

MEDIFAST INC  
Form DEF 14A  
April 29, 2016

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

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
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**MEDIFAST, INC.**

(Name of Registrant as Specified In Its Charter)

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

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**MEDIFAST, INC.**

**NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS OF MEDIFAST, INC.**

**TO BE HELD ON Wednesday, June 15, 2016**

April 29, 2016

TO THE STOCKHOLDERS OF MEDIFAST, INC.:

Notice is hereby given that the 2016 annual meeting of stockholders (the “Annual Meeting”) of Medifast, Inc. (the “Company” or “Medifast”) will be held on Wednesday, June 15, 2016, at 9:30 a.m. EDT, at Hyatt Regency Baltimore Inner Harbor, 300 Light Street, Baltimore, Maryland 21202, for the following purposes, as more fully described in the accompanying Proxy Statement:

1. To elect 9 nominees to the Board of Directors;

To ratify the appointment of RSM US LLP (“RSM” or the “Independent Registered Public Accounting Firm”) (formerly known as McGladrey LLP) as the independent auditors of the Company for the fiscal year ending December 31, 2016; and

3. To transact such other business as may properly come before the Annual Meeting.

Doors to the Annual Meeting will open at 9:00 a.m. EDT. Stockholders of record at the close of business on April 18, 2016 are entitled to notice of, and to vote at, the Annual Meeting. If you plan to attend the Annual Meeting, please note that for security reasons, before being admitted you must present your proof of stock ownership (or if you hold your shares in street name, a signed legal proxy from your bank, broker or other nominee giving you the right to vote your shares) and valid photo identification at the door. All hand-carried items will be subject to inspection, and any bags, briefcases, or packages must be checked at the registration desk prior to entering the meeting room.

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Whether or not you plan to attend the Annual Meeting, please vote your shares as soon as possible by telephone, via the Internet or by completing, dating, signing and returning a proxy card to ensure your shares are voted, or, if you hold your shares in street name, by following the instructions provided by your bank, broker or other nominee. Submitting your proxy now will not prevent you from voting your shares at the Annual Meeting if you desire to do so, as your proxy is revocable at your option.

Jason L. Groves, Esq.  
Executive Vice President, General Counsel and Corporate Secretary

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## **PROXY STATEMENT**

April 29, 2016

The Board of Directors (the “Board”) of Medifast, Inc. (the “Company” or “Medifast”) is soliciting proxies to be voted on our stockholders’ behalf at the 2016 annual meeting of stockholders (the “Annual Meeting”).

The Annual Meeting will commence at 9:30 a.m. EDT on Wednesday, June 15, 2016. The Annual Meeting will be held at the Hyatt Regency Baltimore Inner Harbor, 300 Light Street, Baltimore, Maryland 21202.

This Proxy Statement provides information regarding the matters to be voted on at the Annual Meeting, as well as other information that may be useful to you.

### **Questions and Answers Regarding the Proxy Statement and Annual Meeting**

#### ***Why am I receiving these proxy materials?***

The Board is soliciting proxies on behalf of the Company to be voted at the Annual Meeting. When we ask for your proxy, we must provide you with a proxy statement that contains certain information specified by law and other information.

#### ***What is included in the proxy materials?***

The proxy materials consist of: (1) the Notice of 2016 Annual Meeting of Stockholders of Medifast, Inc.; (2) this Proxy Statement for the Annual Meeting; (3) the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (the “2015 Annual Report”); and (4) other related materials.

If you request printed versions of the proxy materials by mail, these proxy materials will also include the proxy card or voting instruction form for the Annual Meeting.

***Why did I receive a Notice in the mail regarding the Internet availability of proxy materials instead of a full set paper copy of the proxy materials?***

We are utilizing a Securities and Exchange Commission (“SEC”) rule that allows companies to furnish their proxy materials over the Internet rather than in paper form. This rule allows a company to send some or all of its stockholders a notice regarding Internet availability of proxy materials (“Notice”). Instructions on how to access the proxy materials over the Internet or how to request a paper copy of our proxy materials may be found in the Notice. If you have received a Notice and you would prefer to receive the proxy materials in printed form by mail or electronically by email, please follow the instructions contained in the Notice.

An electronic copy of the Notice of 2016 Annual Meeting of Stockholders of Medifast, Inc., this Proxy Statement, the 2015 Annual Report and other related materials will first be made available to stockholders on or about April 29, 2016 at [www.astproxyportal.com/ast/08676](http://www.astproxyportal.com/ast/08676) for registered and beneficial holders of our common stock. The Notice will first be mailed to stockholders on or about May 6, 2016.

The SEC rules that allow us to furnish our proxy materials over the Internet rather than in paper form do not require us to do so for all stockholders. We may choose to send certain stockholders the Notice, while sending other stockholders a full set paper copy of our proxy materials.

***What proposals will be voted on at the Annual Meeting?***

There are two matters on which a vote is scheduled at the Annual Meeting:

1. The election of 9 nominees to the Board (Proposal 1); and

2. The ratification of the appointment of RSM US LLP (“RSM”) (formerly known as McGladrey LLP), as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2016 (“Fiscal Year 2016”) (Proposal 2).

