medifast Chairman Brad MacDonald will not eat any Soy product(s) because of heart concerns & this same reason

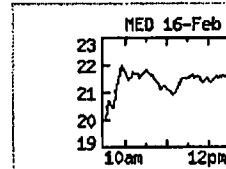
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Medifast on the Wrong Side of Obesity, FTC & the FDA

Stay financially fit and avoid Medifast insider gamed stock.

Good luck TSFL investor newbies! Viva Dan Bell!

Medifast Inc. (M



At 1:06PM ET: 21.8

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Latest Skinny on zeeyourself Medifast & FDA to Drop Soy Health Clai...		(2 Ratings)	19-Oct-09 11:17 am
Re: Latest Skinny on Medifast & FDA to Drop Soy Healt... Get a life LOOSER!!!! All You do is distort tru...	longonmed	(2 Ratings)	19-Oct-09 12:16 pm
Re: Latest Skinny on Medifast & FDA to Drop Soy Healt... Weak!!!!	wvhillvilly	(2 Ratings)	19-Oct-09 12:17 pm

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Lainie Cohen

From:
Sent: Tuesday, February 16, 2010 1:21 PM
To: Lainie Cohen
Subject: Emalling: Yahoo! Message Boards - Medifast, Inc. (MED) - Medifast Shorts Patiently Waiting for the Inevitable

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ADVERTI

Medifast Shorts Patiently Waiting for the Inevitable

20-Oct-09 11:20 am

NO WORRIES.

zeeyourself

1.5 million shares but the TSFL gnome says Medifast insiders have a handle on 800,000 shares.



47/Male Pasadena, C...

Medifast management are hypocrites and unethical.

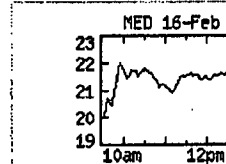
Good luck TSFL newbie investors! Viva Dan Bell!

Medifast Inc \$ 24.84 MED 0.19

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Short Interest (Shares Short) 1,534,400
Days To Cover (Short Interest Ratio) 1.9
Short Percent of Float 12.80 %
Short Interest - Prior 1,609,200
Short % Increase / Decrease -4.65 %

Medifast Inc. (M



At 1:05PM ET: 21.809

% From 52-Wk High (\$ 24.74) 0.40 %
 % From 52-Wk Low (\$ 3.35) 86.51 %
 % From 200-Day MA (\$ 12.94) 47.91 %
 % From 50-Day MA (\$ 20.74) 16.51 %
 Price % Change (52-Week) 395.00 %

Shares Float 11,990,000
 Total Shares Outstanding 15,220,960
 % Owned by Insiders 18.37 %
 % Owned by Institutions 36.30 %
 Market Cap. \$ 378,088,646
 Trading Volume - Today 202,816
 Trading Volume - Average 812,800
 Trading Volume - Today vs. Average 24.95 %
 Earnings Per Share 0.54
 PE Ratio 45.60
 Record Date 2009-OctA

Sector Services
 Industry Specialty Retail Other

Rating : Rate It:
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Messages in Topic

Minimum rating: 1 star + unrated What's this?

Subject	Author	Rating	Time of Post (ET)
Medifast Shorts Patiently Waiting for the Inevitable	zeeyourself	(1 Rating)	20-Oct-09 11:20 am
Re: Medifast Shorts Patiently Waiting for the Inevita... Blah,blah,blah,blah,blah.	creditguy_9...	(1 Rating)	20-Oct-09 11:28 am
Re: Medifast Shorts Patiently Waiting for the Inevita... Didn't you show us the same numbers when Med was \$...	creditguy_9...	(1 Rating)	20-Oct-09 11:29 am
Re: Medifast Shorts Patiently Waiting for the Inevita... what you mean is that another 1.5M shares need to ...	ngula	(1 Rating)	20-Oct-09 11:35 am
Re: Medifast Shorts	longonmed	(1 Rating)	20-Oct-09 01:07 pm

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www.MLM-Genius.com

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quicktake.morningstar.com

[Medifast - Official Site - Lose Up To 2-5 lbs per Week. Easy, Fast, Medifast.](#)
 Order Direct.
www.Medifast1.com

[Med Diet Exposed - This Popular Diet Is Not What You Think It Is. You Must Read This](#)
DidWeLoseWeight.com/medifast

Patiently Waiting for the
Inevita...
So You do have a grudge
against Medifast, TSFL
and...

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Lainie Cohen

From:
Sent: Tuesday, February 16, 2010 1:21 PM
To: Lainie Cohen
Subject: Emailing: Yahoo! Message Boards - Medifast, Inc. (MED) - Prior FTC conviction of Medifast on FALSE ADVERTISING

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Prior FTC conviction of Medifast on FALSE ADVERTISING

22-Oct-09 02:55 pm

Footnote to 20,000 Medical doctors recommending Medifast since 1980

zeeyourself



47/Male Pasadena, C...

* 20,000 Medical doctors since 1980 deceived with Medifast FALSE ADVERTISING as convicted by FTC in the 1990s

FACT: LESS THAN 200 DOCTORS FILLING ORDERS WORTH LESS THAN \$1k a YEAR

View Messages

Medifast practices FALSE ADVERTISING today

Ignore User

Prior FTC conviction of Medifast on FALSE ADVERTISING

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History Repeats Again

http://news.google.com/newspapers?nid=13...

