MEDIFAST INC
Form 10-Q
August 08, 2008

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

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 0-23016

MEDIFAST, INC.
(Exact name of registrant as specified in its charter)

Delaware	**13-3714405**
(State or other jurisdiction of organization)	**(I.R.S. employer Identification no.)**

11445 Cronhill Drive
Owings Mills, MD 21117
Telephone Number (410) 581-8042

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding at August 7, 2008
Common stock, $.001 par value per share	13,848,876 shares

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MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,046,000	$ 2,195,000
Accounts receivable-net of allowance for doubtful accounts of $100,000	474,000	493,000
Inventory	11,037,000	9,181,000
Investment securities	1,407,000	1,439,000
Deferred compensation	824,000	814,000
Prepaid expenses and other current assets	3,074,000	2,727,000
Prepaid income tax	987,000	-
Note receivable - current	180,000	180,000
Deferred tax asset	100,000	100,000
Total Current Assets	**20,129,000**	**17,129,000**
Property, plant and equipment - net	20,260,000	17,031,000
Trademarks and intangibles - net	6,432,000	7,356,000
Deferred tax asset, net of current portion	897,000	897,000
Note receivable, net of current portion	1,147,000	1,212,000
Other assets	350,000	99,000
TOTAL ASSETS	**$ 49,215,000**	**$ 43,724,000**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 6,309,000	$ 4,279,000
Income taxes payable	-	592,000
Line of credit	2,702,000	1,599,000
Current maturities of long-term debt	257,000	264,000
Total Current Liabilities	**9,268,000**	**6,734,000**
Long-term debt, net of current portion	4,442,000	4,570,000
Total Liabilities	**13,710,000**	**11,304,000**
Stockholders' Equity:		
Common stock; par value $.001 per share; 20,000,000 authorized; 13,848,876 and 13,814,098 shares issued and outstanding, respectively	14,000	14,000
Additional paid-in capital	27,273,000	26,953,000
Accumulated other comprehensive income	159,000	321,000
Retained Earnings	12,755,000	9,818,000
	40,201,000	**37,106,000**
Less: cost of 286,478 and 270,534 shares of common stock in treasury	(2,013,000)	(1,971,000)
Less: unearned compensation	(2,683,000)	(2,715,000)
Total Stockholders' Equity	**35,505,000**	**32,420,000**

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**$**	**49,215,000**	**$**	**43,724,000**

See accompanying notes to condensed consolidated financial statements.

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MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Revenue	$ 27,537,000	$ 22,041,000	$ 52,706,000	$ 42,130,000
Cost of sales	6,677,000	5,363,000	12,777,000	10,421,000
Gross Profit	**20,860,000**	**16,678,000**	**39,929,000**	**31,709,000**
Selling, general, and administration	18,451,000	15,233,000	35,457,000	28,350,000
Income from operations	2,409,000	1,445,000	4,472,000	3,359,000
Other income/(expense)				
Interest expense	(87,000)	(102,000)	(191,000)	(197,000)
Interest income	43,000	39,000	82,000	72,000
Other income/expense	(41,000)	37,000	(6,000)	88,000
	(85,000)	(26,000)	(115,000)	(37,000)
Income before provision for income taxes	**2,324,000**	**1,419,000**	**4,357,000**	**3,322,000**
Provision for income tax (expense)	(752,000)	(510,000)	(1,420,000)	(1,040,000)
Net income	**$ 1,572,000**	**$ 909,000**	**$ 2,937,000**	**$ 2,282,000**
Basic earnings per share	$ 0.12	$ 0.07	$ 0.22	$ 0.18
Diluted earnings per share	$ 0.11	$ 0.07	$ 0.21	$ 0.17
Weighted average shares outstanding -				
Basic	13,138,202	12,933,559	13,119,497	12,917,400
Diluted	13,791,623	13,699,721	13,772,918	13,683,562

See accompanying notes to condensed consolidated financial statements.

MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2008 (Unaudited)	Six Months Ended June 30, 2007 (Unaudited)
Cash flows from operating activities:		
Net income	$ 2,937,000	$ 2,282,000
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Depreciation and amortization	2,243,000	1,655,000
Realized loss on investment securities	38,000	71,000
Common stock issued for services	70,000	21,000
Stock options vested during period	-	77,000
Stock options cancelled during period	(77,000)	-
	-	(30,000)
Vesting of unearned compensation	296,000	328,000
Net change in other comprehensive (loss) income	(162,000)	52,000
Deferred income taxes	-	(175,000)
Changes in assets and liabilities:		
Decrease in accounts receivable	18,000	32,000
(Increase) in inventory	(1,857,000)	(228,000)
(Increase) in prepaid expenses & other current assets	(347,000)	(702,000)
(Increase) in deferred compensation	(11,000)	(163,000)
(Increase) in prepaid taxes	(987,000)	-
(Increase) in other assets	(251,000)	(32,000)
Increase in accounts payable and accrued expenses	2,033,000	1,272,000
(Decrease) in income taxes payable	(592,000)	(535,000)
Net cash provided by operating activities	3,351,000	3,925,000
Cash Flow from Investing Activities:		
(Purchase) of investment securities, net	(4,000)	(102,000)
(Purchase) of property and equipment	(4,546,000)	(1,856,000)
(Purchase) of intangible assets	-	(283,000)
Net cash (used in) investing activities	(4,550,000)	(2,241,000)
Cash Flow from Financing Activities:		
Issuance of common stock, options and warrants	17,000	24,000
(Repayment) of long-term debt, net	(136,000)	(314,000)
Increase in line of credit	1,103,000	650,000
Decrease in note receivable	66,000	73,000
Excess tax benefits from share-based payment arrangements	-	30,000
(Purchase) of treasury stock	-	(309,000)
Net cash provided by financing activities	1,050,000	154,000
NET INCREASE(DECREASE)IN CASH AND CASH EQUIVALENTS	(149,000)	1,838,000
Cash and cash equivalents - beginning of the period	2,195,000	1,085,000