We will also consider and vote upon any other business properly brought before the Annual Meeting.





***What are the Board's voting recommendations?***

The Board recommends that you vote your shares:

- FOR the election of each of the 9 nominees named herein for election to the Board (Proposal 1); and
- FOR the ratification of the appointment of RSM as the Company's independent registered public accounting firm for Fiscal Year 2016 (Proposal 2); and

***What shares may I vote?***

You may vote all of the shares of our common stock that you owned as of the close of business on April 18, 2016 (the "Record Date"). These shares include:

1. those held directly in your name as the stockholder of record; and
2. those held for you as the beneficial owner through a stockbroker, bank, or other nominee at the close of business on the Record Date.

Each share of our common stock is entitled to one vote. On the Record Date, there were 11,843,695 shares of our common stock issued and outstanding.

***What is the difference between holding shares as a stockholder of record and as a beneficial owner?***

Most Medifast stockholders hold their shares through a bank, broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

***Stockholder of Record***

If your shares are registered directly in your name with Medifast's transfer agent, American Stock Transfer and Trust Company, LLC (the "Transfer Agent"), you are considered, with respect to those shares, the stockholder of record. As the stockholder of record, you have the right to grant your proxy directly to the Company or to vote in person at the Annual Meeting.

*Beneficial Owner*

If you hold shares in a stock brokerage account or through a bank, broker or other nominee, you are considered the beneficial owner of shares held in street name. Your bank, broker or nominee is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your nominee on how to vote your shares, but because you are not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares. As a beneficial owner, you are, however, welcome to attend the Annual Meeting.

***How can I vote my shares in person at the Annual Meeting?***

You may vote shares you hold directly in your name as the stockholder of record in person at the Annual Meeting.

If you are the beneficial owner of shares held in street name, you may vote the shares in person at the Annual Meeting only if you have obtained a signed legal proxy from your bank, broker or other nominee (i.e., the record holder) giving you the right to vote the shares.

Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy as described below so that your vote will be counted regardless of attendance. Submitting your proxy now will not prevent you from voting your shares in person by written ballot at the Annual Meeting if you desire to do so, as your proxy is revocable at your option.

If you need directions to the Annual Meeting, please call the Hyatt Regency Baltimore Inner Harbor at (410) 528-1234. Directions can also be found at <http://baltimore.regency.hyatt.com/en/hotel/our-hotel/map-and-directions.html?icamp=propMapDirections>.

***What do I need to attend the Annual Meeting?***

You must present both proof of stock ownership and valid photo identification to attend the Annual Meeting. If you hold shares through an account with a bank, broker or other nominee, contact your nominee to request a legally valid proxy from the owner of record and this will serve as your proof of stock ownership.

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If you do not have proof of ownership and valid photo identification, you will not be admitted into the Annual Meeting. Please also note that the use of cell phones, smartphones, pagers, recording and photographic equipment and/or computers is strictly prohibited at the Annual Meeting.

***How can I vote my shares without attending the Annual Meeting?***

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct your vote without attending the Annual Meeting. If you hold your shares directly, you may vote by granting a proxy. If you hold your shares in street name, you may submit voting instructions to your bank, broker or other nominee.

If you are a stockholder of record, you may vote your shares by any one of the following methods:

**By Mail** — The Notice includes directions on how to request paper copies of this Proxy Statement, the 2015 Annual Report, a proxy card, and the other related materials. Once you receive a paper proxy card, you may vote your shares by signing and dating each proxy card that you receive and returning it in the prepaid envelope prior to the Annual Meeting. Sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as an attorney-in-fact, executor, administrator, guardian, trustee or the officer or agent of a corporation or partnership), please indicate your name and your title or capacity. If the stock is held in custody for a minor (for example, under the Uniform Transfers to Minors Act), the custodian should sign, not the minor. If the stock is held in joint ownership, one owner may sign on behalf of all owners. If you provide specific voting instructions, your shares will be voted as you instruct. If you sign but do not provide instructions, your shares will be voted as described below in “How are votes counted?”

**On the Internet** — You may vote your shares online at [www.voteproxy.com](http://www.voteproxy.com) by following the instructions provided in the Notice. Voting on the Internet has the same effect as voting by mail. If you vote on the Internet, you do not need to return a proxy card. Internet voting will be available until 11:59 p.m. Eastern Time on June 14, 2016.

**By Telephone** — You may vote by telephone by dialing 1-800-776-9437, and by following the instructions on the Notice. Voting by telephone has the same effect as voting by mail. If you vote by telephone, you do not need to return a proxy card. Telephone voting will be available until 11:59 p.m. Eastern Time on June 14, 2016.

If you hold your shares in street name, you may instruct your bank, broker or other nominee to vote your shares by following the instructions that your broker or nominee provides to you. Most brokers offer voting by mail, by telephone and on the Internet.