Good luck TSFL investor newbies! Viva Dan Bell!

Rating:

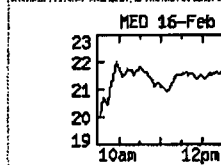
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Medifast Inc. (M



At 1:05PM ET: 21.767

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Minimum rating: **1 star + unrated** What's this?

Subject	Author	Rating	Time of Post (ET)
Prior FTC conviction of Medifast on FALSE ADVERTISING	zeeyourself	★★★★★	22-Oct-09 02:55 pm
Re: Prior FTC conviction of Medifast on FALSE ADVERTI... October 17, 1991 article! THAT WAS 18 YEARS AGO Y...	creditguy_9...	★★★★★	22-Oct-09 03:06 pm
Re: Prior FTC conviction of Medifast on FALSE ADVER... You must be out of work and GOING BROKE from ...	longonmed	★★★★★	22-Oct-09 03:51 pm

DidWeLoseWeight.com/medifast

[Beware of Medifasts Diet - Read My Diet Story Before You Buy! Get All The Facts - Good & Bad Now.](#)
Diet-911.com/medifast-diet-reviewed

[My Wrinkles Melted Away - Sunnyvale mom combines 2 Free products to erase wrinkles forever.](#)
goodbye-aging.com

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Lainie Cohen

From:

Sent: Tuesday, February 16, 2010 1:20 PM

To: Lainie Cohen

Subject: Emailing: Yahoo! Message Boards - Medifast, Inc. (MED) - Medifast Contaminates the Internet w- FALSE ADVERTISING

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Stocks M > Medifast, Inc. (MED)

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ADVERTI

Medifast Contaminates the Internet w/ FALSE ADVERTISING

23-Oct-09 02:48 pm

Medifast implements a toxic combination of self minded focus and arrogance which leads Medifast insiders to believe that the end justifies the means.

zeeyourself



47/Male
Pasadena, C...

Medifast lacks transparency in 10Ks and 10Qs for bad reasons- omission of facts=LIE therefore misleading the investment community (as in 2003-2004) and again with a unsustainable MLM business model integrated with FALSE ADVERTISING.

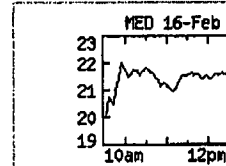
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<http://www.casewatch.org/ftc/news/1991/v...>

Do the math on 20,000 doctors since 1980 / subtract the less than 200 now selling Medifast/ means 18,800 doctors are dead or stopped selling Medifast for a GOOD REASON...

Medifast as a Company CANNOT BE TRUSTED.

Medifast Inc. (M



At 1:04PM ET: **21.8**

Good luck TSFL newbiw investors! Viva Dan Bell!

Rating : Rate it:
 ★★★★★ (4 Ratings) ☆☆☆☆☆

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Minimum rating: What's this?

Subject	Author	Rating	Time of Post (ET)
Medifast Contaminates the Internet w/ FALSE ADVERTISING	zeeyourself	★★★★☆	23-Oct-09 02:48 pm
Re: Medifast Contaminates the Internet w/ FALSE ADVER...	creditguy_9...	★★★★★	23-Oct-09 02:54 pm
THX! : Medifast Contaminates the Internet w/ FALSE AD...	zeeyourself	★★★★☆	23-Oct-09 03:23 pm
Re: Medifast Contaminates the Internet w/ FALSE ADVER...	creditguy_9...	★★★★★	23-Oct-09 03:34 pm

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- [Med Diet Exposed - This Popular Diet Is Not What You Think It Is. You Must Read This DidWeLoseWeight.com/medifast](#)
- [Beware of Medifasts Diet - Read My Diet Story Before You Buy! Get All The Facts - Good & Bad Now. Diet-911.com/medifast-diet-reviewed](#)
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Lainie Cohen

From: [redacted]
Sent: Tuesday, February 16, 2010 1:19 PM
To: Lainie Cohen
Subject: Emailing: Yahoo! Message Boards - Medifast, Inc. (MED) - Medifast Insider Selling PUMPS UP BIG

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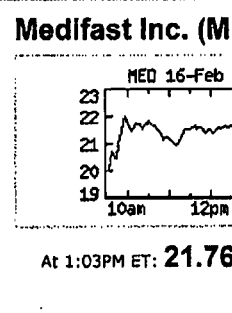
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ADVERTI

Medifast Insider Selling PUMPS UP BIG
27-Oct-09 11:13 am

Medifast Insider Selling PUMPS UP BIG
October 20, 2009
The Story of the 3 Little Pigs and Medifast built on straw foundation.
On deck with Planned Sales the list of Insiders waiting to come OUT:
<http://moneycentral.msn.com/investor/inv...>
Wayne Andersen SELLING Medifast --- \$7 Million
Michael McDevitt SELLING Medifast--- Another \$1 Million
Assorted Directors SELLING Medifast --- \$\$\$\$ Priceless
Brad MacDonald --- Hiding from an Insider Short

zeeyourself

47/Male
Pasadena, C...
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Position

Good Luck TSFL newbie investors! Viva Dan Bell!

