

MEDIFAST INC  
Form DEF 14A  
July 28, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Medifast, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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**MEDIFAST, Inc.**

To our Stockholders:

You are cordially invited to attend our 2008 Annual Meeting of Stockholders on Thursday, September 18, 2008. This meeting will be held at 10:00 a.m., Eastern Standard Time, at the Medifast, Inc. headquarters located at 11445 Cronhill Drive, Owings Mills, MD 21117. During the meeting, we will discuss each item of business described in the accompanying Notice of Annual Meeting and Proxy Statement, update you on important developments in our business and respond to any questions that you may have about us.

Information about the matters to be acted on at the meeting is contained in the accompanying Notice of Annual Meeting and Proxy Statement.

I would like to take this opportunity to remind you that your vote is very important. Please take a moment now to cast your vote in accordance with the instructions set forth on the enclosed proxy card. In addition, if you would like to attend the meeting in person, please see the admission instructions set forth in the Notice of Annual Meeting of Stockholders accompanying this letter and on the enclosed proxy card.

I look forward to  
seeing you at the  
meeting.  
Best regards,

Bradley T.  
MacDonald  
Chairman of the  
Board

**Medifast Inc.**  
**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**  
**To Be Held Thursday, September 18, 2008**

To the Shareholders:

NOTICE IS HEREBY GIVEN that the 2008 Annual General Meeting of Shareholders of Medifast Inc., a Delaware Corporation, or the Company, will be held on Thursday, September 18, 2008 at 10:00 a.m., Eastern Standard Time, at the Medifast, Inc. headquarters, 11445 Cronhill Drive, Owings Mills, MD 21117 for the following purposes:

- 1a. Elect four Class II directors for a three year term ending in 2011;
- 1b. Elect three directors to a one year term ending in 2009;
2. Ratify the appointment of the Company's independent registered public accountants for fiscal 2008;
3. Act upon such other matters as may properly come before the meeting.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only shareholders of record at the close of business on July 25, 2008, are entitled to notice of and to vote at the meeting and any subsequent adjournment(s) or postponement(s) of the meeting.

All shareholders are cordially invited to attend the meeting in person. **However, to assure your representation at the meeting, you are urged to mark, sign, date and return the enclosed proxy card as promptly as possible.** Shareholders attending the meeting may vote in person even if they have returned a proxy card.

By Order of the  
Board of  
Directors,

Bradley T.  
MacDonald  
Chairman of the  
Board

Owings Mills, MD  
July 28, 2008

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## THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

### Information Concerning Solicitation and Voting

**Place, Time and Date of Meeting.** This Proxy Statement is being furnished to the Company's shareholders in connection with the solicitation of proxies on behalf of our Board of Directors for use at the Meeting to be held on Thursday, September 18, 2008, at 10:00 a.m., Eastern Standard Time, and at any subsequent adjournment(s) or postponement(s) of the Meeting, for the purposes set forth herein and in the accompanying Notice of Annual General Meeting of Shareholders. The Meeting will be held at the Medifast, Inc. headquarters, 11445 Cronhill Drive, Owings Mills, MD 21117.

**Record Date and Voting Securities.** Only shareholders of record at the close of business on July 25, 2008, or the Record Date, are entitled to notice of and to vote at the Meeting. The Company has one series of Common Shares outstanding. As of July 25, 2008, 13,848,876 Common Shares were issued and outstanding and held of record by 208 registered holders.

**Voting.** Each shareholder is entitled to one vote for each Common Share held on the Record Date on all matters submitted for consideration at the Meeting. A quorum, representing the holders of not less than a majority of the issued and outstanding Common Shares entitled to vote at the Meeting, must be present in person or by proxy at the Meeting for the transaction of business. Common Shares that reflect abstentions are treated as Common Shares that are present and entitled to vote for the purposes of establishing a quorum and for purposes of determining the outcome of any matter submitted to the shareholders for a vote. Each issued and outstanding share of common stock entitles the holder to one vote. Directors are elected by a plurality vote of shares present at the meeting, meaning that the director nominee with the most affirmative votes for a particular slot is elected for that slot. In an uncontested election of directors, the plurality requirement is not a factor. The holders of common stock are not entitled to cumulate their votes in the election of directors. Abstentions will not count as votes cast and will have no effect on the outcome of this proposal. We expect that brokers will be entitled to vote on this proposal, but any broker non-vote will have no effect on the outcome of the proposal.

The Company is not aware of any matter, other than as referred to in this proxy statement, to be presented at the meeting.

**Revocability of Proxies.** Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by either (a) delivering to the Corporate Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date or (b) attending the Meeting and voting in person.

**Solicitation Expenses.** This solicitation of proxies is made by the Board of Directors and all related costs will be borne by the Company. Proxies may be solicited by certain of our directors, officers and regular employees, without additional compensation, in person, by telephone, facsimile or electronic mail. Except as described above, we do not presently intend to solicit proxies other than by mail. We will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to the beneficial owners of Common Shares.

This Proxy Statement contains summaries of certain documents, but you are urged to read the documents themselves for the complete information. The summaries are qualified in their entirety by reference to the complete text of the document. In the event that any of the terms, conditions or other provisions of any such document is inconsistent with or contrary to the description or terms in this Proxy Statement, such document will control. Each of these documents, as well as those documents referenced in this Proxy Statement as being available in print upon request, are available upon request to the Company by following the procedures described under "Annual Report, Financial and Additional Information."



**PROPOSAL 1:**

**THE ELECTION OF DIRECTORS**

The number of directors in each class is determined by the Board of Directors and consists of as nearly equal a number of directors as possible. These directors are classified as Class I, Class II and Class III. The term of Class I Directors will expire in 2010. The term of Class II Directors that is up for re-election is up for a three-year term ending in 2011. The term for Class III Directors will expire in 2009.

The table below sets forth the name of each Class of director nominated. The nominees for Class II directors are to be voted at the Meeting. The Board of Directors has nominated; Michael C. MacDonald, Margaret E. MacDonald-Sheetz, Dennis M. McCarthy, and Michael S. McDevitt for election as Class II directors to serve three-year terms expiring at the 2011 annual general meeting. The Board has also nominated Barry B. Bondroff, CPA, Jeannette M. Mills and Mary T. Travis, to one year terms and it is intended that they will be nominated as class III directors in 2009. Each nominee has consented to be named as a nominee and, to the present knowledge of the Company, is willing to serve as a director, if elected. Should any of the nominees not remain a nominee at the end of the meeting (a situation which is not anticipated), solicited proxies will be voted in favor of those who remain as nominees and may be voted for substitute nominees. Unless contrary instructions are given on the proxy, the shares represented by a properly executed proxy will be voted "FOR" the election of nominated Barry B. Bondroff, Michael C. MacDonald, Margaret E. MacDonald-Sheetz, Dennis M. McCarthy, Michael S. McDevitt, Jeannette M. Mills and Mary T. Travis.

The Company did not receive any shareholder nominations for director.