Cash and cash equivalents - end of period	$	2,046,000	$	2,923,000
Supplemental disclosure of cash flow information:				
Interest paid	$	191,000	$	197,000
Income taxes	$	3,008,000	$	1,403,000
Supplemental disclosure of non cash activity:				
Common stock issued to Directors over 6-year vesting period	$	296,000	$	-
Options vested during period	$	-	$	77,000
Options cancelled during period	$	(77,000)	$	-
Common stock issued for services	$	70,000	$	21,000
Common shares issued for options or warrants	$	42,000	$	-
Line of credit converted to long-term debt	$	-	$	1,506,000

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

General

1. Basis of Presentation

The condensed unaudited interim consolidated financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated financial statements and notes are presented as permitted on Form 10-Q and do not contain information included in the Company's annual statements and notes. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the December 31, 2007 audited consolidated financial statements and the accompanying notes thereto. While management believes the procedures followed in preparing these condensed consolidated financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

These condensed unaudited consolidated financial statements reflect all adjustments, including normal recurring adjustments, which, in the opinion of management, are necessary to present fairly the operations and cash flows for the period presented.

2. Presentation of Financial Statements

The Company's condensed consolidated financial statements include the accounts of Medifast, Inc. and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

3. Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), which clarifies the definition of fair value whenever another standard requires or permits assets or liabilities to be measured at fair value. Specifically, the standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability, and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. SFAS No. 157 does not expand the use of fair value to any new circumstances, and must be applied on a prospective basis except in certain cases. The standard also requires expanded financial statement disclosures about fair value measurements, including disclosure of the methods used and the effect on earnings.

In February 2008, FASB Staff Position ("FSP") FAS No. 157-2, "Effective Date of FASB Statement No. 157" ("FSP No. 157-2") was issued. FSP No. 157-2 defers the effective date of SFAS No. 157 to fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Examples of items within the scope of FSP No. 157-2 are nonfinancial assets and nonfinancial liabilities initially measured at fair value in a business combination (but not measured at fair value in subsequent periods), and long-lived assets, such as property, plant and equipment and intangible assets measured at fair value for an impairment assessment under SFAS No. 144.

The partial adoption of SFAS No. 157 on January 1, 2008 with respect to financial assets and financial liabilities recognized or disclosed at fair value in the financial statements on a recurring basis did not have a material impact on the Company's consolidated financial statements. See Note 12 for the fair value measurement disclosures for these assets and liabilities. The Company is in the process of analyzing the potential impact of SFAS No. 157 relating to its planned January 1, 2009 adoption of the remainder of the standard.

On January 1, 2008 (the first day of fiscal 2008), the Company adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value, which are not otherwise currently required to be measured at fair value. Under SFAS No. 159, the decision to measure items at fair value is made at specified election dates on an instrument-by-instrument basis and is irrevocable. Entities electing the fair value option are required to recognize changes in fair value in earnings and to expense upfront costs and fees associated with the item for which the fair value option is elected. The new standard did not impact the Company's Condensed Consolidated Financial Statements as the Company did not elect the fair value option for any instruments existing as of the adoption date. However, the Company will evaluate the fair value measurement election with respect to financial instruments the Company enters into in the future.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) changes how an entity accounts for the acquisition of a business. While it retains the requirement to account for all business combinations using the acquisition method, the new rule will apply to a wider range of transactions or events and requires, in general, acquisition-date fair value measurement of identifiable assets acquired, liabilities assumed and non-controlling ownership interests held in the acquire, among other items. The Company is beginning to review the provisions of SFAS No. 141(R), which applies prospectively to business combinations with an acquisition date on or after the beginning of its 2009 fiscal year.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements: an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 replaces the term minority interests with the newly-defined term of non-controlling interests and establishes this line item as an element of stockholders' equity, separate from the parent's equity. SFAS No. 160 also includes expanded disclosure requirements regarding the interests of the parent and its non-controlling interest. The Company is continuing to review the provisions of SFAS No. 160, which is effective the first quarter of fiscal 2009, and currently does not expect this new accounting standard to have a significant impact on the Consolidated Financial Statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities: an amendment of FASB Statement No. 133" ("SFAS No. 161"). SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities. The Company is reviewing the provisions of SFAS No. 161, which is effective the first quarter of fiscal 2009, and currently does not anticipate that this new accounting standard will have a significant impact on the Consolidated Financial Statements.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles” (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles”. The implementation of this standard will not have a material impact on Consolidated Financial Statements.

4. Revenue Recognition

Revenue is recognized net of discounts, rebates, promotional adjustments, price adjustments, returns and other potential adjustments upon shipment and passing of risk to the customer and when estimates of are reasonably determinable, collection is reasonably assured and the Company has no further performance obligations.