Rating :

★★★★★ (2 Ratings) ☆☆☆☆☆

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Minimum rating: What's this?

Subject	Author	Rating	Time of Post (ET)
Medifast Insider Selling PUMPS UP BIG	zeeyourself	(2 Ratings)	27-Oct-09 11:13 am

Re: Medifast Insider Selling PUMPS UP BIG
 doctorpooh (2 Ratings) 27-Oct-09 11:31 am
 There were a few fluff articles covering this stoc...

Re: Medifast Insider Selling PUMPS UP BIG
 creditguy_9... (2 Ratings) 27-Oct-09 11:34 am
 To see the character of the shorts like docto...

Re: Medifast Insider Selling PUMPS UP BIG
 doctorpooh (2 Ratings) 27-Oct-09 11:40 am
 ...

Re: Medifast Insider Selling
 ngula (2 Ratings) 27-Oct-09 01:14 pm

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[Beware of Medifasts Diet](#) - Read My Diet Story Before You Buy! Get All The Facts - Good & Bad Now. Diet-911.com/medifast-diet-reviewed

[My Wrinkles Melted Away](#) - Sunnyvale mom combines 2 Free products to erase wrinkles forever. goodbye-aging.com

PUMPS
UP BIG
ooops, i
thought
that is
his
face...

Re: Medifast creditguy_9... (2 Ratings) 27-Oct-09 11:32 am
Insider
Selling
PUMPS UP
BIG
ONCE
AGAIN,
YOU
DISTORT
THE
TRUTH!
The truth
is: ...

Re: doctorpooh (2 Ratings) 27-Oct-09 11:46 am
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Insider
Selling
PUMPS UP
BIG
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Lainie Cohen

From:
Sent: Tuesday, February 16, 2010 1:18 PM
To: Lainie Cohen
Subject: Emailing: Yahoo! Message Boards - Medifast, Inc. (MED) - Where Medifast HIDES the DIRT

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ADVERTI

Where Medifast HIDES the DIRT

2-Nov-09 03:07 pm

Where Medifast HIDES the DIRT

z8eyourself

1) Start with a compromised auditor who rubber stamps anything for a small fee:



47/Male Pasadena, C...

http://seekingalpha.com/article/142379-w...

The PCAOB inspection of six audits by Bagell, Josephs, Levine & Company L.L.C. identified significant audit deficiencies in three of those audits, or a WHOPPING 50% of the audits sampled.

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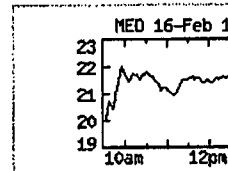
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According to the PCAOB report:

The deficiencies identified in three of the audits reviewed included deficiencies of such significance that it appeared to the inspection team that the Firm did not obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements.

Medifast Inc. (M



At 1:02PM ET: 21.800

Since the June 19, 2008 PCAOB report, at least five companies have dismissed Bagell, Josephs, Levine as their auditors:

July 23, 2008: City Loan Inc.,

February 2, 2009: Global Resource Corporation,

March 10, 2009: Thomas Pharmaceuticals Ltd,

March 24, 2009: Champions Biotechnology,

May 4, 2009: DK Investors Inc.

And there is more forthcoming.

Medifast may or may not have been in the sample

but Medifast's Audit Committee is NOT serious about the quality of its auditors,

because of the very poor quality of Medifast earnings.

Good luck TSFL newbie investors! Viva Dan Bell!

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Minimum rating: What's this?

Subject	Author	Rating	Time of Post (ET)
Where Medifast HIDES the DIRT	zeeyourself	★★★☆☆	2-Nov-09 03:07 pm
Re: Where Medifast HIDES the DIRT Kiss your shorts goodbye!!! You are truly a los...	longonmed	★★★★★	2-Nov-09 06:49 pm

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[Catalyst Value Fund Earns 5 Stars - CTVAX Earns Morningstar Highest Rating 5 Stars, Sunnyvale quicktake.morningstar.com](#)

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Lainie Cohen

From:
Sent: Tuesday, February 16, 2010 1:18 PM
To: Lainie Cohen
Subject: Emailing: Yahoo! Message Boards - Medifast, Inc. (MED) - Medifast Shorts up 2.9% & More Coming

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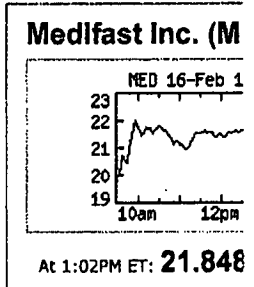
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Medifast Shorts up 2.9% & More Coming
3-Nov-09 01:48 pm
Funny thing about the Medifast short position. The borrowable amount tops out at 1.5 million shares. Apparently there is a "Perma" short position of 800,000 shares in Medifast stock opened since the last pump and dump run-up in 2006. The word on the Street is its a short position created by an Insider, it matches the Brad MacDonald long position listed in his name. Manipulating stocks to create a floor and hedge yourself out is a BIG NO-NO. What's the exit????? Rooming with Madoff????
Medifast Inc \$ 23.05
MED 0.14
Short Interest (Shares Short) 1,580,200
Days To Cover (Short Interest Ratio) 2.4
Short Percent of Float 13.18 %
Short Interest - Prior 1,534,400
Short % Increase / 2.98 %

zeeyourself
47/Male
Pasadena, C...
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% From 52-Wk High (\$ 24.97) -8.32 %
 % From 52-Wk Low (\$ 3.35) 85.47 %
 % From 200-Day MA (\$ 14.15) 38.62 %
 % From 50-Day MA (\$ 21.90) 5.00 %
 Price % Change (52-Week) 324.30 %

