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Barry Minkow
FRAUD DISCOVERY INSTITUTE
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San Diego, CA 92131
BY FAX (858) 547-6359

June 7, 2009

Re: Medifast, Inc.; Bagell Josephs
Levine & Company, LLC

CONFIDENTIAL—ATTORNEY/CLIENT PRIVILEGE

Dear Mr. Minkow:

You have requested that I review the adequacy of disclosures made by Medifast, Inc. (“MED”) regarding its Take Shape for Life (“Shape”) distribution channel and of activities that may have been engaged in by its independent auditor, Bagell, Josephs, Levine & Company, LLC (“BJL”).

I have practiced securities law since 1982 as a trial attorney for the Division of Enforcement of the United States Securities and Exchange Commission; General Counsel for three nationwide securities broker-dealers; Financial Advisor for a major wirehouse; testified as an expert witness on federal and state securities laws, the rules and regulations of the securities industry; among other relevant experience.

MED is listed on the New York Stock Exchange and headquartered in Owings Mill, MD. It is engaged in the production, distribution and sale of weight management, disease management products and other consumable health and diet products. Included in its distribution channels is Shape which, according to MED's 10K for FY '08, accounted for 47% of MED's total revenues of 105.4 million dollars for that year. This 47% amount was an increase of 79% year over year according to that same 10K.

BJL is a firm of certified public accountants headquartered in Marlton, NJ. Its managing partner, Carl H. Bagell, is also a principal of an affiliate firm, B JL Wealth Management LLC which offers investment advisory services to clients. B JL has acted as MED's independent auditor for, at least, the past three fiscal years. MED paid B JL approximately \$200,000 in FY '06, \$229,000 in FY '07 and \$183,000 in FY '08 for services rendered as MED's independent auditor in those years.

As a result of the market collapse in 1929, Congress determined that the then-existing standard of caveat emptor (or “buyer beware”) concerning disclosure of facts in the offer,

purchase or sale of a security be abandoned in favor of a new statutory standard of full and continuing disclosure. It therefore adopted the Securities Act of 1933, as amended, to require full disclosure of facts in the initial offer, purchase or sale of a security. It also adopted the Securities and Exchange Act of 1934, as amended, which requires full and continuing disclosure of facts through a periodic reporting system. The United States Supreme Court has determined what facts should be disclosed. For example, In *Basic Inc. v. Levinson*, 485 U.S. 224 (1988), citing *TSC Industries, Inc. v. Northway, Inc.*, 426 U.S. 438 (1976), the Court held that all material facts must be disclosed. A represented or omitted fact is material, according to the Court, if there is a substantial likelihood that a reasonable investor would view the represented or omitted fact as having significantly altered the total mix of information made available to them. Should there be a determination that a material fact was misrepresented or omitted to be disclosed, then anti-fraud provisions such as those contained in Section 10(b) and Rule 10(b)-5 promulgated there under of the Securities Exchange Act of 1934, as amended, may well come into play.

Emphasizing the need for full and complete disclosure of all material facts, Congress enacted the Sarbanes-Oxley Act of 2002. As part of that Act, the Public Company Accounting Oversight Board (“PCAOB”) was created which imposed additional requirements of disclosure and internal controls upon firms who prepare financial statements for publicly held companies, among other requirements. I note that the PCAOB inspected BJI and issued a report dated June 19, 2008 which included a determination by PCAOB that BJI had audit deficiencies relating to three of six issuers. Specifically, PCAOB's inspection team found deficiencies of “such significance that it appeared to the inspection team that [BJI] did not obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements.” See PCAOB Release No. 104-2008-097, pages 3 and 4.

To ensure the fairness of an issuer's financial statements, the independent auditor must truly be independent. In this regard, the Office of the Chief Accountant of the United States Securities and Exchange Commission (“SEC”) has determined that, in reviewing whether an auditor is truly independent, the following criteria must be addressed by the issuer's audit committee: whether the relationship of the auditor creates a mutual or conflicting interest with their audit client; places them in a position of auditing their own work; results in their acting as management or an employee of the audit client; or, places them in a position of being an advocate for the audit client. Moreover, the SEC has implemented Rule 2(e) which allows the SEC, through its Office of Chief Accountant and its Division of Enforcement, to impose discipline upon attorneys and accountants who represent publicly held companies. In a Rule 2(e) disciplinary proceeding, the SEC looks to the character, integrity and qualifications of the professional; disclosures made

by the professional; whether the professional has engaged in unethical or improper conduct; or, whether the professional has willfully violated or aided and abetted violations of the federal securities laws or any rules or regulations promulgated there under. Rule 2(e) is designed to protect the public and the integrity of the SEC's own processes, including determining whether an auditor is truly independent so as to not give investors the view that the auditor is an advocate for the for the corporate client in which case the value of the audit function might well be lost.

It is your belief that B JL, through its affiliate B JL Wealth Management LLC, is recommending MED stock to its clients. This is confirmed by your operative who spoke to Bagell Josephs Levine on June 1, 2009. In that conversation, your operative recalls speaking to an individual named Charles. In an earlier conversation on May 28/29, 2009, your operative spoke to an individual named Faith. Faith confirmed to your operative that clients could buy MED stock through B JL Wealth Management, LLC. If this indeed is the case, then B JL's independence as an independent auditor can be questioned. It is critical to determine whether MED has any knowledge of such conduct; whether full and complete disclosure is being made of such conduct; whether there is any undisclosed compensation arrangement between MED and B JL (inasmuch as the annual audit fees received by B JL from MED appear to be low for a company with the market cap of MED); among other relevant areas of inquiry. If such conduct is indeed occurring, then it would appear that B JL's independence as MED's outside auditor has been compromised. If so, then B JL may well be subject to an appropriate Rule 2(e) disciplinary proceeding by the SEC as well as the anti-fraud provisions of the Securities and Exchange Act of 1934, as amended, and may be subject to appropriate other remedies.

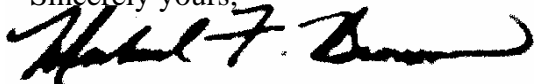
Among the facts which you have presented to me which you feel should be disclosed by MED concerning Shape are the following: total number of representatives at the end of the reporting period in each level of the sales structure; total number of representatives recruited or promoted into each level of sales structure during the reporting period; percentage of all representatives in each level of sales structure at the end of the reporting period; percentage of all representatives in the sales structure that received a payment during the reporting period; the mean/median average income of representatives in each level of the sales structure; the percentage of total commissions paid to each level of the sales structure; percentages of purchases by representatives that were retailed to the general public; and, estimated average business costs per year of sales per sales representatives per month, for those receiving payments.

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Given the material significance of Shape's performance as a sales distribution channel of MED (see above), I believe that a reasonable investor would view such facts as material and therefore should be disclosed pursuant to the standard of disclosure required by the above-cited decisions of the U.S. Supreme Court, at least.

I realize that the investigation by the Fraud Discovery Institute into MED and BJI is continuing. I also realize that MED and BJI may have responses that may require consideration. Therefore, the views contained in this letter are subject to reconsideration as relevant facts are developed.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Michael F. Brown". The signature is written in a cursive style with a large, sweeping flourish at the end.

Michael F. Brown, Esq.