5. Inventories

Inventories consist principally of finished packaged foods, packaging and raw materials held in either the Company’s manufacturing facility or distribution warehouse. Inventories are valued at cost determined using the first-in, first-out (FIFO) method.

6. Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board (“FASB”) issued Statement No. 142 “Goodwill and Other Intangible Assets”. This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, “Intangible Assets”. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements.

In addition, the Company has acquired other intangible assets, which include: customer lists, non-compete agreements, trademarks, patents, and copyrights. The non-compete agreements are fully amortized as of December 31, 2007. The customer lists are being amortized over a period ranging between 5 and 7 years based on management's best estimate of the expected benefits to be consumed or otherwise used up. The costs of patents and copyrights are amortized over 5 and 7 years based on their estimated useful life, while trademarks representing brands with an infinite life, and are carried at cost and tested annually for impairment as outlined below. Goodwill and other intangible assets are tested annually for impairment in the fourth quarter, and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. The Company assesses the recoverability of its goodwill and other intangible assets by comparing the projected undiscounted net cash flows associated with the related asset, over their remaining lives, in comparison to their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets.

	As of June 30, 2008		As of December 31, 2007	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Customer lists	$ 8,332,000	$ 3,869,000	$ 8,332,000	$ 3,065,000
Trademarks, patents, and copyrights				
finite life	1,628,000	568,000	1,626,000	446,000
infinite life	909,000	-	909,000	-
Total	$ 10,869,000	$ 4,437,000	$ 10,867,000	$ 3,511,000

Amortization expense for the six months ended June 30, 2008 and 2007 was as follows:

	2008	2007
Customer lists	$ 804,000	$ 524,000
Trademarks and patents	122,000	117,000
Total Trademarks and Intangibles	$ 926,000	$ 641,000

Amortization expense is included in selling, general and administrative expenses.

7. Fixed Assets

Fixed assets are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which are generally three to seven years. Leasehold improvements and equipment under capital leases are amortized on a straight-line basis over the lesser of the estimated useful life of the asset or the related lease terms. Expenditures for repairs and maintenance are charged to expense as incurred, while major renewals and improvements are capitalized.

8. Note Receivable

Medifast realized a $1,503,000 note receivable as a result of the sale of Consumer Choice Systems on January 17, 2006 to a former board member. The note has a 10-year term with imputed interest of 4% collateralized by 50,000 shares of Medifast stock and all the assets of Consumer Choice Systems. The amount of principal to be collected over each of the next 5 years is $183,000 per year with the remaining amount collectible thereafter of $495,000.

9. Income Per Common Share

Basic income per share is calculated by dividing net income by the weighted average number of outstanding common shares during the year. Basic income per share excludes any dilutive effects of options, warrants and other stock-based compensation.

10. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

11. Deferred Compensation Plans

We maintain a non-qualified deferred compensation plan 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 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 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.

12. Fair Value Measurements

On January 1, 2008, the Company adopted SFAS No. 157 “Fair Value Measurements” (“SFAS 157”). SFAS 157 defines fair value, provides a consistent framework for measuring fair value under Generally Accepted Accounting Principles and expands fair value financial statement disclosure requirements. SFAS 157’s valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions. SFAS 157 classifies these inputs into the following hierarchy:

Level 1 Inputs– Quoted prices for identical instruments in active markets.

Level 2 Inputs– Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs– Instruments with primarily unobservable value drivers.

The following table represents the fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2008.

Fair Value Measurements on a Recurring Basis as of June 30, 2008

Assets	Level I	Level II	Level III	Total

Investment securities	$ 1,407,000	-	-	$ 1,407,000
Cash equivalents	2,046,000	-	-	2,046,000
Total Assets	$ 3,453,000	$ -	$ -	$ 3,453,000
Liabilities	-	-	-	-
Total Liabilities	$ -	$ -	$ -	$ -

13. Share Based Payments

Stock-Based Compensation

Effective December 31, 2005, the Company adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standard ("SFAS") No. 123(R), "Share-Based Payments," which establishes the accounting for employee stock-based awards. Under the provisions of SFAS No.123(R), stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant). The Company adopted SFAS No. 123(R) using the modified prospective method and, as a result, periods prior to December 31, 2005 have not been restated. The Company recognized stock-based compensation for awards issued under the Company's stock option plans in other income/expenses included in the Condensed Consolidated Statement of Operations. Additionally, no modifications were made to outstanding stock options prior to the adoption of SFAS No. 123(R), and no cumulative adjustments were recorded in the Company's financial statements.

Unearned compensation represents shares issued to executives that will be vested over a 5-6 year period. These shares will be amortized over the vesting period in accordance with FASB 123(R). The expense related to the vesting of unearned compensation was $296,000 and $328,000 at June 30, 2008 and June 30, 2007, respectively. Expense related to vesting of options under FASB 123R was $0 and $77,000 at June 30, 2008 and June 30, 2007, respectively.

The following summarizes the stock option activity for the Six Months ended June 30, 2008:

	Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (Years)
Outstanding, December 31, 2007	291,300	4.19	
Options granted			
Options reinstated			
Options exercised	(25,000)	0.50	
Options forfeited or expired	(119,632)	6.39	
Outstanding June 30, 2008	146,668	3.02	1.84
Options exercisable, June 30, 2008	148,668	3.02	1.84
Options available for grant at June 30, 2008	1,075,832		

14. Reclassifications

Certain amounts for the quarter ended June 30, 2007 have been reclassified to conform to the presentation of the June 30, 2008 amounts. The reclassifications have no effect on net income for the quarters ended June 30, 2008 and 2007.