Shares Float 11,990,000
 Total Shares Outstanding 15,220,960
 % Owned by Insiders 17.64 %
 % Owned by Institutions 36.70 %
 Market Cap. \$ 350,867,482
 Trading Volume - Today 311,679
 Trading Volume - Average 656,500
 Trading Volume - Today vs. Average 47.48 %
 Earnings Per Share 0.54
 PE Ratio 42.40
 Record Date 2009-OctB

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Good luck TSFL newbie investors! Viva Dan Bell!

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Subject	Author	Rating	Time of Post (ET)
Medifast Shorts up 2.9% & More Coming	zeeyourself	(2 Ratings)	3-Nov-09 01:48 pm
Re: Medifast Shorts up 2.9% & More Coming Does Dan still work for Medifat? I thought they...	medisdead	(2 Ratings)	3-Nov-09 02:28 pm

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Lainie Cohen

From:
Sent: Tuesday, February 16, 2010 1:18 PM
To: Lainie Cohen
Subject: Emalling: Yahoo! Message Boards - Medifast, Inc. (MED) - Medifast Shorts up 2.9% & More Coming

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Medifast Shorts up 2.9% & More Coming

3-Nov-09 01:48 pm

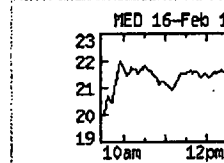
Funny thing about the Medifast short position. The borrowable amount tops out at 1.5 million shares. Apparently there is a "Perma" short position of 800,000 shares in Medifast stock opened since the last pump and dump run-up in 2006. The word on the Street is its a short position created by an Insider, it matches the Brad MacDonal long position listed in his name. Manipulating stocks to create a floor and hedge yourself out is a BIG NO-NO. What's the exit????? Rooming with Madoff????

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Medifast Inc \$ 23.05
MED 0.14

Short Interest (Shares Short) 1,580,200
Days To Cover (Short Interest Ratio) 2.4
Short Percent of Float 13.18 %
Short Interest - Prior 1,534,400
Short % Increase / 2.98 %

Medifast Inc. (M



At 1:02PM ET: 21.848


% From 52-Wk High (\$ 24.97) -8.32 %
 % From 52-Wk Low (\$ 3.35) 85.47 %
 % From 200-Day MA (\$ 14.15) 38.62 %
 % From 50-Day MA (\$ 21.90) 5.00 %
 Price % Change (52-Week) 324.30 %

Shares Float 11,990,000
 Total Shares Outstanding 15,220,960
 % Owned by Insiders 17.64 %
 % Owned by Institutions 36.70 %
 Market Cap. \$ 350,867,482
 Trading Volume - Today 311,679
 Trading Volume - Average 656,500
 Trading Volume - Today vs. Average 47.48 %
 Earnings Per Share 0.54
 PE Ratio 42.40
 Record Date 2009-OctB

Sector Services
 Industry Specialty Retail Other
 Exchange NY

Good luck TSFL newble investors! Viva Dan Bell!

Rating : ★★★★★ (2 Ratings) Rate it: ☆☆☆☆☆

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Minimum rating: 1 star + unrated What's this?

Subject	Author	Rating	Time of Post (ET)
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Re: Medifast Shorts up 2.9% & More Coming Does Dan still work for Medifat? I thought they...	medisdead	(2 Ratings)	3-Nov-09 02:28 pm

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From:
Sent: Tuesday, February 16, 2010 1:17 PM
To: Lainie Cohen
Subject: Emailing: Yahoo! Message Boards - Medifast, Inc. (MED) - Medifast Stock Bubble Special \$30

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Medifast Stock Bubble Special \$30

5-Nov-09 03:10 pm

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zeeyourself

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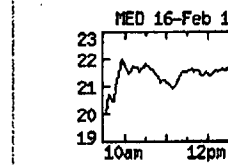
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Medifast Stock Bubble Special \$30	zeeyourself	★★★★☆	5-Nov-09 03:10 pm
Re: Medifast Stock Bubble Special \$30 How appropriate, Pimp Daddy Brad advertising on a ...	medisdead	(1 Rating)	5-Nov-09 03:26 pm
Re: Medifast Stock Bubble Special \$30 Answer this question zee. What is your purpose on ...	Hapihammer	(2 Ratings)	5-Nov-09 03:29 pm
Re: Medifast Stock Bubble Special \$30 You guys simply have TOO MUCH free time on your ha...	csi1055	(1 Rating)	5-Nov-09 03:51 pm
Re: Medifast Stock Bubble Special \$30 It might not be free. They may be getting min...	Hapihammer	(1 Rating)	5-Nov-09 03:54 pm
Re: Medifast Stock Bubble Special \$30 Well, that would explain their	csi1055	(1 Rating)	5-Nov-09 04:35 pm