The table below sets forth information about the seven nominees and the directors whose terms of office continue beyond the Meeting.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" MESSRS. Barry B. Bondroff, Michael C. MacDonald, Margaret E. MacDonald-Sheetz, Dennis M. McCarthy, Michael S. McDevitt, Jeannette M. Mills and Mary T. Travis.**

## NOMINEES

Name and Experience	Class	Director Since
<p><b>Michael C. MacDonald</b>, age 54, is president of global accounts and marketing operations for Xerox Corporation, Stamford, Conn. He was named to this position in October 2004 and was appointed as corporate senior vice president in July 2000. Mr. MacDonald is responsible for directing the company's largest global accounts, improving the customer experience, corporate marketing, xerox.com, advertising, worldwide public relations and marketing communications. Most recently, Mr. MacDonald was president of the North American Solutions Group responsible for all products, services and solutions sold by Xerox direct sales force in the United States and Canada. Prior to that, he served as the group's senior vice president of marketing and chief of staff. Mr. MacDonald is on the board of directors of the Rochester Institute of Technology, PAETEC, and the Jimmy V Foundation. He is also a board member of the CMO Council North American Advisory Board. Mr. MacDonald completed the Executive Business and Management programs at Columbia University in 1992 and the International Senior Management Program at Harvard University in 1998.</p>	II	1998
<p><b>Margaret MacDonald-Sheetz</b>, age 31, joined Medifast in 2000 as the Director of Sales and Administration. In 2002, she was promoted to VP of Operations and in 2004 promoted to Senior VP of Operations. In May of 2006, Ms. MacDonald received an Executive MBA from Loyola University. In March 2007, she was promoted to President and Chief Operating Officer of Medifast Inc.</p>	II	2008
<p><b>Dennis M. McCarthy</b>, age 63, practiced law for 21 years as a civil litigator in tort and contract cases. He was the founding member and managing partner of a Columbus, Ohio based law firm. Additionally, he served active duty in the U.S. Marine Corps for 23 years and served 18 years in reserve service. Mr. McCarthy retired from the Marine Corps in 2005 in the grade of Lieutenant General after four years in command of all Marine Reserve forces. Mr. McCarthy is currently the Executive Director of the Reserve Officers Association, a congressionally chartered association devoted to national defense. In addition to Medifast, he is a member of the Board of Directors of Rivada Networks.</p>	II	2006
<p><b>Michael S. McDevitt</b>, age 30, joined Medifast in 2002 as the Controller and was promoted to Vice President of Finance in January 2004. In March 2005, he was promoted to President and in January of 2006 was also named Chief Financial Officer. In March of 2007, Mr. McDevitt was promoted to Chief Executive Officer of the Company. Prior to joining Medifast, Mr. McDevitt worked as a Financial Analyst for the Blackstone Group, an investment advisory firm based in New York, NY.</p>	II	2007
<p><b>Barry B. Bondroff, CPA</b>, age 59, is an officer and director with Gorfine, Schiller &amp; Gardyn, PA, a full-service certified public accounting firm offering a wide range of accounting and consulting services. Previously, he was a Senior Managing Director with SMART, which merged with Gorfine, Schiller &amp; Gardyn in July 2008. Bondroff brings over 35 years of experience providing companies of all sizes and industries with practical and cost-effective accounting, assurance, tax, business, technology and financial advisory services. Prior to managing SMART, Bondroff was the Managing Partner for Grabush, Newman &amp; Co., P.A., which combined with SMART in May 2003.</p>		2008

Bondroff began his career with Grabush Newman in 1970, and in 1976 became Officer and was promoted to Managing Partner in 1982. He earned his Bachelor of Science degree in Accounting from the University of Baltimore. Additionally, Bondroff serves on the Board of Directors for the publicly traded First Mariner Bank of Maryland, a NASDAQ listed SEC registrant. He is active with First Mariner serving on the Executive Committee, Loan Committee, Audit Committee and as Chairman of the Compensation Committee. In addition to his professional affiliations, Bondroff served on the Executive Committee for Israel Bonds and was a Director of Cycle Across Maryland. He has served the National Jewish Medical and Research Center, the Jewish Center for Business Development and has assisted the Baltimore Symphony Orchestra in its fundraising efforts. In addition, Barry was a past President and Treasurer of the Edward A. Meyerberg Northwest Senior Center, and also served as a Member of the Board of Directors for the Levindale Hebrew Geriatric Center and Hospital.

**Jeannette M. Mills**, age 41, currently serving as senior vice president with the Baltimore Gas and Electric Company. A Baltimore, Md. native, Mills earned her Bachelor of Science in Electrical Engineering from Virginia Polytechnic Institute, where she currently serves on the Advisory Board of the Bradley Department of Electrical and Computer Engineering. In 2006, Mills earned her Masters of Business Administration from Loyola College. Ms. Mills also works in the community includes serving as Chair of the Board of Directors for Voices for Children, Howard County's Court Appointed Special Advocate Program. Additionally, she serves on the Board of the Creative Alliance, a Program that builds communities by bringing together artists and audiences from diverse backgrounds to experience spectacular arts programs and engage in the creative process.

2008

**Mary T. Travis**, age 56, is currently employed with Eagle National Bank in Pennsylvania as the Senior Vice President of wholesale operations and was formerly the Vice President of operations for the Financial Mortgage Corporation. Mrs. Travis is an expert in mortgage banking with over 39 years of diversified experience. She is an approved instructor of the Mortgage Bankers Association Accredited School of Mortgage Banking. Mrs. Travis was also formally a delegate and 2nd Vice President of the Mortgage Bankers Association of Greater Philadelphia and the Board of Governors of the State of Pennsylvania. Mrs. Travis is currently on Board of Governors of the Mortgage Bankers Association of Greater Philadelphia.

2002

### CONTINUING DIRECTORS

Name and Experience	Class	Director Since
<p><b>Donald F. Reilly, OSA</b> , age 60, holds a Doctorate in Ministry (Counseling) from New York Theological and an M.A. from Washington Theological Union as well as a B.A. from Villanova University. Reverend Donald F. Reilly was ordained a priest in 1974. His assignments included Associate Pastor, Pastor at St. Denis, Havertown, Pennsylvania, Professor at Villanova University, Personnel Director of the Augustinian Province of St. Thomas of Villanova, Provincial Counselor, Founder of SILOAM Ministries where he ministers and counsels HIV/AIDS patients and caregivers. He is currently on the Board of Directors of Villanova University, and is Board Member of Prayer Power. Fr. Reilly was recently re-elected Provincial of the Augustinian Order at Villanova, PA. He oversees more than 220 Augustinian Friars and their service to the Church, teaching at universities and high schools, ministering to parishes, serving as chaplain in the Armed Forces and hospitals, ministering to AIDS victims, and serving missions in Japan and South America.</p>	I	1998
<p><b>Bradley T. MacDonald</b>, age 60, is the Chairman of the Board of Medifast, Inc. Mr. MacDonald has been Chairman of the Board of Medifast, Inc. since January 1998 and was also Chief Executive officer until March of 2007. He was the principal architect of the turnaround of Medifast and formulated the “Direct to Consumer” business models that are the primary drivers of Revenue to this day. He also was the co-founder of Take Shape for Life and acquired the Clinic operations in 2002. During his time as CEO, he managed the company to 29 consecutive quarters of profits and improved shareholders equity from negative \$4 million to over \$27 million in less than seven years. He also increased the Company’s market cap from less than \$1 million to over \$100 million and listed the company on the NYSE. In 2006, Mr. MacDonald received the prestigious and audited Ernst and Young award of “Entrepreneur of the Year” for the state of Maryland in the consumer products category. Also, he helped lead the Company to national recognition in Forbes Magazine ranking Medifast 28 th of the top 200 small companies in America. Mr. MacDonald was previously employed by the Company as its Chief Executive Officer from September 1996 to August 1997. From 1991 through 1994, Colonel MacDonald returned to active duty to be Deputy Director and Chief Financial Officer of the Retail, Food, Hospitality and Recreation Businesses for the United States Marine Corps. Prior thereto, Mr. MacDonald served as Chief Operating Officer of the Bonneau Sunglass Company, President of Pennsylvania Optical Co., Chairman and CEO of MacDonald and Associates, which had major financial interests in retail drug, consumer candy, and pilot sunglass companies. Mr. MacDonald was national president</p>	I	1996