15. Business Segments

Operating segments are components of an enterprise about which separate financial information is available that is regularly reviewed by the chief operating decision maker about how to allocate resources and in assessing performance. The Company has two reportable operating segments: Medifast and All Other. The Medifast reporting segment consists of the following distribution channels: Medifast Direct, Take Shape for Life, and Doctors. The All Other reporting segments consist of Hi-Energy and Medifast Weight Control Centers and the Company's parent company operations.

The accounting policies of the segments are the same as those of the Company. The presentation and allocation of assets, liabilities and results of operations may not reflect the actual economic costs of the segments as stand-alone businesses. If a different basis of allocation were utilized, the relative contributions of the segments might differ, but management believes that the relative trends in segments would likely not be impacted.

The following tables present segment information for the six months ended June 30, 2008 and 2007:

	Three Months Ended June 30, 2008			
	Medifast	**All Other**	**Eliminations**	**Consolidated**
Revenues, net	$ 25,503,000	$ 2,034,000		$ 27,537,000
Cost of Sales	6,297,000	380,000		6,677,000
Other Selling, General and Adminstrative Expenses	15,510,000	1,820,000		17,330,000
Depreciation and Amortization	915,000	247,000		1,162,000
Interest (net)	9,000	35,000		44,000
Provision for income taxes	752,000	-		752,000
Net income (loss)	$ 2,020,000	($448,000)		$ 1,572,000
Segment Assets	$ 28,397,000	$ 20,818,000		$ 49,215,000

	Three Months Ended June 30, 2007			
	Medifast	**All Other**	**Eliminations**	**Consolidated**
Revenues, net	$ 20,716,000	$ 1,325,000		$ 22,041,000
Cost of Sales	5,169,000	194,000		5,363,000
Other Selling, General and Adminstrative Expenses	13,194,000	1,136,000		14,330,000
Depreciation and Amortization	576,000	290,000		866,000
Interest (net)	97,000	(34,000)		63,000
Provision for income taxes	510,000	-		510,000
Net income (loss)	$ 1,170,000	($261,000)		$ 909,000
Segment Assets	$ 23,341,000	$ 16,885,000		$ 40,226,000

	Six Months Ended June 30, 2008			
	Medifast	**All Other**	**Eliminations**	**Consolidated**
Revenues, net	$ 48,983,000	$ 3,723,000		$ 52,706,000
Cost of Sales	12,024,000	753,000		12,777,000
Other Selling, General and Adminstrative Expenses	29,755,000	3,467,000		33,222,000
Depreciation and Amortization	1,757,000	484,000		2,241,000
Interest (net)	20,000	89,000		109,000
Provision for income taxes	1,420,000	-		1,420,000
Net income (loss)	$ 4,007,000	($1,070,000)	0	$ 2,937,000
Segment Assets	$ 28,397,000	$ 20,818,000		$ 49,215,000

Six Months Ended June 30, 2007

	Medifast	All Other	Eliminations	Consolidated
Revenues, net	$ 39,805,000	$ 2,325,000		$ 42,130,000
Cost of Sales	10,065,000	356,000		10,421,000
Other Selling, General and Adminstrative Expenses	23,859,000	2,748,000		26,607,000
Depreciation and Amortization	1,081,000	574,000		1,655,000
Interest (net)	186,000	(61,000)		125,000
Provision for income taxes	1,040,000	-		1,040,000
Net income (loss)	$ 3,574,000	($1,292,000)		$ 2,282,000
Segment Assets	$ 23,341,000	$ 16,885,000		$ 40,226,000

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Management Discussion and Analysis of
Financial Condition and Results of Operations

Except for the historical information contained herein, this Report on Form 10-Q contains certain forward-looking statements that involve substantial risks and uncertainties. When used in this Report, the words "anticipate," "believe," "estimate," "expect" and similar expressions, as they relate to Medifast, Inc. or its management, are intended to identify such forward-looking statements. The Company's actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Accordingly, there is no assurance that the results in the forward-looking statements will be achieved.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles. Our significant accounting policies are described in Note 2 of the consolidated financial statements.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Management develops, and changes periodically, these estimates and assumptions based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Management considers the following accounting estimates to be the most critical in preparing our consolidated financial statements. These critical accounting estimates have been discussed with our audit committee.

Revenue Recognition. Revenue is recognized net of discounts, rebates, promotional adjustments, price adjustments, returns and other potential adjustments upon shipment and passing of risk to the customer and when estimates of are reasonably determinable, collection is reasonably assured and the Company has no further performance obligations.

Impairment of Fixed Assets and Intangible Assets. We continually assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Judgments regarding the existence of impairment indicators are based on legal factors, market conditions and our operating performance. Future events could cause us to conclude that impairment indicators exist and the carrying values of fixed and intangible assets may be impaired. Any resulting impairment loss would be limited to the value of net fixed and intangible assets.