DidWeLoseWeight.com/medifast

Beware of Medifasts Diet - Read My Diet Story Before You Buy! Get All The Facts - Good & Bad Now.
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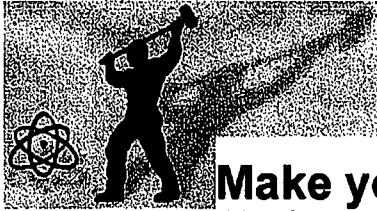
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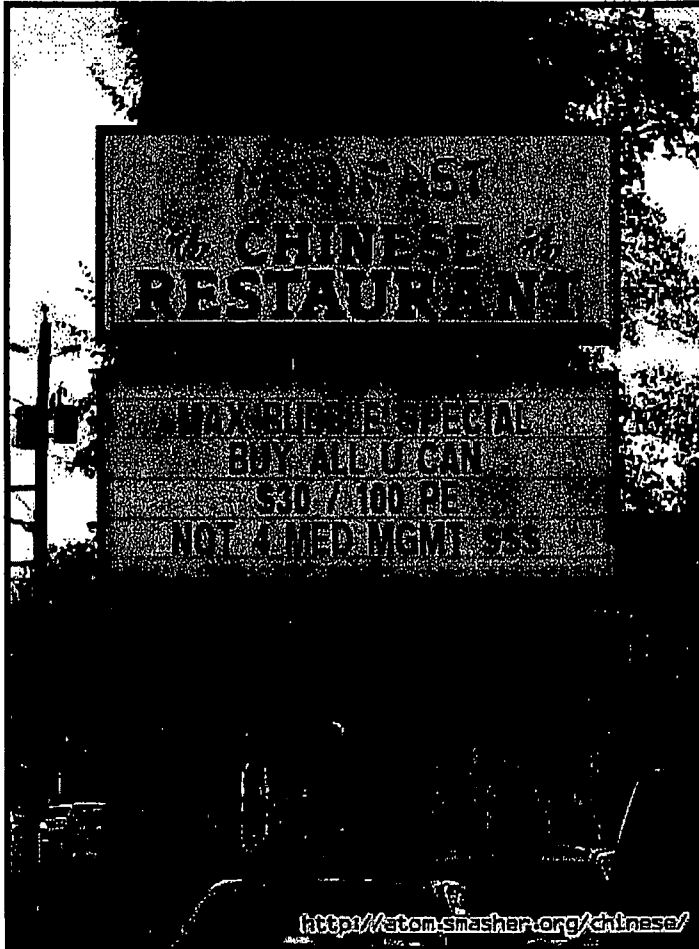
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Lainie Cohen

From:
Sent: Tuesday, February 16, 2010 1:23 PM
To: Lainie Cohen
Subject: Emailing: Yahoo! Message Boards - Medifast, Inc. (MED) - \$\$\$\$ Near Future of Medifast

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\$\$\$\$ Near Future of Medifast 16-Oct-09 03:50 pm

The Near Future of Medifast w the MLM business model

zeeyourself



47/Male Pasadena, C...

As only Warren Buffet says it best "You only find out who is swimming naked when the tide goes out."

Billionaire among 6 arrested in inside trade case

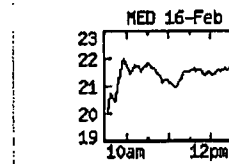
Billionaire hedge fund boss, 5 others charged in \$20 million insider trading case

- By Larry Neumeister, Associated Press Writer
• On 1:10 pm EDT, Friday October 16, 2009

NEW YORK (AP) -- One of the wealthiest men in America was among six financially influential people arrested by federal authorities Friday in a hedge fund insider trading case that prosecutors say reaped \$20 million in illegal profits. Raj Rajaratnam, a partner in Galleon Management and a portfolio manager for Galleon Group, a

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At 1:07PM ET: 21.7

hedge fund with up to \$7 billion in assets under management, was accused of conspiring with others to cause trades based on insider information about several publicly traded companies, including Google Inc. Rajaratnam, 51, was ranked No. 559 by Forbes magazine this year among the world's wealthiest billionaires, with a \$1.3 billion net worth.

<http://finance.yahoo.com/news/Billionair...>

Good luck TSFL newbie investors! Viva Dan Bell!

Rating : **★★★★★** (1 Rating) Rate it: ☆☆☆☆☆

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\$\$\$\$ Near Future of Medifast	zeeyourself	(1 Rating)	16-Oct-09 03:50 pm
Re: \$\$\$\$ Near Future of Medifast YO peeyourself ALL YOUR WORTHLESS POSTING AND Y...	gib4u2	(2 Ratings)	16-Oct-09 04:55 pm

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Lainie Cohen

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Sent: Tuesday, February 16, 2010 1:24 PM
To: Lainie Cohen
Subject: Emalling: Yahoo! Message Boards - Medifast, Inc. (MED) - the Medifast Fraud File EXPANDS w- MED Stock Bubble linking to coenen

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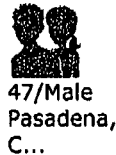
the Medifast Fraud File EXPANDS w/ MED Stock Bubble

14-Oct-09 04:05 pm

Medifast Stock Bubble of Mammoth Proportions

zeeyourself

Do Not be Negative on Medifast Stock at \$25 Be Pragmatic that Medifast at these levels is pure speculation



Do what the Medifast insiders do not what they say

Buy Medifast stock at 50 cents / \$2.87 / \$3.65

Medifast insiders have impeccable timing on buying and selling Medifast stock.

