

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2025

OR

☐ 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: 001-31573

Medifast, Inc.

(Exact name of registrant as specified in its charter)

Delaware

13-3714405

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**100 International Drive
Baltimore, Maryland 21202
Telephone Number: (410) 581-8042**

(Address of Principal Executive Offices, Zip Code and Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	MED	New York Stock Exchange

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Yes ☐ No ☒

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

The number of shares of the registrant’s common stock outstanding at April 21, 2025 was 10,991,021.

Medifast, Inc. and Subsidiaries

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MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(U.S. dollars in thousands, except per share amounts)

	Three months ended March 31,	
	2025	2024
Revenue	\$ 115,728	\$ 174,739
Cost of sales	31,483	47,447
Gross profit	84,245	127,292
Selling, general, and administrative	85,507	119,352
Income (loss) from operations	(1,262)	7,940
Other income		
Interest income	1,301	1,223
Other income	487	2,422
	1,788	3,645
Income before provision for income taxes	526	11,585
Provision for income taxes	1,298	3,269
Net income (loss)	\$ (772)	\$ 8,316
Earnings (loss) per share - basic	\$ (0.07)	\$ 0.76
Earnings (loss) per share - diluted	\$ (0.07)	\$ 0.76
Weighted average shares outstanding		
Basic	10,948	10,909
Diluted	10,948	10,958

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(U.S. dollars in thousands)

	Three months ended March 31,	
	2025	2024
Net income (loss)	\$ (772)	\$ 8,316
Other comprehensive income (loss), net of tax:		
Foreign currency translation	—	15
Unrealized income (losses) on investment securities	59	(241)
	59	(226)
Comprehensive income (loss)	\$ (713)	\$ 8,090

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(U.S. dollars in thousands, except par value)

	March 31, 2025	December 31, 2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 91,717	\$ 90,928
Inventories, net	39,364	42,421
Investments	72,876	71,416
Prepaid expenses and other current assets	9,566	9,639
Total current assets	213,523	214,404
Property, plant and equipment, net of accumulated depreciation	36,313	37,527
Right-of-use assets	10,010	11,155
Other assets	8,725	9,667
Deferred tax assets, net	11,440	11,460
TOTAL ASSETS	\$ 280,011	\$ 284,213
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 51,816	\$ 56,494
Income taxes payable	2,626	1,485
Current lease obligations	6,156	6,182
Total current liabilities	60,598	64,161
Lease obligations, net of current lease obligations	8,454	9,943
Total liabilities	69,052	74,104
Stockholders' Equity		
Common stock, par value \$0.001 per share: 20,000 shares authorized; 10,991 and 10,938 issued and outstanding at March 31, 2025 and December 31, 2024, respectively	11	11
Additional paid-in capital	34,697	33,136
Accumulated other comprehensive income	239	180
Retained earnings	176,012	176,782
Total stockholders' equity	210,959	210,109
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 280,011	\$ 284,213

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(U.S. dollar in thousands)

	Three months ended March 31,	
	2025	2024
Operating Activities		
Net income (loss)	\$ (772)	\$ 8,316
Adjustments to reconcile net income (loss) to cash provided by operating activities		
Depreciation and amortization	3,280	3,261
Non-cash lease expense	1,145	1,108
Share-based compensation	1,930	2,171
Loss on sale or disposal of property, plant and equipment	387	13
Realized gain on sale of investment securities	(7)	(9)
Amortization of discount on investment securities	(190)	(191)
Deferred income taxes	20	112
Unrealized gain on equity investment securities	(620)	(2,437)
Change in operating assets and liabilities:		
Inventories	3,057	8,318
Prepaid expenses and other current assets	73	(742)
Other assets	(41)	24
Accounts payable and accrued expenses	(5,997)	(15,918)
Income taxes	1,141	3,256
Net cash flow provided by operating activities	3,406	7,282
Investing Activities		
Purchase of investment securities	(14,991)	(9,169)
Proceeds from sale and maturities of investment securities	14,459	8,235
Purchase of property and equipment	(1,522)	(1,841)
Net cash flow used in investing activities	(2,054)	(2,775)
Financing Activities		
Options exercised by directors	—	36
Net shares repurchased for employee taxes	(369)	(817)
Cash dividends paid to stockholders	(194)	(710)
Net cash flow used in financing activities	(563)	(1,491)
Foreign currency impact	—	15
Increase in cash and cash equivalents	789	3,031
Cash and cash equivalents - beginning of the period	90,928	94,440
Cash and cash equivalents - end of period	\$ 91,717	\$ 97,471
Supplemental disclosure of cash flow information:		
Income taxes paid (refunded)	\$ 2,914	\$ (100)
Dividends included in accounts payable and accrued expenses	\$ 453	\$ 697

