



Fraud Discovery Institute Blasts Medifast Inc., Says Record First Quarter Sales Attributed to Well-disguised and Cleverly-concealed Pyramid Scheme

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

For Immediate Release

SAN DIEGO/EWORLDWIRE/May 21, 2009 --- In a surprise move, the company known for its outspoken criticism of the direct selling industry, the Fraud Discovery Institute Inc. (FDI) (<http://www.frauddiscovery.net>) today released a report portraying direct seller Avon Products Inc. in a positive light .

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

Some of the points Fitzpatrick made included:

. Downlines are limited to 3 levels of recruiters at Avon. Medifast has 10 levels of downline recruiters. This is a huge distinction. It limits the potential for "kingpins" to develop that can control the business. It forces retail sales, since no one could make a lot of money merely on the personal purchases of a vast downline.

. The upline people receive a shrinking percentage of each sale as they rise in rank. At Medifast, the upper levels get an increasingly larger piece of each sale. An upliner who is five levels away from the sale can receive more on the sale than the person who actually makes the sale. At Avon, one makes more only if total sales volume grows.

. Avon does not link the value of its product to making money from selling it. Medifast claims that success in losing weight includes having financial security and then offers its own sales representatives work as the way to achieve that security. At Medifast, endless chain recruiting becomes what one sells - the central focus.

"So the big question remains, 'How does Medifast hit record earnings?'" asked Barry Minkow, co-founder of the Fraud Discovery Institute Inc. "The key is all in what they do not say - like how many of their 'coaches' fail and quit within one year's time, or how much the average 'coach' earns annually, or how much of these record sales come simply from the personal use of the 'coaches.' This is information that any reasonable person is entitled to know before jumping into a business opportunity."

While Medifast falls far short of Avon, the company does compare well with the recently prosecuted multi-level marketing company YTB Travel, which, according to the California Attorney General, must as of July 1, 2009, disclose to all prospects several items including the average income of potential business-building recruits - including expenses against that income, and the amount of money earned by the average person who joins to build a business.

To emphasize the seriousness of the material non-disclosures, the Fraud Discovery Institute Inc. created a Web site especially for Medifast (<http://www.medifraud.net>), where various documents are posted to corroborate these assertions.

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

To learn more, contact Barry Minkow at 888-300-8307 or visit FraudDiscovery.net

('http://www.frauddiscovery.net').

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