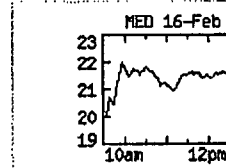
Medifast management and TSFL insiders have ZERO (o) confidence to buy at \$25 but all the confidence to buy at \$2.87 and \$3.65.

A TSFL pep rally pumping stock!

Fraud File blog Sept 14 2009

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At 1:07PM ET: 21.7

Tracy Coenen. Forensic Accountant weighs in:

<http://www.sequenceinc.com/fraudfiles/20...>

Good luck Newbie TSFL investors! Viva Dan Bell!

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the Medifast Fraud File EXPANDS w/ MED Stock Bubble	zeeyourself	★★☆☆☆	14-Oct-09 04:05 pm
Re: the Medifast Fraud File EXPANDS w/ MED Stock Bubb... Blah.. Blah...Blah...	longonmed	★★★★★	14-Oct-09 04:15 pm
Re: the Medifast Fraud File EXPANDS w/ MED Stock Bubb... Nice work! Expose this POS!!!	medisdead (2 Ratings)		15-Oct-09 12:13 pm

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Lainie Cohen

From:
Sent: Tuesday, February 16, 2010 1:24 PM
To: Lainie Cohen
Subject: Emailing: Yahoo! Message Boards - Medifast, Inc. (MED) - NO FTC SAFE HARBOR ON Medifast FALSE ADVERTISING

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13-Oct-09 11:05 am

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47/Male Pasadena, C...

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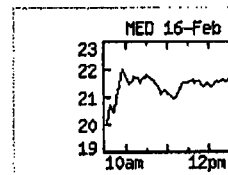
Medifast consistently states 20,000 doctors (implying today) recommending Medidast is misleading and FALSE ADVERTISING.

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John Hopkins says NO to Medifast.

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Medifast False Advertising by TSFL websites.

Visit the John Hopkins Weight Management Center website and search for Medifast

You will find nothing
<http://www.jhsph.edu/weight/>

But Medifast websites and advertising imply John Hopkins endorses and is recommending Medifast.

Good Luck TSFL newbie investors! Viva Dan Bell!

Rating : Rate it:
 ★★★★★ (2 Ratings) ☆☆☆☆☆



< Previous Message | Next Message >

View: Simple | Summary | Expanded
 As: Threaded | Message List of about 1 First | < Prev | Next > | Last

Messages in Topic

Minimum rating: What's this?

Subject	Author	Rating	Time of Post (ET)
NO FTC SAFE HARBOR ON Medifast FALSE ADVERTISING	zeeyourself	(2 Ratings)	13-Oct-09 11:05 am

Re: NO FTC SAFE HARBOR ON Medifast FALSE ADVERTISING
 Hey Zeewie!
 Once again
 ZERO proof!!
 What's new!!...

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 e.g. YHOO, ^DJI

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DidWeLoseWeight.com/medifast

[Beware of Medifasts Diet](#) - Read My Diet Story Before You Buy! Get All The Facts - Good & Bad Now.
Diet-911.com/medifast-diet-reviewed

[Sunnyvale Mom Cures Skin Wrinkles](#) - I wasted more than \$1000 before I found Two FREE Products that work.
goodbye-aging.com

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=====

Lainie Cohen

From:
Sent: Tuesday, February 16, 2010 1:25 PM
To: Lainie Cohen
Subject: Emailing: Yahoo! Message Boards - Medifast, Inc. (MED) - Medifast WEBSITES Practice False Advertising Misleading the Public Consumer

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YAHOO! FINANCE Search

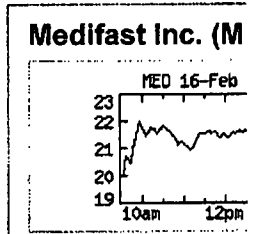
What improvements would you like in Yahoo! Finance Message Boards? Please send us feedback.

Medifast, Inc. (MED) - Quote Info Message Boards Settings
Search: Medifast, Inc. (MED) bo... in Search Advanced Search

Yahoo! Message Boards > Business & Finance > Investments > Stocks (A to Z) > Stocks M > Medifast, Inc. (MED)

View all Topics | View all Messages < Newer Topic | Older Topic > Get Message Board ADVERTI

Medifast "WEBSITES" Practice False Advertising Misleading the Public Consumer
7-Oct-09 10:34 am
Medifast "WEBSITES" Practice False Advertising Misleading the Public Consumer zesyoursself
FTC Truth in Advertising http://www.ftc.gov/bcp/edu/pubs/business...
I. SUMMARY
Certain elements undergird all deception cases. First, there must be a representation, [omission] or practice that is likely to [mislead the consumer].4 Practices that have been found misleading or deceptive in specific cases include false oral or written representations, misleading price claims, sales of hazardous or systematically defective products or services without adequate disclosures, [failure to disclose information]



At 1:09PM ET: 21.7

regarding pyramid sales], use of bait and switch techniques, failure to perform promised services, and failure to meet warranty obligations.⁵

Second, we examine the practice from the perspective of a consumer acting reasonably in the circumstances. If the representation or practice affects or is directed primarily to a particular group, the Commission examines reasonableness from the perspective of that group.