***May I change my vote or revoke my proxy?***

Yes, stockholders are entitled to revoke their proxies at any time before their shares are voted at the Annual Meeting. To revoke a proxy, a stockholder must file a written notice of revocation with the Company, deliver a duly executed Proxy Card bearing a later date than the original submitted Proxy Card, submit voting instructions again by telephone or the Internet, or attend the Annual Meeting and vote in person. Attendance at the Annual Meeting will not, by itself, revoke your proxy; you must vote your shares. If you hold shares in street name, you must contact your bank, broker or other nominee to change your vote or obtain a proxy to vote your shares if you wish to cast your vote in person at the Annual Meeting.

***How are votes counted?***

You may vote “FOR”, “AGAINST”, or “ABSTAIN” each proposal. For abstentions, see “What happens if I abstain from voting?” below.

If you specify a voting choice, your shares will be voted in accordance with that choice. If you sign, but do not indicate your voting preferences, then the persons named as proxies by our board of directors, Michael C. MacDonald and Jason L. Groves (the “Named Proxies”), will vote your shares in accordance with the recommendations of the Board.

If you are a beneficial owner and you have not provided voting instructions to your broker, your broker may exercise discretion to vote your shares only with respect to the ratification of our independent registered public accounting firm (Proposal 2). Your broker does not have discretionary authority to vote your shares in the election of directors (Proposal 1), resulting in a “broker-non-vote” with respect to these matters. See “What is a broker non-vote?” for more information.

***What are the approval requirements for each of the proposals being voted on at the Annual Meeting?***

For each proposal, the affirmative vote of a majority of the votes cast at the meeting, by the holders of stock entitled to vote thereat, is required for approval pursuant to our Amended and Restated Bylaws (“Bylaws”).

“A majority of the votes cast” with respect to the election of directors means that the number of votes cast “FOR” a director’s election exceeds fifty percent of the number of votes cast with respect to that director’s election.

***What is the quorum requirement?***

For business to be conducted at the Annual Meeting, a quorum must be present or represented by proxy. Under our Bylaws, the presence of a majority of the outstanding shares of our common stock entitled to vote at the Annual Meeting represented in person or by proxy at the Annual Meeting will constitute a quorum for the transaction of business. The number of outstanding shares of our common stock entitled to vote at the Annual Meeting is determined as of the Record Date. Abstentions and broker non-votes will be counted in determining whether a quorum is present for the Annual Meeting.

***What happens if I abstain from Voting?***

If you submit a proxy and explicitly abstain from voting on any proposal, the shares represented by the proxy will be considered present at the Annual Meeting for the purpose of determining a quorum. Abstentions will not be counted as votes cast and therefore they will have no effect on the outcome of any proposal.

***What is a “broker non-vote”?***

A “broker non-vote” occurs when a broker submits a proxy to the Company that does not indicate a vote for one or more of the proposals because the broker has not received instructions from the beneficial owner on how to vote on such proposals, and does not have discretionary authority to vote in the absence of instructions. Brokers have discretionary authority to vote on matters that are deemed “routine,” such as the ratification of our independent registered public accounting firm (Proposal 2). Brokers do not have discretionary authority to vote on matters that are deemed “non-routine,” such as the election of directors (Proposal 1). Broker non-votes will be counted for the purposes of determining whether a quorum exists at the Annual Meeting, but because they are not votes that are cast, they will have no effect on the outcome of Proposal 1.

***Will I have dissenters’ rights?***

No dissenters' rights are available under the General Corporation Law of the State of Delaware, our certificate of incorporation, or our Bylaws to any stockholder with respect to any of the matters proposed to be voted on at the Annual Meeting.

***What does it mean if I receive more than one Notice, proxy card or voting instruction form?***

It means your shares are registered differently or are held in more than one account. To ensure that all of your shares are voted, please vote as instructed in each Notice or sign and return each proxy card (if you have requested and received paper copies of this proxy statement and a proxy card or voting instruction form). If you vote by telephone or on the Internet, you will need to vote once for each Notice, proxy card or voting instruction form you receive.

***Are voting records confidential?***

We require vote tabulators and the Inspector of the Election to execute agreements to maintain the confidentiality of voting records. Voting records will remain confidential, except as necessary to meet legal requirements, and in other limited circumstances such as proxy contests.

***How does the Company solicit proxies?***

The Company will solicit proxies by mail, telephone, or other means of communication. We will bear the cost of the solicitation of proxies. The Company has retained MacKenzie Partners, Inc. to assist in soliciting proxies from stockholders and we will pay a fee estimated at \$9,500, plus expenses, for such services. In addition, solicitation may be made by our directors, officers, and other employees. We reimburse brokerage firms, custodians, nominees, and fiduciaries in accordance with the rules of the Financial Industry Regulatory Authority for reasonable expenses incurred by them in forwarding materials to the beneficial owners of our common stock.

***Where can I find the voting results of the Annual Meeting?***

We will announce preliminary voting results at the Annual Meeting, and publish final results in a Current Report on Form 8-K following the Annual Meeting.