Income Taxes. In the preparation of consolidated financial statements, the Company estimates income taxes based on diverse legislative and regulatory structures that exist in jurisdictions where the company conducts business. Deferred income tax assets and liabilities represent tax benefits or obligations that arise from temporary differences due to differing treatment of certain items for accounting and income tax purposes. The Company evaluates deferred tax assets each period to ensure that estimated future taxable income will be sufficient in character amount and timing to result in their recovery. A valuation allowance is established when management determines that it is more likely than not that a deferred tax asset will not be realized to reduce the assets to their realizable value. Considerable judgments are required in establishing deferred tax valuation allowances and in assessing probable exposures related to tax matters. The Company's tax returns are subject to audit and local taxing authorities that could challenge the company's tax positions. The Company believes it records and/or discloses such potential tax liabilities as appropriate and has reasonably estimated its income tax liabilities and recoverable tax assets.

Allowance for doubtful accounts. In determining the adequacy of the allowance for doubtful accounts, we consider a number of factors including the aging of the receivable portfolio, customer payment trends, and financial condition of the customer, industry conditions and overall credibility of the customer. Actual amounts could differ significantly from our estimates.

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General

Six Months Ended June 30, 2008 and June 30, 2007

Revenue: Revenue increased to $52.7 million for the first six months of 2008 compared to $42.1 million for the first six months of 2007, an increase of $10.6 million or 25%. The direct marketing sales channel accounted for 48% of total revenue, Take Shape for Life 41%, doctors 3%, and brick and mortar clinics 7%. As compared to the first six months of 2007, the direct marketing sales channel, which is fueled primarily by consumer advertising, increased revenues by approximately 5% year-over year. Take Shape for Life sales, which are fueled by person-to-person recruiting and support increased by 72% compared to the first six months of 2007. The Company's doctor's sales decreased by 23% and The Medifast Weight Control Centers increased sales by 62% as compared to the first six months of 2007.

The Take Shape for Life division grew 72% year-over-year. This growth can largely be attributed to the tools and training that led to an increase in the ability of the division to both promote growth in recruiting of health coaches, as well as better supporting this growth as it occurs. This continued investment proved to be a large part of the current growth trends in Take Shape for Life sales, as well as the number of active health coaches. The growth in this segment correlates directly to the increase in health coaches, which began to accelerate following our National Convention in July 2007. The number of active health coaches grew 87% to 2,800 at the end of the second quarter of 2008 as compared to 1,500 for the same time period in 2007, and up from 2,200 at the end of the first quarter of 2008. The Company recently completed our 2008 National Convention in Orlando, FL on July 26th, 2008 where approximately 750 health coaches participated, an increase of nearly 88% from prior year. The individuals that attended the event attended workshops and heard lectures by accredited individuals in the areas of recruiting, product and nutrition knowledge, and business skills.

The Medifast Weight Control Centers, which represent approximately 7% of the Company's overall revenues, are currently operating in 17 locations in Dallas, Houston, and Orlando. In the first six months of 2008, the Company experienced revenue growth of 62% versus the same time period last year. The average monthly revenue per clinic also witnessed growth of 18%, averaging $40,000 per clinic in the first six month of 2008 as compared to $34,000 in the first six months of 2007. In the expanding Dallas, TX market, the average monthly revenue per clinic is approximately $50,000. In the estimated $40 billion weight loss and health living industry, the brick and mortar clinic model has always made up a significant portion of overall sales. The recent growth in the Medifast Weight Control Centers has proven that the model is in high demand from a select portion of the weight loss consumers. Throughout 2007, the Company invested in the infrastructure of its clinic model. The major aspects of the investment in this division included an expanded executive team, the creation of a point of sale system, a robust customer data tracking system, and finalizing the franchise opportunity documentation. During the first six months of 2008, the Company opened six additional corporately owned clinics in the Houston, TX market and one additional center in the Dallas, TX market. The Company plans on opening three additional corporately owned clinics in the Houston market and one in the Dallas market by the end of 2008.

On February 18, 2008, the Company announced that it has sold its first franchise of Medifast Weight Control Centers. The Company sold the rights to open four clinics in the Greater Baltimore Metropolitan Area. The franchisee also has the rights to open four additional Medifast Weight Control Centers in the Baltimore area over the next two years, bringing the total to eight locations. On June 3, 2008 the Company announced that it sold the rights to open four Medifast Weight Control Centers in Southern California and three Medifast Weight Control Centers in Central California to two different local business operators. The Company anticipates the opening of our first franchise centers in Baltimore and Southern California in the next 45 days.

Overall, selling, general and administrative expenses increased by $7.1 million as compared to the first six months of 2007. Advertising expense for the first six months of 2008 was approximately $10.4 million compared to approximately $10 million for the same period last year, an increase of $400,000. Salaries and benefits increased by approximately $900,000 in the first six months of 2008. The increase includes the hiring of additional expertise in critical areas such as Take Shape for Life and the Medifast Weight Control Centers in the second half of 2007 which have greatly impacted the revenue growth in the first six months of 2008. Additional personnel were hired in the call center during the first quarter of 2008 as the Company brought the outsourced Take Shape for Life call center in-house early in the second quarter of 2008. Going forward, savings will be realized on communication expense as a result of bringing the call center in-house. The opening of six new corporately owned clinics in the Houston, TX market and one in the Dallas, TX market also required the hiring of additional center managers and support staff. Take Shape for Life commission expense, which is completely variable based upon revenue, increased by approximately $4,500,000 as the Company showed sales growth of 72% as compared to the first six months of 2007. Communication expense decreased by $150,000 as a result of the Take Shape for Life call center moving in-house during the second quarter of 2008. Other expenses increased by $1.1 million which included items such as depreciation, amortization, credit card processing fees, charitable contributions, and property taxes. Operating expenses increased by $400,000 which primarily resulted from additional printing expense for our direct to consumer postcard mailings as well as maintenance, repairs, and supplies for our manufacturing and distribution facilities.