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
(U.S. dollars in thousands)

Three months ended March 31, 2025								
	Number of Shares Issued	Common Stock	Additional Paid- In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total	
Balance, December 31, 2024	10,938	\$ 11	\$ 33,136	\$ 180	\$ 176,782	\$ —	\$ 210,109	
Net loss	—	—	—	—	(772)	—	(772)	
Share-based compensation	80	—	1,930	—	—	—	1,930	
Net shares repurchased for employee taxes	(27)	—	(369)	—	—	—	(369)	
Other comprehensive income	—	—	—	59	—	—	59	
Forfeiture of dividends on unvested awards	—	—	—	—	2	—	2	
Balance, March 31, 2025	10,991	\$ 11	\$ 34,697	\$ 239	\$ 176,012	\$ —	\$ 210,959	

Three months ended March 31, 2024								
	Number of Shares Issued	Common Stock	Additional Paid- In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total	
Balance, December 31, 2023	10,896	\$ 11	\$ 26,573	\$ 248	\$ 174,649	\$ —	\$ 201,481	
Net income	—	—	—	—	8,316	—	8,316	
Share-based compensation	59	—	2,171	—	—	—	2,171	
Options exercised by directors	1	—	36	—	—	—	36	
Net shares repurchased for employee taxes	(19)	—	(817)	—	—	—	(817)	
Other comprehensive loss	—	—	—	(226)	—	—	(226)	
Balance, March 31, 2024	10,937	\$ 11	\$ 27,963	\$ 22	\$ 182,965	\$ —	\$ 210,961	

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEDIFAST, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying unaudited condensed consolidated financial statements of Medifast, Inc. and its wholly-owned subsidiaries ("Medifast," the "Company," "we," "us," or "our") included herein have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim reporting and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and notes that are normally required by GAAP have been condensed or omitted. However, in the opinion of management, all adjustments consisting of normal, recurring adjustments considered necessary for a fair presentation of the financial position and results of operations have been included and management believes the disclosures that are made are adequate to make the information presented not misleading. The condensed consolidated balance sheet at December 31, 2024 has been derived from the 2024 audited consolidated financial statements at that date included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 ("2024 Form 10-K").

The results of operations for the three months ended March 31, 2025 are not necessarily indicative of results that may be expected for the fiscal year ending December 31, 2025. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, which are included in the 2024 Form 10-K.

Presentation of Financial Statements - The unaudited condensed consolidated financial statements included herein include the accounts of the Company. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates - The preparation of financial statements in conformity with GAAP 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

The Company is, from time to time, subject to a variety of litigation and similar proceedings that arise out of the ordinary course of its business. Based upon the Company's experience, current information and applicable law, it does not believe that these proceedings and claims will have a material adverse effect on its results of operations, financial position or liquidity. However, the results of legal actions cannot be predicted with certainty. Therefore, it is possible that the Company's results of operations, financial condition or cash flows could be materially adversely affected in any particular period by the unfavorable resolution of one or more legal actions.

Advertising Expense - The costs of advertising efforts are expensed as incurred. They are recorded in selling, general, and administrative expense in the accompanying Unaudited Condensed Consolidated Statements of Operations. Advertising expense, excluding agency fees, for the three months ended March 31, 2025 and 2024, amounted to \$4.6 million and \$2.5 million, respectively.

Provision for Income Taxes - Income tax expense for the three months ended March 31, 2025 was \$1.3 million, an effective tax rate of 246.8%, as compared to \$3.3 million for the three months ended March 31, 2024, an effective tax rate of 28.2%. The increase in the effective tax rate for the three months ended March 31, 2025 was primarily driven by the tax rate implication of a change in unrecognized tax benefits due to finalization of a state tax examination, which represented 110.8% of the change, and a tax shortfall for stock compensation, which represented 113.9% of the change. These changes were magnified by the near break-even pre-tax position in the current year.