## PROPOSAL 1: ELECTION OF DIRECTORS

The Board is currently composed of nine directors. Each of the nominees for election to the Board has been previously elected to the Board by stockholders. Management has no reason to believe that any of the nominees is unable or unwilling to serve if elected. However, in the event that any of the nominees should become unable or unwilling to serve as a director, the Named Proxies will vote shares represented by proxies at the Annual Meeting for the election of such persons as shall be designated by the Board.

## DIRECTOR NOMINEES

**Jeffrey J. Brown**, age 55, has been a director of the Company since June 2015. Mr. Brown serves as a member of the Audit Committee, Executive Committee and Mergers & Acquisitions Committee. Mr. Brown is the Chief Executive Officer and founding member of Brown Equity Partners, LLC (“BEP”), which provides capital to management teams and companies needing equity capital. Prior to founding BEP in 2007, Mr. Brown served as a founding partner and primary deal originator of the venture capital and private equity firm Forrest Binkley & Brown (“FBB”) from 1993 to 2007. In his 29 years in the investment business Mr. Brown has been on over 40 boards of directors including service on 7 public companies. Since June 2015, Mr. Brown has served as the Lead Director of Medifast, Inc. (NYSE: MED). In August 2016, Mr. Brown was appointed to the board of Outerwall, Inc. in Seattle, WA. Outerwall, Inc (NASDAQ “OUTR”), is a Company that delivers automated retail spaces. In February 2014, Mr. Brown was appointed as an independent board member by a significant stakeholder to RCS Capital Corporation (“RCS”) a “Controlled Corporation”; as defined by the New York Stock Exchange from RCS’s inception in 2012 until the present. On January 31, 2016, RCS and the material stakeholders agreed to effect a consensual financial restructuring of RCS debt through a voluntary, pre-arranged Chapter 11 Bankruptcy in Delaware (case #16-10223). Pursuant to the stakeholders’ agreement, RCS will be renamed as Cetera Financial Holdings and is expected to exit its bankruptcy case in the second quarter of 2016. From 2011 until 2015, Mr. Brown served as a director of Midatech Pharma PLC (LSE: MTPH). From 2012 until 2014, Mr. Brown served as a director of Nordion, Inc. (NYSE: NDZ). From 2009 until 2011, Mr. Brown served as a director of Steadfast Income REIT, Inc. Mr. Brown has worked at Hughes Aircraft Company, Morgan Stanley & Company, Security Pacific Capital Corporation and Bank of America Corporation. Mr. Brown received his MBA from the Stanford University Graduate School of Business in 1987 and graduated Summa Cum Laude as a Mathematics Major from Willamette University in 1983. Mr. Brown was nominated for re-election to our Board pursuant to the terms of that certain Cooperation Agreement, dated April 3, 2015 (the “Cooperation Agreement”), between the Company and Engaged Capital, LLC, Engaged Capital Master Feeder I, L.P., Engaged Capital Master Feeder II, L.P., Engaged Capital I, L.P., Engaged Capital I Offshore, LTD, Engaged Capital II, L.P., Engaged Capital II Offshore LTD., Engaged Capital Holdings, LLC and Glenn W. Welling (collectively, the “Engaged Group”).

*Qualifications:* Mr. Brown brings to the Board extensive public and private company board experience and significant transactional experience.

**Kevin G. Byrnes**, age 68, has been a director of the Company since 2013. Mr. Byrnes serves as Chairman for the Mergers & Acquisitions Committee and as a member of the Audit Committee. Mr. Byrnes has more than 40 years of financial experience working in the retail and commercial banking industries. He is currently Chairman of the Board of Bay Bank, with assets of approximately \$500 million and 12 branches located in the Baltimore metropolitan area. Mr. Byrnes served as President/COO and Director of Provident Bank from 2002 to 2009. Provident, acquired by M&T Bank in May 2009, was the largest independent financial institution in the Maryland and Northern Virginia marketplaces at that time, with \$6.5 billion in assets, 150 branches and 1,600 employees. Prior to Provident Bank, Mr. Byrnes spent 25 years with the Chase Manhattan Bank in various executive management positions. Mr. Byrnes began his career at Bankers Trust Co. in New York. He received a BBA from Pace University.

*Qualifications:* Mr. Byrnes was selected based on his extensive financial experience given his long career in the banking industry. Because of his public-company experience and significant prior board experience, Mr. Byrnes is serving on the Company's Audit Committee and Chairs the Special Mergers & Acquisitions Committee.

**Charles P. Connolly**, age 67, has been a director of the Company since 2006. Mr. Connolly serves as Chairman of the Audit Committee and as a member of the Mergers & Acquisitions Committee. Mr. Connolly spent 29 years at First Union Corp., which merged with Wachovia Bank in 2001. He retired in 2001 as the President and Chief Executive Officer of First Union Corp. of Pennsylvania and Delaware. Mr. Connolly serves on the board of numerous profit and non-profit organizations. He received an MBA from the University of Chicago and an AB from Villanova University.

*Qualifications:* Mr. Connolly brings to the Board extensive executive experience and financial acumen derived from a lengthy executive career in the banking industry. He possesses a unique financial and risk assessment perspective into the operations and financial management of the Company. He spends significant time with our executive team, providing guidance and consultation on key metrics and performance objectives that have served Medifast well in the past few years.