Costs and Expenses: Cost of revenue increased $2.4 million to $12.8 million in the first six months of 2008 from $10.4 million for the first six months of 2007. As a percentage of sales, gross margin increased to 75.8% from 75.3% for the first six months of 2008. The margin improved due to efficiencies gained from new machinery purchases in prior year as well as new shipping rules that resulted in additional shipping revenue from customers netting against shipping expense.

Income taxes**:** For the first six months of 2008 the Company recorded $1,420,000 in income tax expense, which represents an annual effective rate of 32.6%. For the first six months of 2007, we recorded income tax expense of $1,040,000 which reflected an estimated annual effective tax rate of 31.3%. The Company anticipates a tax rate of approximately 32-34% in 2008.

Net income: Net income was $2.9 million for the first six months of 2008 as compared to $2.3 million for the first six months of 2007, an increase of 29%. The improved profitability during the first six months of 2008 is due to sales growth in the Take Shape for Life division and Medifast Weight Control Centers as well as improved advertising effectiveness in the Medifast Direct Marketing sales channel.

Three Months Ended June 30, 2008 and June 30, 2007

Revenue: Revenue increased to $27.5 million in the second quarter of 2008 compared to $22 million in the second quarter of 2007, an increase of $5.5 million or 25%. The direct marketing sales channel accounted for 45% of total revenue, Take Shape for Life 44%, doctors 4%, and brick and mortar clinics 7%. As compared to the second quarter of 2007, the direct marketing sales channel, which is fueled primarily by consumer advertising, decreased revenues by approximately 1% year-over year, however, the advertising dollars spent to achieve nearly the same amount of sales were 9% less than the second quarter of 2007 as the Company continues to focus on more effective advertising spend. Take Shape for Life sales, which are fueled by person-to-person recruiting and support increased by 79% compared to the second quarter of 2007. The Company's doctor's sales decreased by 17% and The Medifast Weight Control Centers increased sales by 61% as compared to the second quarter of 2007.

The Take Shape for Life division grew 79% year-over-year. This growth can largely be attributed to the tools and training that led to an increase in the ability of the division to both promote growth in recruiting of health coaches, as well as better supporting this growth as it occurs. This continued investment proved to be a large part of the current growth trends in Take Shape for Life sales, as well as the number of active health coaches. The growth in this segment correlates directly to the increase in health coaches, which began to accelerate following our National Convention in July 2007. The number of active health coaches grew 87% to 2,800 at the end of the second quarter of 2008 as compared to 1,500 for the same time period in 2007, and up from 2,200 at the end of the first quarter of 2008. The Company recently completed our 2008 National Convention in Orlando, FL on July 26th, 2008 where approximately 750 health coaches participated, an increase of nearly 88% from prior year. The individuals that attended the event attended workshops and heard lectures by accredited individuals in the areas of recruiting, product and nutrition knowledge, and business skills.

The Medifast Weight Control Centers, which represent approximately 7% of the Company's overall revenues, are currently operating in 17 locations in Dallas, Houston, and Orlando. In the second quarter of 2008, the Company experienced revenue growth of 61% versus the same time period last year. The average monthly revenue per clinic also witnessed growth of 5%, averaging $41,000 per clinic in the second quarter of 2008 as compared to $39,000 in the second quarter of 2007. The average monthly clinic sale in the second quarter of 2008 was weighted downward due to the six new start-up clinics in the Houston, TX market. In the expanding Dallas, TX market, the average monthly revenue per clinic is approximately $50,000. During the second quarter of 2008, the Company opened two additional corporately owned clinics in the Houston, TX market and one additional clinic in the Dallas, TX market. The Company plans on opening three additional corporately owned clinics in the Houston market and one additional center in the Dallas, TX market by the end of 2008.

Overall, selling, general and administrative expenses increased by $3.2 million as compared to the second quarter of 2007. Advertising expense for the second quarter of 2008 was approximately $5.2 million compared to approximately $5.7 million for the same period last year, a decrease of $500,000 or 9%. Salaries and benefits increased by approximately $500,000 in the second quarter of 2008 as compared to last year. The increase includes the hiring of additional expertise in critical areas such as Take Shape for Life and the Medifast Weight Control Centers in the second half of 2007 which have greatly impacted the revenue growth in the first six months of 2008. Additional personnel were hired in the call center during the first and second quarter of 2008 as the Company brought the outsourced Take Shape for Life call center in-house early in the second quarter of 2008. The opening of six new corporately owned clinics in the Houston, TX market and one in the Dallas, TX market also required the hiring of additional center managers and support staff. Take Shape for Life commission expense, which is completely variable based upon revenue, increased by approximately $2,600,000 as the Company showed sales growth of 77% as compared to the second quarter of 2007. Communication expense, decreased by $200,000 as the outsourced Take Shape for Life call center was brought in-house early in the second quarter of 2008. Other expenses increased by $550,000 which included items such as depreciation, amortization, credit card processing fees, charitable contributions, and property taxes. Operating expenses increased by $200,000 which primarily resulted from additional printing expense for our direct to consumer postcard mailings as well as maintenance, repairs, and supplies for our manufacturing and distribution facilities.