Accounting Pronouncements - Adopted in 2025

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2023-07—Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07") to improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. ASU 2023-07 is effective for public business entities for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption was permitted. The Company adopted the standard for annual period during the quarter ended December 31,

2024, and for interim period during the quarter ended March 31, 2025. The Company's segment disclosures are reported in Footnote 9.

Recently Issued Accounting Pronouncements - Pending Adoption

In December 2023, the FASB issued Accounting Standards Update 2023-09—Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”) to enhance the transparency and decision usefulness of income tax disclosures, including jurisdictional information, by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disclosures. ASU 2023-09 is effective for public business entities for annual periods beginning after December 15, 2024, and for all other entities for annual periods beginning after December 15, 2025. Prospective application is required, though retrospective application is permitted. Entities are permitted to early adopt the standard. The Company has not early adopted the standard. The Company is currently evaluating the impact of adopting ASU 2023-09 on its consolidated financial statements.

In November 2024, the FASB issued Accounting Standards Update 2024-03—Disaggregation of Income Statement Expenses (“ASU 2024-03”) to improve the disclosures about a public business entity’s expenses and address requests from investors for more detailed information about the types of expenses in commonly presented expense captions. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2024-03 on its consolidated financial statements.

2. INVENTORIES

Inventories consist principally of raw materials, non-food finished goods and packaged meal replacements, protein powder, and supplements held in the Company’s warehouses and outsourced distribution centers. Inventories are stated at the lower of cost or net realizable value, utilizing the first-in, first-out method. The cost of finished goods includes the cost of raw materials, packaging supplies, direct and indirect labor, and other indirect manufacturing costs. On a quarterly basis, management reviews inventories for unsalable or obsolete inventories.

Inventories consisted of the following (in thousands):

	March 31, 2025	December 31, 2024
Raw materials	\$ 7,287	\$ 6,704
Packaging	1,328	1,429
Non-food finished goods	1,633	2,031
Finished goods	30,285	33,702
Reserve for obsolete inventory	(1,169)	(1,445)
Total	\$ 39,364	\$ 42,421

3. EARNINGS PER SHARE

Basic earnings per share (“EPS”) computations are calculated utilizing the weighted average number of shares of the Company’s common stock outstanding during the periods presented. Diluted EPS is calculated utilizing the weighted average number of shares of the Company’s common stock outstanding adjusted for the effect of dilutive common stock equivalents.

The following table sets forth the computation of basic and diluted EPS (in thousands, except per share data):

	Three months ended March 31,	
	2025	2024
Numerator:		
Net income (loss)	\$ (772)	\$ 8,316
Denominator:		
Weighted average shares of common stock outstanding	10,948	10,909
Effect of dilutive common stock equivalents	—	49
Weighted average shares of common stock outstanding	10,948	10,958
Earnings (loss) per share - basic	\$ (0.07)	\$ 0.76
Earnings (loss) per share - diluted	\$ (0.07)	\$ 0.76

The calculation of diluted EPS excluded 412 thousand and 51 thousand antidilutive restricted stock awards for the three months ended March 31, 2025 and 2024, respectively.

4. SHARE-BASED COMPENSATION

Stock Options

The Company has issued non-qualified and incentive stock options to employees and non-employee directors under the Amended and Restated 2012 Share Incentive Program. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model, which required estimates of the expected term of the option, the risk-free interest rate, the expected volatility of the price of the Company's common stock, and dividend yield. Options outstanding as of March 31, 2025 generally vested over a period of 3 years and expire 10 years from the date of grant. The exercise price of these options is \$66.68. Due to the Company's lack of option exercise history on the date of grant, the expected term was calculated using the simplified method defined as the midpoint between the vesting period and the contractual term of each option. The risk-free interest rate was based on the U.S. Treasury yield curve in effect on the date of grant that most closely corresponds to the expected term of the option. The expected volatility was based on the historical volatility of the Company's common stock over the period of time equivalent to the expected term for each award. The dividend yield was computed as the annualized dividend rate at the grant date divided by the strike price of the stock option. For the three months ended March 31, 2025 and 2024, the Company did not grant stock options.