**Constance J. Hallquist**, age 52, has been a director of the Company since June 2015. Ms. Hallquist serves as Chairman of the Nominating and Corporate Governance Committee. Ms. Hallquist is President and Chief Executive Officer of DNA Diagnostics Center (DDC), one of the largest private DNA testing companies in the world with offices in Fairfield (Ohio) and London (United Kingdom). DDC offers comprehensive DNA testing for paternity and family relationships, forensics, genetic traits of animals, cell line authentication, and ancestry. Previously, Ms. Hallquist was President of Healthy Directions, a Helen of Troy company (NASDAQ: HELE) and she served as President, New Business Ventures, for Orchard Brands, a \$1 billion catalog holding company. In 2007, Orchard Brands acquired the company that Ms. Hallquist founded in 2000, Gold Violin, a multi-channel retailer offering helpful products for independent living. Prior to Gold Violin, Ms. Hallquist held the position of Managing Director at Prophet, a brand strategy consulting firm, where she oversaw the firm's flagship clients including Williams-Sonoma, Audi, UBS, and Levi Strauss & Co. Prior to consulting, Ms. Hallquist worked in brand management at Kraft Foods. She received a BA in French Language & Literature from the University of Virginia and an MBA degree from the Darden School at the University of Virginia. Ms. Hallquist was nominated for re-election to our Board pursuant to the terms of the Cooperation Agreement.

*Qualifications:* Ms. Hallquist brings to the Board leadership skills, and significant experience in the direct sales business model and the healthcare and nutritional supplement industry.

**Jorgene K. Hartwig**, age 54, has been a director of the Company since June 2015. Ms. Hartwig serves as a member of the Nominating and Corporate Governance Committee. Ms. Hartwig is currently the Vice President of Corporate Engagement for Inforum & Inforum Center for Leadership since October 2015. Inforum is a non-profit organization that focuses on accelerating careers for women and positioning women for board service through education and career development. She is responsible for developing partnerships with C suite executives across a broad range of industries including Direct Sales, Health Care and Consumer Products. Prior to this, she served as Chief Operating Officer of 3kinetic, LLC, a startup servicing the advertising and film industries, from January 2015 to October 2015 and continues to act as an advisor for the organization. From January 2009 until December 2014, Ms. Hartwig served as Vice President and Chief Marketing Officer of Amway North America, the North American affiliate of one of the world's largest direct selling businesses, which specializes in the health and beauty markets. Ms. Hartwig's professional experience also includes serving as the Vice President of Marketing for Marcus Hotels & Resorts, a division of The Marcus Corporation (NYSE:MCS); the Vice President of Marketing for Fiskars Corporation, a global consumer products company; the Vice President of Marketing for Bemis Manufacturing Company, a global plastic products manufacturer; Business Team Leader for Pillsbury Company prior to its acquisition by General Mills; Director of Worldwide Business Development for SC Johnson Wax; and various brand management and market research positions. Ms. Hartwig earned a bachelor's degree in marketing from the University of Wisconsin and received an MBA degree from Marquette University. Ms. Hartwig was nominated for re-election to our Board pursuant to the terms of the Cooperation Agreement.

*Qualifications:* Ms. Hartwig brings to the Board extensive experience as a marketing executive, including expertise in the direct selling industry.

**Michael C. MacDonald**, age 62, has been a director of the Company since 1998. Mr. MacDonald serves as Chairman of the Executive Committee. Mr. MacDonald has served as Executive Chairman of the Board since November 2011, and was promoted to Chairman and Chief Executive Officer in February 2012. Prior to this role, Mr. MacDonald was Executive Vice President of OfficeMax, overseeing the Contract Division, a \$3.6 billion division of the OfficeMax Company. Mr. MacDonald has spent an additional 33 years in sales, marketing, and general management at Xerox Corporation. Among his most significant roles was leading the turnaround in North America from the years 2000-2004 as President of the North American Solutions Group, a \$6.5 billion division of Xerox. In addition, Mr. MacDonald was President of Global Accounts and Marketing from 2004-2007, where he led the re-branding of the Xerox Corporation. Mr. MacDonald also has international experience in marketing, sales, and operations with both Xerox and OfficeMax. In addition to serving as Chairman and Chief Executive Officer of the Company, Mr. MacDonald serves on the Direct Selling Association & Direct Selling Education Foundation boards of directors. Mr. MacDonald is the Treasurer & Chairman, Finance Committee, as well as a member of Direct Selling Association's Executive & Strategic Planning Committees. Mr. MacDonald also serves on the Jimmy V Foundation and the Archdiocese of Baltimore Catholic Community Foundation. Mr. MacDonald received his BA from Rutgers University, earned 44 MBA Credits at Iona College, and attended premier executive education courses in leadership and management at Harvard and Columbia Universities. Mr. MacDonald is the uncle of Margaret Sheetz, who resigned from the Company on April 8, 2016.