Third, the representation, omission, or practice must be a "material" one. The basic question is whether the act or practice is likely to affect the consumer's conduct or decision with regard to a product or service. If so, the practice is material, and consumer injury is likely, because consumers are likely to have chosen differently but for the deception. In many instances, materiality, and hence injury, can be presumed from the nature of the practice. In other instances, evidence of materiality may be necessary.

Thus, the Commission will find deception if there is a representation, omission or practice that is likely to mislead the consumer acting reasonably in the circumstances, to the consumer's detriment. We discuss each of these elements below.

II. THERE MUST BE A REPRESENTATION, OMISSION, OR PRACTICE THAT IS LIKELY TO MISLEAD THE CONSUMER.

Rating : Rate it:
 ★★★★★ (1 Rating) ☆☆☆☆☆
< Previous Message | Next Message >

View: Simple | Summary | Expanded
 As: Threaded | Messages 1 of about 1 First | < Prev | Next > | Last

Messages in Topic

Minimum rating: What's this?

Subject	Author	Rating	Time of Post (ET)
Medifast "WEBSITES" Practice False Advertising Mislead...	zeeyourself	(1 Rating)	7-Oct-09 10:34 am
Re: Medifast "WEBSITES" Practice False Advertising Mi... Hey	creditguy_9...	(2 Ratings)	7-Oct-09 11:03 am

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 e.g. YHOO, ^DJI

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DidWeLoseWeight.com/medifast

[My Wrinkles Melted Away](#) - Sunnyvale mom combines 2 Free products to erase wrinkles forever.
goodbye-aging.com

[Latest Medifast Deals](#) - Save \$25, \$50, even \$200 off Your Order! The Latest Medifast Coupons.
www.TheMedifastPlan.com/Deals

Peeonyourself!
Where did
Med
misrepresent?
O...

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Lainie Cohen

From:

Sent: Tuesday, February 16, 2010 1:29 PM

To: Lainie Cohen

Subject: Emailing: Yahoo! Message Boards - Medifast, Inc. (MED) - David Hamilton, Wall Street Journal writer says "Beware" of Medifast stock and diet

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ADVERTI

David Hamilton, Wall Street Journal writer says "Beware" of Medifast stock and diet

25-Sep-09 10:55 am

David Hamilton, Wall Street Journal writer says "Beware" of Medifast stock and diet

zeeyourself



47/Male Pasadena, C...

Medifast financials lack credibility and transparency.

Medifast has no credibility with FALSE ADVERTISING lying to the general public and public investors implying 20,000 doctors recommend Medifast.

View Messages

Ignore User

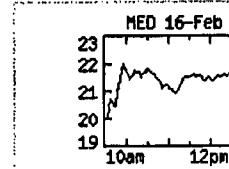
Report Abuse

The truth is there are 200 doctors recommending Medifast TODAY

and

18,800 who did since 1980 and who now do not for reasons Medifast will not disclose.

Medifast Inc. (M



At 1:12PM ET: 21.7

What David Hamilton, a 14 year veteran of Wall Street Journal says

<http://industry.bnet.com/healthcare/1000...>

Good luck TSFL newbie investors! Viva Dan Bell!

Rating : Rate it:
 ★★★★★ (2 Ratings) ☆☆☆☆☆

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Messages in Topic

Minimum rating: **1 star + unrated** What's this?

Subject	Author	Rating	Time of Post (ET)
David Hamilton, Wall Street Journal writer says "Beware..."	zeeyourself	(2 Ratings)	25-Sep-09 10:55 am
Re: David Hamilton, Wall Street Journal writer says "... Good Point and well taken. Brad claims 20,000 doc..."	springearnc...	(2 Ratings)	25-Sep-09 11:00 am

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[Beware of Medifasts Diet](#) - Read My Diet Story Before You Buy! Get All The Facts - Good & Bad Now. Diet-911.com/medifast-diet-reviewed

[My Wrinkles Melted Away](#) - Sunnyvale mom combines 2 Free products to erase wrinkles forever. goodbye-aging.com

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Lainie Cohen

From:

Sent: Tuesday, February 16, 2010 1:31 PM

To: Lainie Cohen

Subject: Emailing: Yahoo! Message Boards - Medfast, Inc. (MED) - Weight Watchers up on Karft acquisition rumor

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ADVERTI

Weight Watchers up on Karft acquisition rumor

22-Sep-09 12:12 pm

Weight Watchers (WTW) is up on a rumor circulating that Kraft (KFT) is a potential acquirer.

zeeyourself



47/Male Pasadena, C...

WTW trading at 10PE, 2.70% Div and the financials stack up with real auditors.

Medifast up on M&A back wash.