The following table is a summary of our stock option activity (in thousands, except per share data):

	Three months ended March 31,			
	2025		2024	
	Awards	Weighted-Average Exercise Price	Awards	Weighted-Average Exercise Price
Outstanding at beginning of period	22	\$ 66.68	25	\$ 62.20
Exercised	—	—	(1)	27.68
Forfeited	—	—	(2)	26.52
Outstanding at end of the period	22	\$ 66.68	22	\$ 66.68
Exercisable at end of the period	22	\$ 66.68	22	\$ 66.68

As of March 31, 2025, the weighted-average remaining contractual life for both the outstanding stock options and exercisable stock options was 2.9 years with an aggregate intrinsic value of \$0. There was no unrecognized compensation on the awards for the period ended March 31, 2025. For the three months ended March 31, 2025 and 2024, the Company received \$0 thousand

and \$36 thousand in cash proceeds from the exercise of stock options, respectively. The total intrinsic value for stock options exercised during the three months ended March 31, 2025 and 2024 was \$0 thousand and \$15 thousand, respectively.

Restricted Stock

The Company has issued restricted stock under the Amended and Restated 2012 Share Incentive Plan to employees and non-employee directors generally with vesting terms up to 3 years after the date of grant. The fair value of the restricted stock is equal to the market price of the Company's common stock on the date of grant. Expense for restricted stock is amortized ratably over the vesting period.

The following table summarizes our restricted stock activity (in thousands, except per share data):

	Three months ended March 31,			
	2025		2024	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Outstanding at beginning of period	279	\$ 57.21	114	\$ 127.87
Granted	451	13.86	162	35.75
Vested	(80)	67.24	(34)	139.19
Forfeited	(1)	54.78	—	—
Outstanding at end of the period	649	\$ 25.87	242	\$ 64.55

The Company withheld approximately 26 thousand shares and 11 thousand shares of the Company's common stock to cover minimum tax liability withholding obligations upon the vesting of shares of restricted stock for the three months ended March 31, 2025 and 2024, respectively. The total fair value of restricted stock awards vested during the three months ended March 31, 2025 and 2024 was \$1.1 million and \$1.3 million, respectively.

Market and Performance-based Share Awards

The Company has issued market and performance-based share awards in 2022, 2023, and 2025, and performance-based share awards in 2021 and 2024 under the Amended and Restated 2012 Share Incentive Plan to certain key executives who were granted deferred shares and may earn between 0% and 229% of the target number depending upon both the Company's total stockholder return ("TSR"), for those with market conditions, and the Company's performance against predetermined performance goals over a three-year performance period after the date of grant. Market and performance-based share awards that are tied to the Company's TSR are valued using the Monte Carlo method and are recognized ratably as expense over the award's performance period. The fair value of the performance-based share awards is equal to the market price of the Company's common stock on the date of grant adjusted by expected level of achievement over the performance period. Expense for performance-based share awards is amortized ratably over the performance period. In the event that management determines that the Company will not reach the lower threshold of the predetermined performance goals established in the grant agreement, any previously recognized expense is reversed in the period in which such a determination is made.

No market and performance-based share awards were issued during the three months ended March 31, 2025, as a result of the market and performance-based share awards granted in March of 2022 not reaching the lower threshold of the predetermined performance goals. The total fair value of performance-based share awards issued during the three months ended March 31, 2024 was \$1.3 million. The Company withheld 0 shares and approximately 8 thousand for the quarters ended March 31, 2025 and 2024, respectively to cover minimum tax liability withholding obligations upon the vesting of shares of market and performance-based share awards.

Share-based compensation expense is recorded in selling, general, and administrative expense in the accompanying Condensed Consolidated Statements of Income. The total expense during the three months ended March 31, 2025 and 2024 are as follows (in thousands):

	Three months ended March 31,			
	2025		2024	
	Shares	Share-Based Compensation Expense	Shares	Share-Based Compensation Expense
Options and restricted stock	671	\$ 1,353	264	\$ 1,600
Market and performance-based share awards granted in 2025	319	34	—	—
Performance-based share awards granted in 2024	117	367	117	77
Market and performance-based share awards granted in 2023	47	176	47	482
Market and performance-based share awards granted in 2022	—	—	24	—
Performance-based share awards granted in 2021	—	—	14	12
Total share-based compensation	1,154	\$ 1,930	466	\$ 2,171

The total income tax expense recognized in the accompanying Unaudited Condensed Consolidated Statements of Operations for restricted stock awards was \$0.4 million for the three months ended March 31, 2025 and the three months ended March 31, 2024.

There was \$11.9 million of total unrecognized compensation cost related to restricted stock awards as of March 31, 2025, which is expected to be recognized over a weighted-average period of 2.3 years. There was \$7.9 million of unrecognized compensation costs related to the 117 thousand performance-based shares and 366 thousand market and performance-based shares presented in the table above as of March 31, 2025, which is expected to be recognized over a weighted-average period of 2.1 years.