*Qualifications:* Mr. MacDonald brings to the Board considerable leadership skills and significant experience from large corporations. His significant leadership and management experience helps drive innovation and results.

**Carl E. Sassano**, age 66, has been a director of the Company since 2013. Mr. Sassano serves as Chairman of the Compensation Committee and as a member of the Executive Committee. He is a member of the board of Transcat, Inc. and the Lead Director. Mr. Sassano was Chairman of the Board of Transcat from October 2003 until July, 2013. From April 2007 to May 2008, he also served as executive chairman of the board. Mr. Sassano became President and Chief Executive Officer in March 2002 and was named Chairman of the board in October 2003. In May 2006, he ceased serving as president when Charles P. Hadeed assumed that position. He ceased serving as CEO in April, 2007. Mr. Sassano was president and chief operating officer of Bausch & Lomb Incorporated in 1999 and 2000. He also held positions in Bausch & Lomb as president-global vision care (1996-1999), president-contact lens division (1994-1996), group president (1993-1994) and president-Polymer Technology (1983-1992), a subsidiary of Bausch & Lomb. Mr. Sassano is a partner in CSW Equity Partners, a small private equity investment company. He also serves as Chairman of the board of Voiceport, one of the companies in the CSW portfolio. He received a BA from Rochester Institute of Technology and an MBA from the University of Rochester.

*Qualifications:* Mr. Sassano brings to the Board leadership skills and significant public corporate experience from both small companies (Transcat) and large corporations (Bausch & Lomb). He also bring a strong understanding of the issues organizations face in executing a growth strategy.

**Scott D. Schlackman**, age 58, has been a director of the Company since June 2015. Mr. Schlackman serves as a member of the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Schlackman is currently President of Scott Schlackman Global Consulting, LLC. From 2010 to 2013 he was President of Avon UK and Vice President of Liz Earle Products, which Avon acquired in March 2010, for the United Kingdom and Ireland. In 2010 he was Regional Vice President for Global Sales Development WEMEA and Asia Pacific Regions for Avon. In his 24 years with Avon, Mr. Schlackman served in a variety of senior executive roles with Avon Products, Inc., a global manufacturer and marketer of beauty and related products. Mr. Schlackman received a BS from the Wharton School of the University of Pennsylvania. Mr. Schlackman was nominated for re-election to our Board pursuant to the terms of the Cooperation Agreement.

*Qualifications:* Mr. Schlackman brings to the Board extensive executive leadership experience and expertise in the direct selling business.

**Glenn W. Welling**, age 45, has been a director of the Company since June 2015. Mr. Welling serves as a member of the Compensation Committee and the Mergers & Acquisitions Committee. Mr. Welling is the founder and Chief Investment Officer of Engaged Capital. He is responsible for overseeing all facets of the firm. Prior to Engaged Capital, Mr. Welling was a Principal and Managing Director at Relational Investors, aa \$6 billion activist equity fund. At Relational, Mr. Welling was responsible for managing the equity fund's consumer, healthcare and utility group. He was involved in all aspects of Relational's research process from the identification of investment ideas to the development and implementation of the engagement process with portfolio companies.

Prior to Relational Investors, Mr. Welling spend seven years as a Managing Director at Credit Suisse as the Head of the Investment Banking Department's Advisory Business. At Credit Suisse, he built his group from two to fifty people and into one of the leading commercially focused advisory businesses on Wall Street advisor on over \$100 billion of transactions in his last year there. Mr. Welling joined Credit Suisse when the Firm acquired HOLT Value Associates L.P. ("HOLT") where he was a Partner and Managing Director. At HOLT, he ran the Corporate and Alliance Services business, advising senior executives and Boards on how their decisions would be viewed and valued by institutional investors. Prior to HOLT, he was the Managing Director of Valuad U.S., a financial software and training company. Prior to leading Valuad U.S., Mr. Welling worked at a number of leading strategy consulting firms including A.T. Kearney and Marakon Associates. He has worked and managed businesses in the United States, Europe and Asia.

Mr. Welling is a member of the Board of Directors of Jamba, Inc., a NASDAQ listed leading restaurant retailer of better-for- you food and beverage offerings, ROVI Corporation, NASDAQ listed provider of digital entertainment technology solutions, and Medifast, Inc., a NYSE listed manufacturer of medically based, proprietary healthy living

and meal replacement products. He also teaches executive education programs at the Wharton School of Business at the University of Pennsylvania, his alma mater, where he was a two year captain and four year letterman of the tennis team. He currently serves as the Chairman of the Board of Directors for the University's tennis program and as a member of the Wharton Executive Education Board. Mr. Welling was nominated for re-election to our Board pursuant to the terms of the Cooperation Agreement.

*Qualifications:* Mr. Welling brings to the Board financial and senior management experience, which makes him particularly qualified to serve on our Board.

