

NOTICE TO SHAREHOLDERS

January 24, 2012

As was described in the proxy statement for our 2011 Annual Meeting of Shareholders, the Board of Directors of Medafor has adopted provision in our Bylaws that will affect the procedure by which shareholders may nominate directors or raise proposals to be voted on at our 2012 Annual Meeting of Shareholders and future shareholder meetings. The "Nominations and Shareholder Business" provision, attached to this Notice as Appendix A, requires shareholders who offer nominations or proposals to comply with certain procedural requirements intended to ensure that shareholders have sufficient information to make an informed choice when they cast their ballots and to allow the Board time to address such nominations or proposals prior to the shareholder meeting.

Shareholders wishing to nominate director candidates or raise a shareholder proposal must provide notice to Medafor at least 90 days, but not more than 120 days, prior to the anniversary of the previous annual meeting. Since the 2011 Annual Meeting of Shareholders was held on June 29, 2011, notice of nominations or proposals for the 2012 Annual Meeting must be received by Medafor between March 1, 2012 and March 31, 2012. If not received within that time period, nominations or other proposals from shareholders will not be eligible for consideration at the 2012 Annual Meeting of Shareholders.

Before providing us with notice of a nomination or proposal, shareholders should carefully review the full text of the new provision to determine the information that must be included in the notice. To summarize briefly, the shareholder's notice to Medafor must either provide (i) for director nominations, a description of the nominee and their experience and relationship with Medafor and the nominating shareholder or (ii) for other proposals, a description of the proposal being offered and any interest the shareholder has in such proposal. In addition, the notice must provide information about the shareholder's ownership of Medafor stock and any rights or agreements the shareholder has with respect to Medafor's business or securities.

Shareholders with questions about these procedures should feel free to contact either me or Jon Freeman, our Chief Financial Officer.

Sincerely,

Gary J. Shope
Chief Executive Officer

Appendix A

2.8) Nominations and Shareholder Business.

(a) Nominations of persons for election to the Board of Directors of the corporation and the proposal of business other than nominations to be considered by the shareholders at a regular meeting may be made (i) by or at the direction of the Board of Directors, or (ii) by any shareholder of the corporation who is a shareholder of record at the time of giving the notice provided for in paragraphs (b) and (c) of this section, who is entitled to vote at the meeting, and who complies with the notice procedures set forth in this Section 2.8.

(b) A shareholder properly may bring nominations or other business before a regular meeting of shareholders only if the shareholder shall have given timely notice thereof in writing to the Secretary of the corporation setting forth the information required by paragraph (c) of this section, and such other business must be a proper subject for shareholder action under the Minnesota Business Corporation Law. To be timely, a shareholder's notice shall have been delivered to the Secretary at the principal executive offices of the corporation not later than 90 days nor earlier than 120 days prior to the first anniversary of the date on which the corporation held its previous regular meeting; provided, however, that in the event that the date of the regular meeting is advanced by more than 30 days or delayed (other than as a result of adjournment) by more than 30 days from the first anniversary of the previous year's regular meeting, notice by the shareholder to be timely must be delivered by the later of 90 days prior to such regular meeting or 10 days following the date on which notice of the regular meeting date was provided to shareholders. In no event shall an adjournment or postponement of a regular meeting commence a new time period (or extend the time period) for the giving of shareholder notice as described above.

(c) Such shareholder's notice shall set forth and include:

- (i) as to each person whom the shareholder proposes to nominate for election or reelection as a director (A) the full name and address of the nominee, the age of the nominee, a five-year business history of the nominee, any securities of the corporation held (beneficially or of record) by the nominee, the nominee's other board memberships, a description of any business transactions between the nominee or entities in which the nominee has a financial interest and the corporation, (B) a completed copy of a questionnaire provided by the corporation for nominees for election to the Board of Directors, (C) written representation in a form provided by the corporation that such person does not have, nor will they have, any undisclosed voting commitments or other arrangements with respect to their actions as a director, and (D) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected;
- (ii) as to any other business that the shareholder proposes to bring before the meeting, (A) a brief description of the business desired to be brought before

the meeting, (B) the reasons for conducting such business at the meeting, and (C) a description of any substantial interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made;

- (iii) as to the shareholder giving the notice or, if the notice is given on behalf of a beneficial owner on whose behalf the nomination or proposal is made, as to such beneficial owner (A)(1) the number of shares of stock of the corporation which are beneficially owned by such shareholder or beneficial owner as of the date of the notice and by each associate of the shareholder or beneficial owner as of the date of the notice, (2) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the corporation or with a value derived in whole or in part from the value of any class or series of shares of the corporation, whether or not such instrument or right shall be subject to a settlement in the underlying class or series of capital stock of the corporation or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by such shareholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the corporation, (3) any proxy, contract, arrangement, understanding, or relationship pursuant to which such shareholder has a right to vote any shares of any security of the corporation, (4) any short interest in any security of the corporation (for purposes of this Bylaw, a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of a the subject security), (5) any rights to dividends on the shares of the corporation owned beneficially by such shareholder that are separated or separable from the underlying shares of the corporation, (6) any proportionate interest in shares of the corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such shareholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, and (7) any performance-related fees (other than an asset-based fee) that such shareholder is entitled to based on any increase or decrease in the value of shares of the corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such shareholder's immediate family sharing the same household (which information shall be supplemented by such shareholder and beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such ownership as of the record date), (B) a description of any agreement, arrangement or understanding (whether or not in writing) with respect to the nomination or other business between or among such shareholder or beneficial owner and any other person and a representation that the shareholder will notify the corporation in writing

within 5 business days after the record date for such meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting, (C) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such shareholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K of the Securities and Exchange Commission's rules and regulations as if the shareholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant, (D) a description of any agreement, arrangement or understanding (whether or not in writing) between or among such shareholder or beneficial owner and any other person relating to acquiring, holding, voting or disposing of any shares of stock of the corporation, including the number of shares that are the subject of such agreement, arrangement or understanding, and a representation that the shareholder will notify the corporation in writing within 5 business days after the record date for such meeting of any such agreement, arrangement or understanding; and

- (iv) as to the shareholder giving the notice and the beneficial owners, if any, on whose behalf the nomination or proposal is made, such shareholder's and beneficial owner's written consent to the public disclosure of information provided pursuant to this paragraph (c).

(d) Any shareholder or shareholders eligible to call a special meeting of shareholders shall, in addition to any requirements of law, provide with the demand for a special meeting of shareholders the information required by paragraph (c) of this Section 2.8.