5. LEASES

Operating Leases

The Company has operating leases for office and warehouse space and certain equipment. In certain of the Company's lease agreements, the rental payments are adjusted periodically based on defined terms within the lease. The Company did not have any finance leases as of March 31, 2025 and 2024, respectively, or for the three-month periods then ended, respectively.

Our leases relating to office and warehouse space have lease terms of 65 months to 102 months. Our leases relating to equipment have lease terms of 36 months, with certain of them having automatic renewal clauses.

The Company's warehouse agreements also contain non-lease components, in the form of payments towards variable logistics services and labor charges, which the Company is obligated to pay based on the services consumed by it. Such amounts are not included in the measurement of the lease liability but are recognized as expenses when they are incurred.

The operating lease expense was \$1.2 million for the three months ended March 31, 2025 and 2024.

Supplemental cash flow information related to the Company's operating leases was as follows (in thousands):

	Three months ended March 31,	
	2025	2024
Cash paid for amounts included in the measurements of lease liabilities		
Operating cash flow used in operating leases	\$ 1,600	\$ 1,563
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$ —	\$ —

As of March 31, 2025, the weighted average remaining lease term was 3 years and the weighted average discount rate was 2.20%.

The following table presents the maturity of the Company's operating lease liabilities as of March 31, 2025 (in thousands):

2025 (excluding the three months ended March 31, 2025)	\$ 4,862
2026	4,783
2027	2,553
2028	2,618
2029	240
Thereafter	—
Total lease payments	\$ 15,056
Less: imputed interest	(446)
Total	\$ 14,610

6. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table sets forth the components of accumulated other comprehensive income, net of tax where applicable (in thousands):

	March 31, 2025	December 31, 2024
Foreign currency translation	\$ —	\$ (1)
Unrealized gains on investments	239	181
Accumulated other comprehensive income	<u>\$ 239</u>	<u>\$ 180</u>

7. INVESTMENTS

Certain financial assets and liabilities are accounted for at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes the inputs used to measure fair value:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value from the perspective of a market participant.

The following tables present the Company's cash and financial assets that are measured at fair value on a recurring basis for each of the hierarchy levels (in thousands):

March 31, 2025						
	Cost	Unrealized Gains (Losses)	Accrued Interest	Estimated Fair Value	Cash & Cash Equivalents	Investment Securities
Cash and cash equivalents, excluding money market accounts	\$ 78,246	\$ —	\$ —	\$ 78,246	\$ 78,246	\$ —
Level 1:						
Money market accounts	13,471	—	—	13,471	13,471	—
Government & agency securities	29,060	47	118	29,225	—	29,225
Equity securities	10,000	(3,339)	—	6,661	—	6,661
	<u>52,531</u>	<u>(3,292)</u>	<u>118</u>	<u>49,357</u>	<u>13,471</u>	<u>35,886</u>
Level 2:						
Corporate bonds	<u>36,360</u>	<u>274</u>	<u>356</u>	<u>36,990</u>	<u>—</u>	<u>36,990</u>
Total	<u>\$ 167,137</u>	<u>\$ (3,018)</u>	<u>\$ 474</u>	<u>\$ 164,593</u>	<u>\$ 91,717</u>	<u>\$ 72,876</u>
December 31, 2024						
	Cost	Unrealized Gains (Losses)	Accrued Interest	Estimated Fair Value	Cash & Cash Equivalents	Investment Securities
Cash and cash equivalents, excluding money market accounts	\$ 77,551	\$ —	\$ —	\$ 77,551	\$ 77,551	\$ —
Level 1:						
Money market accounts	13,377	—	—	13,377	13,377	—
Government & agency securities	28,920	15	96	29,031	—	29,031
Equity securities	10,000	(3,939)	—	6,061	—	6,061
	<u>52,297</u>	<u>(3,924)</u>	<u>96</u>	<u>48,469</u>	<u>13,377</u>	<u>35,092</u>
Level 2:						
Corporate bonds	<u>35,771</u>	<u>227</u>	<u>326</u>	<u>36,324</u>	<u>—</u>	<u>36,324</u>
Total	<u>\$ 165,619</u>	<u>\$ (3,697)</u>	<u>\$ 422</u>	<u>\$ 162,344</u>	<u>\$ 90,928</u>	<u>\$ 71,416</u>

The Company had \$7 thousand of realized gains for the three months ended March 31, 2025 and \$9 thousand of realized gains for the three months ended March 31, 2024.