**THE BOARD RECOMMENDS A VOTE FOR THE  
ELECTION OF EACH OF THE 9 NOMINEES IDENTIFIED ABOVE.**

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## **INFORMATION CONCERNING OUR BOARD OF DIRECTORS**

### **Director Independence**

We are required to have a majority of independent directors serving on our Board and may only have independent directors serving on each of our Audit, Compensation, and Nominating and Corporate Governance Committees pursuant to the listing rules of the New York Stock Exchange (the “NYSE”) and, with respect to our Audit Committee, the rules and regulations existing under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Our Board undertook an annual review of our directors’ independence. The purpose of this review was to determine whether any relationships or transactions involving our directors (including their family members and affiliates) were inconsistent with a determination that such director is independent under the independence standards prescribed by the NYSE’s listing rules and our Corporate Governance Guidelines. Our Board also considered whether our Audit Committee members continue to satisfy the independence standards prescribed for audit committee members by the rules and regulations of the Exchange Act.

In making its determination, the Board considered not only the criteria for independence set forth in the listing rules of the NYSE but also any other relevant facts and circumstances that may have come to the Board’s attention. These related transactions, relationships or arrangements between a director (or any member of their immediate family or any entity of which such director or one of their immediate family members is an executive officer, general partner or significant equity holder) on the one hand, and Medifast or any of its subsidiaries or affiliates, on the other hand, might signal potential conflicts of interest, or might bear on the materiality of a director’s relationship to Medifast or any of its subsidiaries. The Board considered the independence issue not merely from the standpoint of the director, but also from that of the persons or organizations with which the director is affiliated.

Based on its review, our Board determined that each of the non-employee directors qualify as independent under the independence standards prescribed by the listing rules of the NYSE. Our Board also determined that each of Messrs. Brown, Byrnes, and Connolly qualify as “independent” under the independence standards for audit committee members adopted by the SEC.

### **Board Leadership Structure**

The Board is committed to strong corporate governance and board independence. The Board recognizes that having the same person serve in the Chief Executive Officer and Chairman positions can present an issue for some companies

and some boards. However, the 2004 Blue Ribbon Commission of the National Association of Corporate Directors found that separation of the roles of chairman and chief executive officer was not necessary for effective board leadership. The Nominating and Corporate Governance Committee and the Board continue to consider the issue of board leadership and do not believe there is any material corporate governance benefit to separating these positions at this time. Our Chairman of the Board does not have any enhanced rights as a director, but has the same voting authority as any other director. The role of Chairman is one which is principally that of presiding at meetings of the Board and taking the initiative on establishing the proposed agenda for meetings of the Board, which is a role our senior management would play a significant part in regardless of which director serves as Chairman. Our Board continues to believe that the current structure is in our best interests, and our stockholders' best interests, and allows Michael C. MacDonald, who serves as our Chairman and Chief Executive Officer, to focus on our strategy, business, and operations.

The Board believes that there is no one best leadership structure model that is most effective in all circumstances. The Board retains the authority to separate the positions of Chairman and Chief Executive Officer in the future if such change is determined to be in our best interests and those of our stockholders. Thus, the Board remains flexible and committed to a strong corporate governance structure and board independence. The Board is committed to adopting corporate management and governance policies and strategies that promote our effective and ethical management. In this regard, the Board strongly believes that it should have maximum flexibility in deciding whether the offices of Chairman and Chief Executive Officer are combined or separate and, if separate, whether the Chairman should be an independent director or an employee.

### **Lead Director**

The Board appointed Jeffrey J. Brown, as Lead Independent Director, effective June 17, 2015. The Lead Independent Director is responsible for facilitating and coordinating the activities of the independent directors. For the purpose of balancing the interests of the stockholders and management when the CEO also serves as the Chairman of the Board, the Lead Independent Director serves as Chairman for meetings of the independent directors separate from management. The Lead Independent Director also represents the best practices regarding corporate governance, provides independent leadership to the Board, and performs such other duties and responsibilities as the Board may determine.

The principal responsibilities of the Lead Independent Director are as follows:

- Act as the principal liaison between the independent directors of the Board and the CEO and Chairman of the Board;



- Develop the agenda for and preside at executive sessions of the Board's independent directors;
- Communicate to the Chairman any and all feedback from the executive sessions;

Prepare minutes of the meeting of independent directors, share minutes with the full Board when appropriate, and deliver the minutes to the Company for filing with the minutes of the Company;

- Review and approve the agenda for the Board;
- Participate in the compensation committee's evaluation of the CEO's performance;
- Handle difficult and underperforming directors to improve the functionality of the Board;

· Assist in Board succession plans;

· Preside at all meetings at which the Chairman is not present;

· Retain the authority to call meetings of the independent directors;

Subject to the authority of any committee of the Board, recommend to the Board the retention of advisors and consultants who report directly to the Board;

As the Board determines, serve as a liaison and be available for consultation and direct communication with major stockholders;

· Make recommendations to the Board on behalf of the independent directors; and

Undertake further such responsibilities that the independent directors may designate to the Lead Independent Director from time to time.

## **2015 Board Evaluations**

The Board conducted a self-assessment of its performance and effectiveness in 2015. As part of the process, each director completed a Board Evaluation Questionnaire. The questionnaire asked the directors to rate the Board's effectiveness in a number of different areas and to provide other written commentary. The collective ratings and comments of the directors were compiled and presented by the Chair of the Nominating and Corporate Governance Committee to the full Board for discussion on how to improve effectiveness over the next year.