of the Marine Corps Reserve Officers Association and retired from the United States Marine Corps Reserve as a Colonel in 1997, after 27 years of service. He has been appointed to the Defense Advisory Board for Employer Support of the Guard and Reserve (ESGR). He also serves on the Board of Directors of the Marine Corps Reserve Toys for Tots Foundation and is on the Board of Trustees of Stevenson College in Maryland and the Institute of Notre Dame, the oldest Catholic girl's urban high school in Maryland, located in Baltimore. Mr. MacDonald is the father of Margaret MacDonald who performs the role of President and Chief Operating Officer at Medifast, Inc. Mr. Michael C. MacDonald is the brother of Mr. Bradley T. MacDonald.

**Joseph D. Calderone**, age 59, is the interim President of Merrimack College in North Andover, MA. Formerly, he was the chaplain and counselor at the Villanova University School of Law. He formerly spent over eight years with the Loyola University Medical Center as the hospital Chaplain and taught multiple courses including Introduction to the Practice of Medicine and Business Ethics. Rev. Calderone recently retired as a Captain in the US Navy Reserves. He served as the Wing Chaplain for the 4th Marine Aircraft Wing.

III 2003

**George Lavin, Jr., Esq.** , age 79, is a senior partner at Lavin, O’Neil, Ricci, Ceprone & Disipio. Mr. Lavin is a 1951 graduate of Bucknell University. He attended the University of Pennsylvania School of Law, receiving an LL.B. in 1956, and then served as a Special Agent, Federal Bureau of Investigation, United States Department of Justice, until 1959. Mr. Lavin is one of the dominant product liability defense attorneys in the nation. He has had regional responsibilities in several automotive specialty areas, and has been called upon to try matters throughout the county on behalf of his clients. Mr. Lavin's present practice and specialty emphasizes his commitment to defending the automotive industry. Mr. Lavin is admitted to practice before the Supreme Court of Pennsylvania, the United States Court of Appeals for the Third Circuit and the United States District Courts for the Eastern and Middle Districts of Pennsylvania. He is a member of the Faculty Advisory Board of the Academy of Advocacy, the Association of Defense Counsel, The Defense Research Institute, The American Board of Trial Advocates, and the Temple University Law School faculty. He has also been elected a fellow of the American College of Trial Lawyers. On March 1, 1994, Mr. Lavin assumed the title of Counsel to The Firm.

III

2005

**Charles P. Connolly** , age 59, is currently an independent director focusing on bank relationships, debt refinancing, merger and acquisition strategy and executive compensation design. Mr. Connolly spent 29 years at First Union Corp. that merged with Wachovia Bank in 2001. He retired in 2001 as the President and CEO of First Union Corp. Mr. Connolly serves on the Boards of numerous non-profit organizations. He holds an MBA from the University of Chicago and AB from Villanova University

I

2006

## THE BOARD OF DIRECTORS

### ADDITIONAL INFORMATION ABOUT THE BOARD OF DIRECTORS AND COMMITTEES

#### Director Independence

The Board consists of 12 members of which 9 are non-management directors. Determination as to the qualifications of an independent directors are determined under section 303A.02 of the New York Stock Exchange, or the NYSE, Listed Company Manual and the Company's Categorical Standards of Independence. The NYSE's independence guidelines and the Company's categorical standards include a series of objective tests, such as the director is not an employee of the Company and has not engaged in various types of business dealings involving the Company, which would prevent a director from being independent. The Board of Directors has affirmatively determined that none of the Company's independent directors had any relationships with the Company.

The Board, in applying the above referenced standards has affirmatively determined the Company's current independent directors are: Barry B. Bondroff, Joseph Calderone, Charles P. Connolly, George Lavin, Jr. Esq., Dennis M. McCarthy, Jeannette M. Mills, Donald F. Reilly, and Mary Travis.

#### Board Meetings

For the fiscal year ended December 31, 2007 ("Fiscal 2007"), the Board of Directors held five meetings. All Board members attended at least 75% of the aggregate number of Board meetings and applicable committee meetings held while such individuals were serving on the Board of Directors, or such committees. Under the Company's *Principles of Corporate Governance*, which is available on the Company's website [www.choosemedifast.com](http://www.choosemedifast.com), by following the link through "Investor Relations" to "Corporate Governance," each director is expected to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including attending meetings of the shareholders of the Company, the Board of Directors and committees of which he or she is a member. Nine directors attended the 2007 annual general meeting.

**2007 Director Compensation**

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended December 31, 2007.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Change in Pension Value			Total (\$)
			Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	
Joseph D. Calderone	-	\$ 10,644				\$ 10,644
Charles P. Connolly	16,000	10,644				26,644
George Lavin, Esq.	-	10,644				10,644
Michael C. MacDonald	-	10,644				10,644
Dennis M. McCarthy	-	10,644				10,644
Michael J. McDevitt	-	10,644				10,644
Rev. Donald F. Reilly, OSA	-	10,644				10,644
Mary T. Travis	-	10,644				10,644

Employee Directors do not receive any additional compensation for their services as director.

Additional fees are paid to the Audit Committee Chairman. In 2007, the Chairman received an additional \$16,000 in cash.

- (1) Amounts are calculated based on provisions of Statement of Financial Accounting Standards, or SFAS, No 123R, "Share Based Payments." See note 1 of the consolidated financial statement of the Company's Annual Report on Form 10-K for the year ended December 31, 2007 regarding assumptions underlying valuation of equity awards.