Costs and Expenses: Cost of revenue increased $1.3 million to $6.7 million in the second quarter of 2008 from $5.4 million in the second quarter of 2007. As a percentage of sales, gross margin increased to 75.8% from 75.7% in the second quarter of 2007.

Income taxes**:** In the second quarter of 2008, the Company recorded $752,000 in income tax expense, which represents an annual effective rate of 32.3%. In the second quarter of 2007, we recorded income tax expense of $510,000 which reflected an estimated annual effective tax rate of 35.9%. The Company anticipates a tax rate of approximately 32-34% in 2008.

Net income: Net income was $1.6 million in the second quarter of 2008 as compared to $900,000 in the second quarter of 2007, an increase of 73%. The improved profitability in the second quarter of 2008 is due to sales growth in the Take Shape for Life division and Medifast Weight Control Centers as well as improved advertising effectiveness in the Medifast Direct Marketing sales channel.

SEGMENT RESULTS OF OPERATIONS

Net Sales by Segment for the Three Months Ended June 30,

	2008		**2007**	
Segments	Sales	% of Total	Sales	% of Total
Medifast	$ 25,503,000	93%	$ 20,716,000	94%
All Other	2,034,000	7%	1,325,000	6%
Total Sales	$ 27,537,000	100%	$ 22,041,000	100%

Net Sales by Segment for the Six Months Ended June 30,

	2008		**2007**	
Segments	Sales	% of Total	Sales	% of Total
Medifast	$ 48,983,000	93%	$ 39,805,000	94%
All Other	3,723,000	7%	2,325,000	6%
Total Sales	$ 52,706,000	100%	$ 42,130,000	100%

Three Months Ended June 30, 2008 and June 30, 2007

Medifast Segment: The Medifast reporting segment consists of the sales of Medifast Direct, Take Shape for Life, and Doctors. As this represents the majority of our business this is referenced to the “Condensed Consolidated Results of Operations” management discussion for the three months ended June 30, 2008 and 2007 above.

All Other Segment: The All Other reporting segment consists of the sales of Hi-Energy and Medifast Weight Control Centers. Sales increased by $709,000 year-over year in the Hi-Energy and Medifast Weight Control Centers sales due to opening two new centers in the Houston market and one new center in the Dallas, TX market in the second quarter of 2008, increased sales in the of the four new clinics opened in the first quarter of 2008, as well as improvements in same store sales for clinics in operation in the same period of prior year. As compared to the second quarter of 2007, the clinics have improved advertising effectiveness, improved closing rates on walk-in sales, as well as the hiring of more experienced clinic operators to manage the clinics. The Company now has seventeen corporately owned clinics, compared to nine clinics in operation at the end of the second quarter of 2007.

Six Months Ended June 30, 2008 and June 30, 2007

Medifast Segment: The Medifast reporting segment consists of the sales of Medifast Direct, Take Shape for Life, and Doctors. As this represents the majority of our business this is referenced to the “Condensed Consolidated Results of Operations” management discussion for the six months ended June 30, 2008 and 2007 above.

All Other Segment: The All Other reporting segment consists of the sales of Hi-Energy and Medifast Weight Control Centers. Sales increased by $1,398,000 year-over year in the Hi-Energy and Medifast Weight Control Centers sales due to opening six new centers in the Houston market and one new center in the Dallas, TX market in the first six months of 2008, increased sales in the four new clinics opened in the first quarter of 2008, as well as improvements in same store sales for clinics in operation in the same period of prior year. As compared to the first six months of 2007, the clinics have improved advertising effectiveness, improved closing rates on walk-in sales, as well as the hiring of more experienced clinic operators to manage the clinics. The Company now has seventeen corporately owned clinics, compared to nine clinics in operation at the end of the second quarter of 2007.

Net Profit by Segment for the Three Months Ended June 30,

	2008		2007	
Segments	Profit	% of Total	Profit	% of Total
Medifast	$ 2,020,000	128%	$ 1,170,000	129%
All Other	(448,000)	-28%	(261,000)	-29%
Total Net Profit	$ 1,572,000	100%	$ 909,000	100%

Net Profit by Segment for the Six Months Ended June 30,

	2008		2007	
Segments	Profit	% of Total	Profit	% of Total
Medifast	$ 4,007,000	136%	$ 3,574,000	157%
All Other	(1,070,000)	-36%	(1,292,000)	-57%
Total Net Profit	$ 2,937,000	100%	$ 2,282,000	100%

Three Months Ended June 30, 2008 and June 30, 2007

Medifast Segment: The Medifast reporting segment consists of the profits of Medifast Direct, Take Shape for Life, and Doctors. As this represents the majority of our business this is referenced to the "Condensed Consolidated Results of Operations" management discussion for the three months ended June 30, 2008 and 2007 above. See footnote 15, "Business Segments" for a detailed breakout of expenses.

All Other Segment: The All Other reporting segment consists of the profit or loss of Hi-Energy and Medifast Weight Control Centers, and corporate expenses related to the parent company operations. Year-over-year, the loss in the All Other segment increased by $187,000. The Hi-Energy and Medifast Weight Control Centers showed a decrease in net profitability year-over-year of $72,000. The decrease in profitability was due to the start-up expenses opening two new centers in the Houston market and one new center in the Dallas, TX market in the second quarter of 2008. The increase in the total number of clinics led to additional salaries, rent, and advertising expense during the start-up phase with lower sales volume during the first few months of operation. Corporate expenses increased by $169,000 year-over-year. Corporate expenses include items such as auditors' fees, attorney's fees, Board of Director expenses, investor relations, corporate consulting, and corporate outings. See footnote 15, "Business Segments" for a detailed breakout of expenses.