In addition, each Board committee conducted a self-evaluation of its performance for 2015, with performance criteria for each committee developed on the basis of the committee's purpose and mission, as set forth in such committee's charter, and, based on the results of the evaluations, developed recommendations and a follow-up plan similar to that of the Board as a whole.

## **THE COMMITTEES OF THE BOARD**

The Board has five standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, the Executive Committee and the Special Mergers & Acquisitions Committee. The Board has determined that each of the members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee meets the standards of "independence" established by the NYSE as currently in effect.

### **Audit Committee**

The present members of the Audit Committee are Charles P. Connolly (Chairman), Jeffrey J. Brown, and Kevin G. Byrnes, all of whom have been determined by the Board to be independent within the meaning of SEC rules and the applicable NYSE listing rules. The Board has also determined that each member of the Audit Committee is "financially literate" as required by the NYSE rules, and an Audit Committee Financial Expert within the meaning of the SEC rules based on, among other things, the experience of such member.

The Audit Committee is responsible for, among other things, the review and oversight of the Company's performance with respect to its financial responsibilities and the integrity of the Company's accounting and reporting practices. The Audit Committee, on behalf of the Board, also appoints the Company's independent auditors, subject to stockholder ratification, at the annual meeting of stockholders.

### **Compensation Committee**

The present members of the Compensation Committee are Carl E. Sassano (Chairman), Scott Schlackman, and Glenn W. Welling, all of whom have been determined by the Board to be independent within the meaning of SEC rules and the applicable NYSE listing rules.

The Compensation Committee is responsible for, among other things, reviewing and approving annually the corporate goals and objectives applicable to the compensation of our chief executive officer and determining the compensation of our chief executive officer based on the achievement of these goals, approving the compensation of our other executive officers, overseeing our incentive compensation plans and equity-based plans, and reviewing and recommending changes to the Board with respect to director compensation. For information regarding our Compensation Committee, including its processes and procedures for determining executive compensation, see “Information About our Compensation Committee.”

The Compensation Committee has the authority to delegate any of its responsibilities under its charter, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.

### **Nominating and Corporate Governance Committee**

The present members of the Nominating and Corporate Governance Committee are Constance J. Hallquist (Chairman), Jorgene K. Hartwig, and Scott Schlackman, all of whom have been determined by the Board to be independent within the meaning of the applicable NYSE listing rules.

The Nominating and Corporate Governance Committee is responsible for, among other things, recommending to the Board potential director nominees for election to the Board, recommending to the Board directors to serve on the various Board committees, advising the Board with respect to Board composition, procedures and committees, developing and recommending to the Board corporate governance principles applicable to the Company, and evaluating and making recommendations to the Board regarding the compensation of directors.

*Director Qualifications.* Director nominees are selected on the basis of, among other things, experience, knowledge, skills, expertise, integrity, ability to make independent analytical inquiries, understanding the Company’s global business environment, and willingness to devote adequate time and effort to Board responsibilities so as to enhance the Board’s ability to oversee and direct the affairs and business of the Company.

*Diversity* . The Company does not maintain a separate policy regarding the diversity of the Board. However, the charter of the Nominating and Corporate Governance Committee requires that the Committee review the composition of the Board to ensure it has the “appropriate balance” of experience, skills, expertise, and diversity for the Board as a whole. Consistent with these guidelines, both the Nominating and Corporate Governance Committee and the full Board seek director nominees with distinct professional backgrounds, experience, and perspectives so that the Board as a whole has the range of skills and viewpoints necessary to fulfill its responsibilities. As part of our annual Board self-evaluation process, the Board evaluates whether or not the Board as a whole has the skills and backgrounds for the current issues facing the Company. The Board also evaluates its effectiveness with regard to specific areas of expertise.

*Director Nomination Process*. Pursuant to our Corporate Governance Guidelines, our Nominating and Corporate Governance Committee reviews the qualifications of proposed director nominees to serve on our Board and recommends director nominees to our Board for election at the Company’s annual meeting of stockholders. The Board proposes a slate of director nominees to the stockholders for election to the Board, using information provided by the Nominating and Corporate Governance Committee.

In certain instances, a third party may assist the Nominating and Corporate Governance Committee or the Board in identifying potential director nominees. The Nominating and Corporate Governance Committee also considers potential nominations for director provided by the Company’s stockholders and submits any such suggested nominations, when appropriate, to the Board for approval. Stockholder nominees for director are evaluated using the same criteria described above. Stockholders wishing to recommend persons for consideration by the Nominating and Corporate Governance Committee as nominees for election to the Board can do so by writing to the Office of the Corporate Secretary, Medifast, Inc., 3600 Crondall Lane, Suite 100, Owings Mills, Maryland 21117 and providing the information and following the additional procedures set forth in the Bylaws, which are described in “Stockholder Proposals and Nominations for Director” in this Proxy Statement.