The table below summarizes the equity based awards held by the Company's non-employee directors as of December 31, 2007:

Name	Option Awards			Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Un-Exercisable	Option Exercise Price (\$)	Option Expiration Date	Number Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (\$)
Rev. Donald F. Reilly, OSA	2,500	-	4.80	4/4/2008		
Mary T. Travis	2,500	-	4.80	4/4/2008		

## Shareholder Communications with the Board of Directors

Shareholders and other parties interested in communicating directly with the Board of Directors, non-management directors as a group or individual directors, including Mr. Donald F. Reilly in his capacity as the presiding director of executive sessions of non-management directors, may do so by writing to Medifast, Inc., c/o Corporate Secretary, 11445 Cronhill Drive, Owings Mills, MD 21117, indicating to whose attention the communication should be directed. Under a process approved by the Board of Directors for handling letters received by the Company and addressed to non-management directors, the Corporate Secretary of the Company reviews all such correspondence and forwards to members of the Audit Committee a summary and/or copies of any such correspondence that, in the opinion of the Corporate Secretary, deal with the functions of the Board of Directors or committees thereof, or that he otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by the Company and addressed to members of the Board of Directors and request copies of any such correspondence.

## Committees of the Board

Our Board of Directors has a standing audit committee, nominating and corporate governance committee, compensation committee, and executive committee.

### *Audit Committee*

Our audit committee consists of Charles Connolly, George Lavin, and Mary Travis, each of whom are independent as discussed above under “— Director Independence.” As required by Rule 303A.07 of the NYSE Listed Company Manual, the Board of Directors has affirmatively determined that each audit committee member is financially literate, and that Mr. Connolly is an “audit committee financial expert,” as defined in Item 407(d)(5) of Regulation S-K.

The principal duties of the audit committee are as follows:

- Have the sole authority and responsibility to hire, evaluate and, where appropriate, replace the independent auditors;
- Meet and review with management and the independent auditors the interim financial statements and the Company’s disclosures under Management’s Discussion and Analysis of Financial Condition and Results of Operations prior to the filing of the Company’s Quarterly Reports on Form 10-Q;
- Meet and review with management and the independent auditors the financial statements to be included in the Company’s Annual Report on Form 10-K (or the annual report to shareowners) including (i) their judgment about the quality, not just acceptability, of the Company’s accounting principles, including significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (ii) the clarity of the disclosures in the financial statements; and (iii) the Company’s disclosures under Management’s Discussion and Analysis of Financial Condition and Results of Operations, including critical accounting policies;
- Review and discuss with management, the internal auditors and the independent auditors the Company’s policies with respect to risk assessment and risk management;
- Review and discuss with management, the internal auditors and the independent auditors the Company’s internal controls, the results of the internal audit program, and the Company’s disclosure controls and procedures, and quarterly assessment of such controls and procedures;
- Establish procedures for handling complaints regarding accounting, internal accounting controls and auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters; and

Review and discuss with management, the internal auditors and the independent auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.

Our Board of Directors has adopted a written charter for the audit committee which is available on the Company's website at [www.choosemedifast.com](http://www.choosemedifast.com) by following the links through "Investor Relations" to "Corporate Governance." In fiscal 2007, the audit committee met four times.

***Nominating and Corporate Governance Committee***

The nominating and corporate governance committee consists of Joseph Calderone, Donald F. Reilly, and George Lavin, all of whom are independent as discussed above under "— Director Independence."

The principal duties of the nominating and corporate governance committee are as follows:

- To recommend to our Board of Directors nominees proposed by the Executive Chairman or Company officers for election to the Board of Directors both at annual general meetings and to fill vacancies that occur between general meetings; and
- To make recommendations to the Board of Directors regarding the Company's corporate governance matters and practices.

Our Board of Directors has adopted a written charter for the nominating and corporate governance committee, which is available on the Company's website at [www.choosemedifast.com](http://www.choosemedifast.com) by following the links through "Investor Relations" to "Corporate Governance" or in print to any shareholder who requests it as set forth under "Additional Information — Annual Report, Financial and Additional Information." In fiscal 2007, the nominating and corporate governance committee met four times.

### *Compensation Committee*

The compensation committee currently consists of Joseph D. Calderone, Dennis M. McCarthy, Esq., and Mary T. Travis, all of whom were independent as discussed above under "— Director Independence."

The principal duties of the compensation committee are as follows:

- Measure the Chief Executive Officer's performance against his goals and objectives pursuant to the Company plans;
- Determine the compensation of the Chief Executive Officer after considering the evaluation by the Board of Directors of his performance;
- Review and approve compensation of elected officers and all senior executives based on their evaluations, taking into account the evaluation by the Chief Executive Officer;
- Review and approve any employment agreements, severance arrangements, retirement arrangements, change in control agreements/provisions, and any special or supplemental benefits for each elected officer and senior executive of the Company;
- Approve, modify or amend all non-equity plans designed and intended to provide compensation primarily for elected officers and senior executives of the Company;
- Make recommendations to the Board regarding adoption of equity plans; and
- Modify or amend all equity plans.

Our Board of Directors has adopted a written charter for the compensation committee which is available on the Company's website at [www.choosemedifast.com](http://www.choosemedifast.com) by following the links through "Investor Relations" to "Corporate Governance." In fiscal 2007, the compensation committee met four times.

### *Executive Committee*

Messrs. Bradley T. MacDonald, Michael C. MacDonald, Michael S. McDevitt, and Dennis M. McCarthy, Esq. are members of the Executive Committee. The Executive Committee has all the authority of the Board of Directors, except with respect to certain matters that by statute may not be delegated by the Board of Directors. The Committee meets periodically during the year to develop and review strategic operational and management policies for the Company. The Committee held two meetings during fiscal 2007.

## **PROPOSAL 2:**

### **THE RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The audit committee has selected Bagell, Josephs, Levine & Co, LLC as the Company's independent registered public accountants for the fiscal year ending December 31, 2008. Services provided to the Company and its subsidiaries by Bagell, Josephs, Levine & Co, LLC in fiscal 2006 and 2007 are described under "— Fees to Independent Registered Public Accountants for Fiscal 2006 and 2007" below. Additional information regarding the audit committee is provided in the Report of the Audit Committee below.

The Company has been advised that representatives of Bagell, Josephs, Levine & Co, LLC will be present at the Meeting where they will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

In the event shareholders do not ratify the appointment of Bagell, Josephs, Levine & Co, LLC, the appointment will be reconsidered by the audit committee and the Board of Directors.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF BAGELL, JOSEPHS, LEVINE & CO., LLC AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR FISCAL 2008.**

## **Audit Committee Report**

The audit committee is responsible for monitoring our financial auditing, accounting and financial reporting processes and our system of internal controls, and selecting the independent public accounting firm on behalf of the Board of Directors. Our management has primary responsibility for our internal controls and reporting process. Our independent registered public accounting firm, Bagell, Josephs, Levine & Company, LLC, is responsible for performing an independent audit of our consolidated financial statements, management's assessment of the effectiveness of our internal control over financial reporting and the effectiveness of our internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States) and issuing an opinion thereon. In this context, the audit committee met regularly and held discussions with management and Bagell, Josephs, Levine & Company, LLC. Management represented to the audit committee that the consolidated financial statements for the fiscal year 2007 were prepared in accordance with U.S. generally accepted accounting principles.