During the fourth quarter of 2023, the Company entered into an agreement with LifeMD (Nasdaq: LFMD), a leading provider of virtual primary care, to purchase shares of common stock of LifeMD for \$10 million. The 180-day lock-up period expired on June 8, 2024, and the registration process was completed, effective July 18, 2024. The fair value of the investment is recorded

within the investment securities of the accompanying Consolidated Balance Sheets. The gains related to the Company's LifeMD investment for the three months ended March 31, 2025 and 2024 are summarized in the table below (in thousands):

	March 31, 2025	March 31, 2024
Net gains recognized during the period on equity securities	\$ 600	\$ 2,437
Less: Net gains recognized on equity securities sold	—	—
Unrealized gains recognized during the reporting period on equity securities still held at the reporting date	\$ 600	\$ 2,437

The Company concurrently entered into an agreement in which LifeMD would provide services to stand-up the collaboration between LifeMD and the Company. The Company recognized \$0 million and \$1.3 million within selling, general, and administrative expenses for services performed by LifeMD for the quarters ended March 31, 2025 and March 31, 2024, respectively.

8. DEBT

Credit Agreement

On April 13, 2021, the Company and certain of its subsidiaries (collectively, the "Guarantors") entered into a credit agreement (the "Credit Agreement") among the Company, the Guarantors, the lenders party thereto and Citibank, N.A., in its capacity as administrative agent. On May 31, 2022, the Credit Agreement was amended to increase the borrowing capacity and convert the interest rate to be based on Secured Overnight Financing Rate ("SOFR"), from London Inter-Bank Offered Rate (LIBOR) (the "Amended Credit Agreement"). The Amended Credit Agreement provided for a \$225.0 million senior secured revolving credit facility with a \$20.0 million letter of credit sublimit. The Amended Credit Agreement also provided for an uncommitted incremental facility that permitted the Company, subject to certain conditions, to increase the senior secured revolving credit facility by up to \$100.0 million. The Credit Agreement otherwise would have matured on April 13, 2026.

On October 30, 2024, the Company terminated its Amended Credit Agreement with Citibank, N.A. The Company had no borrowings under the Amended Credit Agreement, inclusive of the credit facility and letter of credit sublimit as of the termination date.

9. SEGMENT REPORTING

The Company's **OPTAVIA** segment derives revenues from customers through the sale of **OPTAVIA** products which are shipped directly to customers. Our **OPTAVIA** coaches help customers adopt healthy habits and learn the benefits of our products. The accounting policies of the Company's single segment are the same as those described in the Company's Significant Accounting Policies.

The Company's chief operating decision maker ("CODM") is the Chief Executive Officer. The CODM assesses performance for the segment and decides how to allocate resources based on net income (loss) that also is reported on the accompanying Unaudited Condensed Consolidated Statements of Operations as net income (loss). The measure of segment assets is reported on the Consolidated Balance Sheets as total assets. The CODM uses net income (loss) to evaluate the income (loss) generated from segment assets in deciding whether to reinvest profits into the segment or into other parts of the entity, such as for share buybacks. Net income (loss) is used to monitor budget versus actual results. The CODM also uses net income (loss) in competitive analysis by benchmarking to the Company's competitors. The competitive analysis along with the monitoring of budgeted versus actual results are used in assessing performance of the segment and in establishing management's compensation. The Company does not have significant intra-entity sales or transfers.

The Company has one reportable segment: **OPTAVIA**. The **OPTAVIA** segment recognizes revenue when control of the products is transferred to the customer. The segment pays commissions on the sale of products to **OPTAVIA** coaches. The Company derives all of its revenue from sales within the United States and manages the business activities on a consolidated basis.

The following table presents the **OPTAVIA** segment's revenue, significant segment expenses, and segment net income for the three months ended March 31, 2025 and 2024, respectively:

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	March 31, 2025	March 31, 2024
Revenue	\$ 115,728	\$ 174,739
Less:		
Cost of sales	31,483	47,447
Selling, marketing, and after sales support	59,855	87,279
Distribution	4,526	7,508
Technology	11,042	12,800
Administrative and corporate support functions	8,154	9,594
Equity compensation	1,930	2,171
Other income ⁽¹⁾	(1,788)	(3,645)
Provision for income taxes	1,298	3,269
Segment net income (loss)	\$ (772)	\$ 8,316
Reconciliation of profit or loss		
Adjustments and reconciling items	—	—
Consolidated net income (loss)	\$ (772)	\$ 8,316

(1) Other income included within Segment net income includes interest income, interest expense, and unrealized gains and losses on LifeMD common stock.

