



Dear Editor,

Medifast, Inc. wants to set the record straight regarding the unbalanced and off-times inaccurate story you ran on our company in the Sept. 4, 2006 edition.

Barron's virtually ignored the great turnaround of Medifast and its stellar financial performance since 1999. For almost seven years now Medifast has increased revenues and profits, improved the company's balance sheet, and generated more cash flow to fund the company's growth.

Instead of sharing with your readers how such a turnaround was accomplished, Barron's chose to provide its readers with a misleading analysis that omitted key information and manipulated out of context facts – ultimately obscuring the larger, quite positive picture.

Although we take issue with much of the article, below are four key issues we want to clarify:

1. Quality Leadership at Medifast:

The article outlines the Company's Board of Directors and key management as family and friends, but fails to mention their unique skill sets and superb academic and business qualifications. The fact that the Directors of Medifast have added countless resources and contacts to the company that are directly responsible for the company's financial turnaround are lost in the article. Also lost is the fact that this Board of Directors improved the market value of the company in seven years from \$1.5 million to over \$100 million today.

The article explains that Chairman Brad MacDonald served in the Marine Corps for over 27 years without any discussion of his distinguished sales and marketing career at Carnation Company, Andrew Jergens Company, The Bonneau Sunglass Company, Pennsylvania Optical, and MacDonald & Associates as a turnaround expert with small companies like the Pangburn Candy Company. Interestingly, no mention is made of the fact that MacDonald was recently selected by Ernst & Young as Entrepreneur of the Year for Maryland based on his audited contributions to the Medifast business since 1999.

2. Medifast is Clinically Proven:

The article quotes researchers who have questions about one of Medifast's most recent clinical studies. However, the article doesn't mention that the principle examiner on the study, Dr. Lawrence Cheskin of Johns Hopkins University is a distinguished medical practitioner, researcher and teacher in the study of obesity in the U.S. who is well published and has conducted numerous studies for many governmental agencies and pharmaceutical companies in the last 20 years.

Additionally, the article states that researchers who reviewed the abstract say the test group was too small to offer convincing evidence. Prior to publication, Medifast provided your reporter with additional comments that researchers had also included an "intention to treat

analysis” on the study which further validated the results of Medifast as compared to the American Diabetes Association (ADA) standard diet and would be included in the full study publication. However, this also was left out of the article.

Another jab that Barron’s takes is that the full article on the study has not been published yet. The abstract on the most recent clinical study on the Diabetic population was presented at the American Diabetes Association’s 65th Annual Scientific Session in June 2005 where it was reviewed and published for thousands of Physicians and Medical Practitioners.

It is common that the process of publication in a major medical journal can take months or years. However, the company may derive claims on the data prior to publication in a journal just as it may derive claims from unpublished retrospective data or other data on file in its clinics. In this case, researchers choose to communicate the data first at the national ADA meeting prior to pursuing publication in a major journal, which is pending within the year.

3. Appropriate Insider Selling:

The article depicts insider selling as “heavy,” when this simply is not a realistic view. Medifast has relied on stock options and grants to retain and motivate its key executives and board members since Medifast’s executive cash compensation is among the more conservative for the industry. Medifast believes that executives and the board have the right to diversify their holdings of Medifast stock into cash, as it is an integral part of their compensation. Shareholders have been served well with this compensation philosophy.

In 2006, MacDonald sold 195,000 shares of stock in his individual retirement account (IRA). MacDonald’s base salary has remained the same for over three years and today the MacDonald family still retains over one million shares of Medifast stock and is the single largest shareholder of the company.

4. Medifast CAC is Lower than Industry Competitors:

The article discusses a rise in Medifast’s CAC during Q1 to \$125 million as cause for concern. Once again, your reporter has it wrong. Our CAC for Q1 was \$125 per customer, not \$125 million cumulatively for the quarter.

The fact is that our CAC numbers compare very favorably to our industry competitors who regularly are in the \$145-155 range. Last year our CAC was \$135. Our average CAC for the first half of this year has been \$137.50.

Every day we receive “thank yous” from our customers who appreciate our commitment to providing them with clinically proven products and superior service and education. We are disappointed that Barron’s chose to publish an inappropriately one-sided and misleading article that ignores our positive points of distinction and our strong recent track record. We believe your readers deserve better.

Sincerely,

Michael S. McDevitt
President and CFO