The audit committee hereby reports as follows:

- The audit committee has reviewed and discussed the audited consolidated financial statements and accompanying management's discussion and analysis of financial condition and results of operations with our management and Bagell, Josephs, Levine & Co, LLC. This discussion included Bagell, Josephs, Levine & Co., LLC's judgments about the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.
- The audit committee also discussed with Bagell, Josephs, Levine & Company, LLC the matters required to be discussed by the applicable Statements on Auditing Standards, including SAS No. 61 and No. 90, as amended (Communication with Audit Committees).
- Bagell, Josephs, Levine & Company, LLC also provided to the audit committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the audit committee has discussed with Bagell, Josephs, Levine & Company, LLC the accounting firm's independence. The audit committee also considered whether non-audit services provided by during the last fiscal year were compatible with maintaining the accounting firm's independence.

Based on the reviews and discussions referred to above, the audit committee has recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2007, for filing with the Securities and Exchange Commission, or the SEC. The audit committee also selected, subject to shareholder ratification, Bagell, Josephs, Levine & Company, LLC to serve as our independent registered public accounting firm for the year ending December 31, 2008.

### **AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

Charles P. Connolly, *Chairman*  
George Lavin, Jr., Esq.  
Mary T. Travis

### **Fees to Independent Registered Public Accountants for Fiscal 2006 and 2007**

The following services were provided by Bagell, Josephs, Levine & Co during fiscal 2006 and 2007:

	2006	2007
Audit		
Fees(1)	\$ 179,000	\$ 199,000
Tax fees(2)	21,000	30,000
All other		
fees	-	-
<b>Total</b>	<b>\$ 200,000</b>	<b>\$ 229,000</b>

(1) Audit fees consist of fees for professional services rendered for the audit of the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K, including the audit of internal controls required by Section 404 of the Sarbanes-Oxley Act of 2002, and the review of financial statements included in the Company's Quarterly Reports on Form 10-Q, and for services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements.

(2) Tax fees were billed for tax compliance services

## **Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent auditors.

Under the policy, pre-approval is generally provided for work associated with the following:

- registration statements under the Securities Act of 1933 (for example, comfort letters or consents);

- due diligence work for potential acquisitions or dispositions;

- attest services not required by statute or regulation;

- adoption of new accounting pronouncements or auditing and disclosure requirements and accounting or regulatory consultations;

- internal control reviews and assistance with internal control reporting requirements;

- review of information systems security and controls;

- tax compliance, tax planning and related tax services, excluding any tax service prohibited by regulatory or other oversight authorities; expatriate and other individual tax services; and

- Assistance and consultation on questions raised by regulatory agencies.

For each proposed service, the independent auditors are required to provide detailed back-up documentation at the time of approval to permit the Audit Committee to make a determination whether the provision of such services would impair the independent auditors' independence.

The Audit Committee has approved in advance certain permitted services whose scope is routine across business units, including statutory or other financial audit work for non-U.S. subsidiaries that is not required for the 1934 Act audits.

## **EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### **Overview of Compensation Program**

Our Compensation Committee of the Board of Directors has responsibility for establishing, implementing and continually monitoring adherence with the Company's compensation philosophy. The Compensation Committee ensures that the total compensation paid to our named executive officers is fair, reasonable and competitive. Generally, the types of compensation and benefits provided to our named executive officers are similar to those provided to other officers and employees of the Company.

Throughout this discussion, the individuals who served as our CEO and CFO during Fiscal 2007, as well as the other individuals included in the Summary Compensation Table on page 17, are referred to as the "named executive officers."

#### **Objectives of Compensation Program**

The main objective of our executive compensation program is to create a competitive total rewards package based on the attainment of short-term performance objectives and long-term strategic goals. Accordingly, our executive compensation program consists of the following three principal elements: base salary, cash bonus and equity grants in the form of stock options and restricted stock, with an emphasis on incentive compensation rather than base salary. Our executives are also eligible to participate in employee benefit and retirement plans offered by the Company, which currently include defined contribution, and 401(k) plans, and health care and other insurance programs. The benefit programs available to executives are the same as those available to all other eligible employees.

#### **Decision-Making; Role of Executive Officers in Compensation Decisions**

The Compensation Committee of our Board of Directors is comprised solely of non-affiliate independent Directors who meet the independence requirements of the NYSE. Our Compensation Committee makes all decisions regarding the compensation of our CEO, including establishing the performance goals and objectives for our CEO, evaluating our CEO's performance in light of the goals and objectives that were set and determining and recommending to our Board the CEO's compensation based on that evaluation.

Our CEO makes recommendations to our Compensation Committee for the compensation of all other named executive officers. Our Compensation Committee and Board may accept or adjust such recommendations as they determine in the best interests of the Company and its stockholders and has final approval over all such compensation decisions. To the extent not established by our Board of Directors, our Compensation Committee is also authorized to establish compensation and benefits for our Chairman and for new and existing non-affiliate independent Directors.

Our Chairman and CEO provide advice, analysis and recommendations to our Compensation Committee.

## Elements of Executive Compensation

Our Compensation Committee also evaluates the achievement of corporate, individual and organizational objectives for each executive officer during the prior fiscal year. Each element of compensation is chosen in order to attract and retain the necessary executive talent, reward corporate performance and provide incentive for the attainment of long-term strategic goals. The allocation of each element of compensation is determined by our Compensation Committee for each executive based on the following factors:

- Performance against corporate, individual and organizational objectives for the fiscal year;
- Importance of particular skill sets and professional abilities to the achievement of long-term strategic goals; and
- Contribution as a leader, corporate representative and member of the senior management team.

These elements support our overall compensation philosophy by creating a balanced focus on shorter-term corporate performance and the achievement of longer-term business goals and stockholder value. While we believe in structuring executive compensation plans that give our executives incentive to deliver certain objective elements of corporate financial performance over specified time periods, we do not believe in a purely mechanical approach. Instead, part of our executive compensation philosophy includes an element of reward for non-quantitative achievements demonstrated by our executives in the actions and decisions they have taken throughout the year. When establishing our executive compensation plans for a given year, it is not possible to foresee all of the challenges and demands that will be made of our executives, both as a management team and in their areas of individual responsibility. We believe that by rewarding the quality of our decision-making and leadership, in addition to the achievement of quantifiable results, we are building a management team capable of creating stockholder value over the longer-term, while remaining disciplined in delivering shorter-term financial results. Accordingly, there is no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation. Rather, the Compensation Committee reviews information provided by industry surveys and peer company data to determine appropriate level and mix of incentive compensation. Income from such incentive compensation is realized as a result of the performance of the Company and the individual, depending on the type of award, compared to established goals.

## Base Salary

Our base salary determinations principally reflect the skills and performance levels of individual executives, the needs of the Company, and pay practices of comparable public companies. It is not our policy to pay our executive officers at the highest base salary level. Instead, we establish executive base salaries conservatively at or below a midpoint level relative to an appropriate set of peers. We believe this policy sets a prudent and fiscally responsible tone for the Company's overall base salary compensation programs.