Six Months Ended June 30, 2008 and June 30, 2007

Medifast Segment: The Medifast reporting segment consists of the profits of Medifast Direct, Take Shape for Life, and Doctors. As this represents the majority of our business this is referenced to the "Condensed Consolidated Results of Operations" management discussion for the three months ended June 30, 2008 and 2007 above. See footnote 15, "Business Segments" for a detailed breakout of expenses.

All Other Segment: The All Other reporting segment consists of the profit or loss of Hi-Energy and Medifast Weight Control Centers, and corporate expenses related to the parent company operations. Year-over-year, the loss in the All Other segment decreased by $222,000. The Hi-Energy and Medifast Weight Control Centers showed a decrease in net profitability year-over-year of $85,000. The decrease for the Medifast Weight control centers was due to the opening of six new centers in the Houston market and one new center in the Dallas, TX market in the first six months of 2008.

The increase in the number of clinics led to additional salaries, rent, and advertising expense during the start-up phase with lower sales volume during the start-up phase. Corporate expenses increased by $189,000 year-over-year. Corporate expenses include items such as auditors' fees, attorney's fees, Board of Director expenses, investor relations, corporate consulting, and corporate outings. See footnote 15, "Business Segments" for a detailed breakout of expenses.

Seasonality

The Company's weight management products and programs have historically been subject to seasonality. Traditionally the holiday season in November/December of each year is considered poor for diet control products and services. January and February generally show increases in sales, as these months are considered the commencement of the "diet season." In 2008, seasonality has not been a significant factor. This is largely due to the increase in the consumer's awareness of the overall health and nutritional benefits accompanied with the use of the Company's product line. As consumers continue to increase their association of nutritional weight loss programs with overall health, seasonality will continue to decrease.

Inflation

Inflation generally affects us by increasing the costs of labor, overhead, and raw material and packaging costs. The impact of inflation on our financial position and results of operations was minimal during the second quarter of 2007, however in 2008 the Company is continuing to be negatively impacted by increasing raw material costs.

Item 5. Other Information

Litigation**:**
Leonard Z. Sotomeyer, on December 30, 2003, filed an action in the Supreme Court of the State of New York, County of New York, against his former business partner, David Scheffler, and T-1 Holdings, LLC, and included Medifast, Inc., formerly Heathrite, Inc., as a Defendant, Case 604076-03, seeking monetary damages for failure of his former business partner to compensate him under several consulting agreements with Medifast, Inc. made with H-T Capital, Inc. and derivatively on behalf of T-1Holdings, LLC. The Court dismissed on Defendants' motions Sotomeyer's Complaint in its entirety by Order of September 30, 2004. Following an appeal, the Appellate Division, First Department, reinstated the first and second causes of action while affirming the dismissal of Plaintiff's remaining derivative claims by its decision April 13, 2006. The matter is now, again, before the New York Supreme Court for the specific purpose of litigating plaintiff's first and second causes of action only. Plaintiff recently filed a pending Motion to amend his Complaint. Medifast continues to deny any wrongdoings and discovery is underway. Medifast believes it continues to have a meritorious defense to the counts alleged and that any decision rendered would not materially impact the ongoing operations of Medifast, Inc.

Earnings per Share: The Company follows the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share." The calculation of basic and diluted earnings per share ("EPS") is reflected on the accompanying Consolidated Statement of Operations.

Code of Ethics: In August of 2006, the Company updated its Code of Ethics by which directors, officers and employees commit and undertake to personal and corporate growth, dedicate themselves to excellence, integrity and responsiveness to the marketplace, and work together to enhance the value of the Company for the shareholders, vendors, and customers.

Trading Policy: In March 2003, the Company implemented a Trading Policy whereby if a director, officer or employee has material non-public information relating to the Company, neither that person nor any related person may buy or sell securities of the Company or engage in any other action to take advantage of, or pass on to others, that information. Additionally, on October 16, 2006 the Board of Directors approved an updated trading policy in which insiders may purchase or sell MED securities if such purchase or sale is made 7 days after or 14 days before an earnings announcement to include the 10-K or 10-Q in order to insure that investors have available the same information necessary to make investment decisions as insiders.

Evaluation of Disclosure Controls and Procedures:

The Securities and Exchange Commission defines the term "disclosure controls and procedures" to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based on the evaluation of the effectiveness of our disclosure controls and procedures by our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, as of the end of the period covered by this report, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures at the end of the period covered by this report were effective to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting:

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Forward Looking Statements: Some of the information presented in this quarterly report constitutes forward-looking statements within the meaning of the private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about management's expectations for fiscal year 2003 and beyond, are forward-looking statements and involve various risks and uncertainties. Although the Company believes that its expectations are based on reasonable assumptions within the bounds of its knowledge, there can be no assurance that actual results will not differ materially from the Company's expectations. The Company cautions investors not to place undue reliance on forward-looking statements which speak only to management's experience on this data.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Medifast, Inc.

BY:	/S/ MICHAEL S. MCDEVITT Michael S. McDevitt Chief Executive Officer and Chief Financial Officer (principal executive officer and principal financial officer)	August 8, 2008

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Index to Exhibits

Exhibit Number	Description of Exhibit
31.1	Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002