Medifast at 100PE (factor in dilution from secondary PIPE and insiders selling), no dividend, and smelly financials with no-name audit firm.

View Messages Ignore User

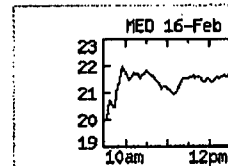
Medifast financials will not pass an M&A due diligence review and smell test.

Report Abuse

Sugar high speculation in Medifast stock and the consequences have yet to arrive.

Medifast financials do smell. Read the 10Qs and 10Ks.

Medifast Inc. (M



At 1:15PM ET: 21.8

Smelly
<http://www.youtube.com/watch?v=-5JE5KNff...>
 Good luck TSFL newbie investors! Viva Dan Bell!
Rating : **Rate it:**
 ★★★★★ (2 Ratings) ☆☆☆☆☆

Enter Symbol(s):
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Sunnyvale Mom Cures Skin Wrinkles - I wasted more than \$1000 before I found Two FREE Products that work.
goodbye-aging.com

Weight Watchers® Cheese - Choose from many flavorful cheeses. Smart choices that taste great.
www.weightwatchers.com

Messages in Topic

Minimum rating: What's this?

Subject	Author	Rating	Time of Post (ET)
Weight Watchers up on Karft acquisition rumor	zeeyourself	(2 Ratings)	22-Sep-09 12:12 pm
Re: Weight Watchers up on Karft acquisition rumor The LOSER peeyourself is back in town with his BS ...	creditguy_9...	(2 Ratings)	22-Sep-09 12:42 pm

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JS 44 (Rev. 12/07)

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I. (a) PLAINTIFFS

MEDIFAST, INC. and BRADLEY MacDONALD

DEFENDANTS

FILED
BARRY MINKOW; FRAUD-DISCOVERY INSTITUTE, INC.; ROBERT L. FITZPATRICK; TRACY COENEN; SEQUENCE, INC.; ~~WILLIAM EBBEL~~; iBUSINESS REPORTING; ZEEYOURSELF

County of Residence of First Listed Plaintiff Baltimore
(EXCEPT IN U.S. PLAINTIFF CASES)

County of Residence of First Listed Defendant San Diego
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.

Attorneys (If Known)

'10 CV 0382

JLS WMc

(c) Attorney's (Firm Name, Address, and Telephone Number)

Michael I. Neil, Esq SBN 40057
Neil, Dymott, Frank, McNeil & Trexler
1010 Second Avenue, Suite 2500
San Diego, CA 92101
(619) 238-1712

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff
 2 U.S. Government Defendant
 3 Federal Question (U.S. Government Not a Party)
 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- | | | | | | |
|---|---------------------------------------|---------------------------------------|---|---------------------------------------|---------------------------------------|
| | PTF | DEF | | PTF | DEF |
| Citizen of This State | <input type="checkbox"/> 1 | <input checked="" type="checkbox"/> 1 | Incorporated or Principal Place of Business In This State | <input type="checkbox"/> 4 | <input checked="" type="checkbox"/> 4 |
| Citizen of Another State | <input checked="" type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business In Another State | <input checked="" type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

IV. NATURE OF SUIT (Place an "X" in One Box Only)

CONTRACT	PERSONAL INJURY	PERSONAL INJURY	PROPERTY/REALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	<input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input checked="" type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury	<input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 463 Habcas Corpus - Alien Detainee <input type="checkbox"/> 465 Other Immigration Actions	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS - Third Party 26 USC 7609	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 810 Selective Service <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Acts <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes
REAL PROPERTY	CIVIL RIGHTS	CRIMINAL MATTERS	INVESTIGATION	SOCIAL SECURITY	FEDERAL TAX SUIT
<input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 Amer. w/Disabilities Employment <input type="checkbox"/> 446 Amer. w/Disabilities Other <input type="checkbox"/> 440 Other Civil Rights	<input type="checkbox"/> 510 Motion to Vacate Sentence <input type="checkbox"/> Habeas Corpus: <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition	<input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 463 Habcas Corpus - Alien Detainee <input type="checkbox"/> 465 Other Immigration Actions	<input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS - Third Party 26 USC 7609	<input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS - Third Party 26 USC 7609

V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding
 2 Removed from State Court
 3 Remanded from Appellate Court
 4 Reinstated or Reopened
 5 Transferred from another district (specify)
 6 Multidistrict Litigation
 7 Appeal to District Judge from Magistrate Judgment

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):
 Diversity jurisdiction under 28 U.S.C. § 1332

Brief description of cause:
 Defamation and violations of California law

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23
 DEMAND \$ 270,000,000.00 CHECK YES only if demanded in complaint.
 JURY DEMAND: Yes No

VIII. RELATED CASE(S) IF ANY

(See instructions): JUDGE _____ DOCKET NUMBER _____

DATE

February 17, 2010

SIGNATURE OF ATTORNEY OF RECORD

Michael I. Neil

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RECEIPT #

10313

AMOUNT

\$350

APPLYING IFP

JUDGE

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MB 02-17-10

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For: MEDIFAST V MINKOW
Case/Party: D-CAS-3-10-CV-000382-001
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Check/Money Order Num: 106989
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