## Target Bonus

Cash bonuses principally reflect the Company's financial performance and achievement of corporate objectives established by our Board prior to the fiscal year. The executive bonus plan is designed to reward our executives for the achievement of shorter-term financial goals, predominantly revenue growth and profitability, with cash flow and other operating ratios also considered. The allocation of the bonus pool among the employees, including senior executives, is at the discretion of the Compensation Committee. The Chief Executive Officer, Chief Financial Officer and other senior executives discuss and jointly develop recommended bonus allocations among the staff within the various functional areas of the Company. In addition, the Chief Executive Officer prepares an allocation of bonus payments

among the senior executive group. In consultation with the Chief Executive Officer, the Compensation Committee evaluates, adjusts and approves the amount and allocation of the bonus pool. In determining the cash bonus allocation among senior executives, the Compensation Committee and the Chief Executive Officer consider each executive's a) contribution to current and long-term corporate goals, and b) value in the labor market.

#### Equity Compensation

Stock option and restricted stock awards principally reflect the responsibilities to be assumed by each executive in the upcoming fiscal year, the responsibilities of each executive in prior periods, the size of awards made to each executive in prior years relative to the Company's overall performance, available stock for issuance under our Option Plan, and potential grants in future years. The Committee believes that stock option and restricted stock grants (1) align the interests of executives with long-term stockholder interests, (2) give executives a significant, long-term interest in the Company's success, and (3) help retain key executives in a competitive market for executive talent. The Company does not plan on issuing stock options as part of compensation in 2008 and beyond.

#### Equity Ownership by Executives

We do not currently have a formal equity ownership requirement for our executives. However, we encourage our executives to own equity in the Company on a voluntary basis. All of our named executive officers own stock, restricted stock and vested and unvested stock options. We periodically review the vested and unvested equity holdings of our executives and evaluate whether these holdings sufficiently align the interests of our executives with the long-term interests of our stockholders. We may consider adopting equity ownership requirements in the future.

## Compensation Committee Report

We have reviewed and discussed with management certain Compensation Discussion and Analysis provisions to be included in this proxy statement. Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the Compensation Discussion and Analysis referred to above be included in this proxy statement.

### COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Mary T. Travis, Chairman  
Joseph D. Calderone  
Dennis M. McCarthy, Esq.

### 2007 Summary Compensation Table

The following table sets forth the annual and long-term compensation for the fiscal year ended December 31, 2007, of the Company's Chief Executive Officer and Chief Financial Officer and each of the three other most highly compensated executive officers. These individuals, including the Chief Executive Officer and Chief Financial Officer are collectively referred to as the Named Executive Officers.

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Bonus (\$)(2)	Nonqualified Deferred	All Other (\$)(3)	Total (\$)
						Contributions (\$)		
Bradley T. MacDonald Chairman of the Board	2007	\$ 225,000	-	-	-	\$ 100,000	\$ 6,600	\$ 331,600
Michael S. McDevitt Chief Executive and CFO	2007	135,000	289,000	-	75,000		2,500	501,500
Leo Williams Executive Vice President	2007	132,500	-	-	25,000		1,900	159,400
Margaret MacDonald-Sheetz Chief Operating Officer, President	2007	100,000	237,000	-	50,000		2,900	389,900
Brendan N. Connors VP of Finance	2007	99,000	47,000	-	20,000		2,900	168,900

(1) Amounts are calculated based on provisions of SFAS, No 123R, "Share Based Payments." See note 1 of the consolidated financial statements of the Company's Annual Report on Form 10-K for the year ended December 31, 2007 regarding assumptions underlying valuation of equity awards.

(2) Bonus amounts determined as more specifically discussed above under "—Compensation Discussion and Analysis"

(3) The amounts represent the Company's matching contributions under the 401(K) plan.

**2007 Grants of Plan-Based Awards**

There were no grants of plan-based awards to the Named Executive Officers for the fiscal year ended December 31, 2007.

**Outstanding Equity Awards at Fiscal Year-End Table**

Name	Option Awards				Stock Awards				Equity Incentive
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Un-Exercisable	Option Exercise Price (\$)	Option Expiration Date	Number Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock that have not Vested (\$)(2)	Number of Plan Awards or Other rights (#)	Market or Unearned Shares, Units or Other rights that Have Not Vested (\$)	
Bradley T. MacDonald Chairman of the Board	20,000(3)	80,000	6.25	2/8/2011	-	-	-	-	
Michael S. McDevitt Chief Executive Officer, CFO	100,000	-	2.87	3/31/2010	178,333	864,915	-	-	
Leo Williams Executive Vice President	10,000	-	3.83	10/28/2010	-	-	-	-	
Margaret MacDonald-Sheetz Chief Operating Officer, President	-	-	-		145,000	703,250	-	-	
Brendan N. Connors VP of Finance	23,334	-	2.87	3/31/2010	29,000	140,650	-	-	

Each option has a five year life and an exercise price per share equal to 100% of the estimated fair value of our common stock on the date of grant.

- (1) The restricted stock grants vest over five and six years of service as described below under “Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards”
- (2) The market value of shares of stock that have not vested is based on the closing price of our common stock on December 31, 2007, or \$4.85 per share.
- (3) Bradley T. MacDonald’s options were cancelled on January 25, 2008 and replaced with 42,000 shares of restricted stock. See subsequent events in Note 19 of the consolidated financial statements of the Company’s Annual Report on Form 10-K for additional information.

**2007 Option Exercises and Stock Vested Table**

The following table sets forth information regarding option exercises and stock vesting for the Named Executive Officers during 2007.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Bradley T. MacDonald Executive Chairman of the Board	-	-	-	-
Michael S. McDevitt Chief Executive Officer, CFO	-	-	15,000 33,333	81,000 208,331
Leo Williams Executive Vice President	-	-	-	-
Margaret MacDonald-Sheetz Chief Operating Officer, President	-	-	15,000 25,000	81,000 156,250
Brendan N. Connors VP of Finance	-	-	3,000 5,000	16,200 31,250

(1) Represents the difference between the exercise price and the fair market value of the common stock on the date of exercise, multiplied by the number of options exercised.

(2) Represents the number of restricted shares vested, and the number of shares vested multiplied by the fair market value of the common stock on the vesting date.

**Equity Compensation Plan Information at Fiscal Year Ended December 31, 2007**

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of Securities
			remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	453,800(1)	\$ 6.59	998,700
Equity compensation plans not approved by security holders	-	-	-

(1)

Consists of 291,300 shares of common stock issuable upon the exercise of outstanding options and 162,500 shares of common stock issuable upon the exercise of outstanding warrants.

**2007 Non-Qualified Deferred Compensation Table**

The following table sets forth all non-qualified deferred compensation of the Named Executive Officers for the fiscal year ended December 31, 2007.

	<b>Executive Contributions in Last FY</b>	<b>Company Contributions in Last FY</b>	<b>Aggregate Earnings in Last FY</b>	<b>Aggregate Withdrawals/ Distributions</b>	<b>Aggregate Balance at Last FYE</b>
	(\$)	(\$)(1)	(\$)	(\$)	(\$)
Bradley T. MacDonald Chairman of the Board		\$ 100,000	\$ 40,000	-	\$ 1,074,000
Michael S. McDevitt Chief Executive Officer, CFO	-	-	-	-	-
Leo Williams Executive Vice President	-	-	-	-	-
Margaret MacDonald-Sheetz Chief Operating Officer, President	-	-	-	-	-
Brendan N. Connors VP of Finance	-	-	-	-	-

(1) All amounts are reported in compensation on the “2007 Summary Compensation Table”

**Deferred Compensation Plans**

We maintain a non-qualified deferred compensation plan, effective September 10, 2003, for Senior Executive management. Currently, Bradley MacDonald is the only participant in the plan. Under the deferred compensation plan that became effective in 2003, executive officers of the Company, including the Named Executive Officers, may defer a portion of their salary and bonus (performance-based compensation) annually. A participant may elect to receive distributions of the accrued deferred compensation in a lump sum or in installments upon retirement.

Each participating officer may request that the deferred amounts be allocated among several available investment options established and offered by the Company. These investment options provide market rates of return and are not subsidized by the Company. The benefit payable under the plan at any time to a participant following termination of employment is equal to the applicable deferred amounts, plus or minus any earnings or losses attributable to the investment of such deferred amounts. The amount of compensation in any given fiscal year that is deferred by each Named Executive Officer is included in the Summary Compensation Table under the column headings “Salary” or “Non-Equity Incentive Plan Compensation”, as appropriate.

The Company has established a trust for the benefit of participants in the deferred compensation plan. Pursuant to the terms of the trust, as soon as possible after any deferred amounts have been withheld from a plan participant, the Company will contribute such deferred amounts to the trust to be held for the benefit of the participant in accordance with the terms of the plan and the trust.

Retirement payouts under the plan upon an executive officer’s retirement from the Company are payable either in a lump-sum payment or in annual installments over a period of up to ten years. Upon death, disability or termination of employment, all amounts shall be paid in a lump-sum payment as soon as administratively feasible.

In 2007, the Company made a \$100,000 contribution to Bradley MacDonald’s deferred compensation plan as a performance bonus.

**Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards**

We have entered into employment agreements with certain Named Executive Officers, certain terms of which are summarized below.

**Bradley T. MacDonald.** Mr. MacDonald entered into a five year employment agreement effective February 8, 2006. Mr. MacDonald was granted 100,000 options over a five year vesting period beginning on February 8, 2007 in consideration for his five year commitment and to align his interest with the interests of long-term shareholders. Upon termination of Mr. MacDonald's employment by the Company without cause, or upon his resignation for good reason, he would be entitled to receive an amount equal to one and a half times the sum of his highest annualized salary payable in equal monthly installments 30 days after his termination of employment for a period of one year.

**Michael S. McDevitt.** Mr. McDevitt entered into a six year employment agreement effective February 8, 2006. Mr. McDevitt was granted 200,000 shares of Medifast, Inc. restricted common stock over a six year vesting period beginning on February 8, 2006 in consideration for his six year commitment and to align his interests with the interests of long-term shareholders. Upon termination of Mr. McDevitt's employment by the Company without cause, or upon his resignation for good reason, he would be entitled to receive an amount equal to one and a half times the sum of his highest annualized salary payable in equal monthly installments 30 days after his termination of employment for a period of one year.

**Margaret MacDonald-Sheetz.** Ms. MacDonald-Sheetz entered into a six year employment agreement effective February 8, 2006. Ms. MacDonald-Sheetz was granted 150,000 shares of Medifast, Inc. restricted common stock over a six year vesting period beginning on February 8, 2006 in consideration for his six year commitment and to align her interests with the interests of long-term shareholders. Upon termination of Ms. MacDonald-Sheetz's employment by the Company without cause, or upon her resignation for good reason, she would be entitled to receive an amount equal to one and a half times the sum of his highest annualized salary payable in equal monthly installments 30 days after her termination of employment for a period of one year.

**Brendan N. Connors.** Mr. Connors entered into a six year employment agreement effective February 8, 2006. Mr. Connors was granted 30,000 shares of Medifast, Inc. restricted common stock over a six year vesting period beginning on February 8, 2006 in consideration for his six year commitment and to align his interests with the interests of long-term shareholders. Upon termination of Mr. Connors' employment by the Company without cause, or upon his resignation for good reason, he would be entitled to receive an amount equal to one and a half times the sum of his highest annualized salary payable in equal monthly installments 30 days after his termination of employment for a period of one year.

### Potential Payments upon Termination or Change in Control

As of December 31, 2007, the Company had entered into employment agreements with each of the Named Executive Officers. As described in more detail above under "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards" The employment agreements with the Named Executive Officers generally provide for the payment of benefits if the executive's employment with the Company is terminated either by the Company without Cause or by the executive for Good Reason. The employment agreements with the Named Executive Officers do not provide for any additional payments or benefits upon a termination of employment by the Company for Cause, upon the executive's resignation other for Good Reason, as applicable, or upon the executive's death or disability. Upon termination by the Company without cause, or upon his or her resignation for good reason, all of the Named Executive officers are entitled to receive an amount equal to one and a half times his or her highest annualized base salary payable in equal monthly installments 30 days after his or her termination of employment. If a named executive had been terminated without cause of December 31, 2007 they would have received the following amounts:

	Severance (\$)	(1)
Bradley T. MacDonald	\$	337,500
Michael S. McDevitt	\$	202,500
Margaret MacDonald-Sheetz	\$	150,000
Brendan N. Connors	\$	148,500

(1) Based on 2007 salary

If there were a change in control, which is defined as a sale of the majority of the assets of the company or a change of control of the Board of Directors as a result of a third party shareholder acquiring or holding over 10% of the common stock and attempting to nominate a majority of the Board of Directors in favor of his/her shareholder block, the executives would have received the following amounts as of December 31, 2007:

	Severance (\$)(1)	Accelerated Vesting of Stock Awards (\$)(2)	Total
Bradley T. MacDonald	\$ 337,500	\$ 0	\$ 337,500
Michael S. McDevitt	202,500	1,063,000	1,265,500
Margaret MacDonald-Sheetz	150,000	703,000	853,000

Brendan N. Connors	148,500	187,000	335,500
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(1) Based on 2007 salary.

(2) Accelerated vesting of stock awards were based on NYSE close price of the Common Shares on December 31, 2007 of \$4.85 per share, and for option awards the difference between \$4.85 and the exercise or base price of the award.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.**

The following table shows as of December 31, 2007, the amount and percentage of our outstanding common stock beneficially owned by each person who is known by us to beneficially own more than 5% of our outstanding common stock.

Name and Address of 5% Beneficial Owner	Shares Beneficially Owned (1)	Percent of Outstanding Common Stock
N/A		

The following table shows as of March 17, 2008 the amount and percentage of our outstanding common stock beneficially owned (unless otherwise indicated) by each of our (i) directors and nominees for directors, (ii) Named Executive Officers and (iii) our directors, nominees for director and executive officers as a group.

Name of Beneficial Owner	Shares		Percent of Outstanding Common Stock (%)
	Shares Beneficially Owned (1)(2)	Acquirable Within 60 days (3)	
Bradley T. MacDonald (4)	859,550	-	6.22%
Michael S. McDevitt	312,451	-	2.26%
Margaret MacDonald-Sheetz	179,900	-	1.30%
Donald F. Reilly	62,350	-	*
Michael C. MacDonald	60,119	-	*
Brendan Connors	59,509	-	*
Mary Travis	24,200	-	*
Joseph D. Calderone, OSA	13,200	-	*
Leo Williams	11,770	-	*
Charles P. Connolly	25,575	-	*
George Lavin, Jr., Esq.	7,200	-	*
Dennis M. McCarthy, Esq.	9,575	-	*
All directors, nominees for directors and executive officers as a group	1,625,399		11.77%

\* Less than 1%.

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. Under those rules and for purposes of the table above (a) if a person has decision making power over either the voting or the disposition of any shares, that person is generally deemed to be a beneficial owner of those shares; (b) if two or more persons have decision making power over either the voting or the disposition of any shares, they will be deemed to share beneficial ownership of those shares, in which case the same shares will be included in share ownership totals for each of those persons; and (c) if a person held options to purchase shares that were exercisable on, or became exercisable within 60 days of, March 17, 2008, that person will be deemed to be the beneficial owner of those shares and those shares (but not shares that are subject to options held by any other stockholder) will be deemed to be outstanding for purposes of computing the percentage of the outstanding shares that are beneficially owned by that person. Information supplied by officers and directors.
- (2) The shares set forth as beneficially owned by our executive officers and directors do not include the following outstanding options because they are not exercisable within 60 days of March 17, 2008: Mr. Bradley T. MacDonald (80,000)
- (3) Unless otherwise noted, reflects the number of shares that could be purchased by exercise of options available at March 17, 2008, or within 60 days thereafter under our stock option plans.
- (4) The shares set forth as beneficially owned by Mr. Bradley T. MacDonald include 396,402 shares owned by his wife Shirley MacDonald, and 46,447 shares owned by the MacDonald Family Trust. His daughter, Margaret MacDonald, beneficially owns 179,900 shares which added to Bradley T. MacDonald's 859,500 beneficially owned shares results in 1,039,400 shares owned by the MacDonald family.

## **ADDITIONAL INFORMATION**

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers and persons who beneficially own more than ten percent of a registered class of the Company's equity securities to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of equity securities of the Company. Directors, officers and greater-than-ten-percent beneficial owners are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms filed by them. In 2007, to the Company's knowledge, based solely on a review of the copies of such filings on file with the Company and written representations from the Company's directors and executive officers, no Section 16(a) filing requirements were applicable to the Company's directors, executive officers and greater-than-ten-percent beneficial owners in fiscal 2007.

### **Shareholder Proposals for the 2009 Annual General Meeting**

Shareholders interested in submitting a proposal for inclusion in the proxy statement and form of proxy for the 2009 annual general meeting of shareholders may do so by following the procedures prescribed in SEC Rule 14a-8 promulgated under the Exchange Act. To be eligible for inclusion, notice of shareholder proposals must be received by the Company's Corporate Secretary no later than December 1, 2008. Proposals should be sent to Corporate Secretary, Medifast, Inc., 11445 Cronhill Dr., Owings Mills, MD 21117.

### **Codes of Business Conduct and Ethics and Corporate Governance Guidelines**

Our Board of Directors has adopted a corporate Code of Business Conduct and Ethics applicable to our directors, officers, including our principal executive officer, principal financial officer and principal accounting officer, and employees, as well as Corporate Governance Guidelines, in accordance with applicable rules and regulations of the SEC and the NYSE. Each of our Code of Business Conduct and Ethics and Corporate Governance Guidelines are available on our website at [www.choosemedifast.com](http://www.choosemedifast.com) by following the links through “Investor Relations” to “Corporate Governance.”

Any amendment to, or waiver from, a provision of the Company’s Code of Business Conduct and Ethics with respect to the Company’s principal executive officer, principal financial officer, principal accounting officer or controller will be posted on the Company’s website, [www.choosemedifast.com](http://www.choosemedifast.com).

### **Annual Report, Financial and Additional Information.**

The Annual Financial Statements and Review of Operations of the Company for fiscal year 2007 can be found in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007. A copy of the Company’s Annual Report on Form 10-K is available concurrently with this Proxy Statement to each shareholder of record on the Record Date by way of notice and access.

The Company’s filings with the SEC are all accessible by following the links to “Investor Relations” on the Company’s website at [www.choosemedifast.com](http://www.choosemedifast.com). The Company will furnish without charge a copy of the Company’s Annual Report on Form 10-K, including the financial statements and schedules thereto, to any person requesting in writing and stating that he or she is the beneficial owner of Common Shares of the Company.

Requests and inquiries should be addressed to:

Investor Relations  
Medifast, Inc.  
11445 Cronhill Dr.  
Owings Mills, MD 21117

### **OTHER MATTERS**

The management of the Company knows of no other business to be presented at the Meeting. If, however, other matters properly come before the Meeting, it is intended that the persons named in the accompanying proxy will vote thereon in accordance with their best judgment.

By Order of the Board of Directors

Dated: July 28, 2008

**PROXY FOR ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD SEPTEMBER 18, 2008**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Bradley T. MacDonald with full power of substitution, as attorneys for and in the name, place and stead of the undersigned, to vote all the shares of the common stock of MEDIFAST, INC., owned or entitled to be voted by the undersigned as of the record date, at the Annual Meeting of Shareholders of said Company scheduled to be held at the Medifast, Inc. headquarters, 11445 Cronhill Drive, Owings Mills, MD 21117 on Thursday, September 18, 2008, at 10:00 A.M., Eastern Standard Time, and at any adjournment, postponement or continuation thereof, as follows:

1a. Elect four Class II directors for a three-year term ending in 2011.

Class II Directors: Michael C. MacDonald, Margaret MacDonald-Sheetz, Dennis M. McCarthy, and Michael S. McDevitt

FOR All nominees (except as marked to the contrary below)

WITHHOLD

1b. Elect three directors to one-year terms ending in 2009.

Directors: Barry B. Bondroff, Jeannette M. Mills, and Mary T. Travis

FOR All nominees (except as marked to the contrary below)

WITHHOLD

**INSTRUCTION:** To withhold authority to vote for any individual nominee, write that nominee's name in the space provided below.

2. To approve the re-appointment of Bagell, Josephs, Levine & Company, LLC, an independent member of the RSM McGladrey alliance, as the Company's independent auditors for the fiscal year ending December 31, 2008.

FOR       AGAINST       ABSTAIN

3. To transact such other business as may properly come before the meeting or any adjournment thereof. (Please date and sign on reverse side).

This proxy, if properly executed and returned will be voted in accordance with the directions specified hereof. If no directions are specified, this proxy will be voted FOR the election of the directors named above or their substitutes as designated by the Board of Directors.

**This proxy will be voted as specified. If a choice is not specified, the shares represented by this proxy will be voted "FOR" each director nominee.**

This proxy should be dated, signed by the stockholder(s), and returned promptly to us in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate.

SIGNATURE

DATE: \_\_\_\_\_, 2008

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