Segment depreciation expense of property, plant, and equipment for the three months ended March 31, 2025 and 2024 was \$2.3 million and \$2.3 million, respectively. Segment additions of property, plant, and equipment for the three months ended March 31, 2025, and 2024 were \$1.5 million and \$1.8 million, respectively.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Note Regarding Forward-Looking Statements

Certain information in this report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Act”). Forward-looking statements generally can be identified by use of phrases or terminology such as “intend,” “anticipate,” “expect” or other similar words or the negative of such terminology. Similarly, descriptions of Medifast's objectives, strategies, plans, goals, or targets contained herein are also considered forward-looking statements. These statements are based on the current expectations of our management and are subject to certain events, risks, uncertainties, and other factors. These risks and uncertainties include, but are not limited to, those described in our 2024 Form 10-K and those described from time to time in our future reports filed with the SEC. Although Medifast believes that the expectations, statements, and assumptions reflected in these forward-looking statements are reasonable, it cautions readers to always consider all of the risk factors and any other cautionary statements carefully in evaluating each forward-looking statement in this report. All of the forward-looking statements contained herein speak only as of the date of this report. We undertake no obligation to update any information contained in this report or to publicly release the results of any revisions to forward-looking statements to reflect events or circumstances of which we may become aware after the date of this report.

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes appearing elsewhere herein.

Overview

Medifast is the health and wellness company known for its habit-based and coach-guided lifestyle solution, **OPTAVIA**®. The Company is currently executing a comprehensive business transformation that will enable it to succeed in an environment that has been fundamentally impacted by rapid acceptance of GLP-1¹ weight loss medications.

We believe that we are a well-capitalized business with strong and effective leadership that has grown its lifestyle brand, **OPTAVIA**, into a significant health and wellness brand. We have a powerful business model, building a network of approximately 25,400 active earning **OPTAVIA** coaches and impacting more than 3 million lives. Backed by more than 40 years of experience, clinically proven plans, innovative products, and a powerful integrated coach model, Medifast stands at the forefront of evidence-based wellness solutions. Our business model is differentiated and unique, a scalable coach-based approach that drives both program effectiveness and company growth. With access to clinicians through our collaboration with LifeMD, Inc. (Nasdaq: LFMD) (“LifeMD”), we provide our customers access to GLP-1 weight loss medications, when clinically appropriate.

Medifast offers a simple, yet comprehensive approach to achieving optimal health and wellbeing. Our lifestyle program, **OPTAVIA**, empowers people to make lasting changes. Through the support of our independent **OPTAVIA** coaches, about 90% of whom were customers first, our customers are guided through every step of their wellness journey.

OPTAVIA's lifestyle plans deliver proven health benefits as well as evidence-based tools, including scientifically developed products and a framework for habit creation reinforced by independent coaches and community support. We continue to innovate and build upon our scientific and clinical heritage to fulfill our mission of offering Lifelong Transformation, Making a Healthy Lifestyle Second Nature™.

OPTAVIA coaches are people who are navigating weight loss at different moments in life, providing unparalleled coaching support along with community, nutrition, and healthy habits. In a world where health and wellbeing are often a difficult and solitary journey, **OPTAVIA** provides intensely personalized support to people who want to transform their health. We believe this holistic approach empowers people to master their weight loss journey through each stage of life and gives them the freedom to do it on their terms. The lifestyle solution is designed for real life and built around four key components:

- **Independent OPTAVIA Coaches:** Independent **OPTAVIA** coaches provide individualized support and guidance to customers on the path to optimal health and wellbeing.
- **OPTAVIA Community:** A Community of like-minded people provide real-time connection and support.
- **The Habits of Health® Transformational System:** A proprietary system that offers easy steps to a sustainable healthy lifestyle.
- **Products & Plans:** Clinically proven plans and scientifically developed products, backed by dietitians, scientists, and physicians.

To ensure that Medifast continues to thrive as a health and wellness business in the rapidly evolving weight-loss market, we have developed distinct coach-supported program offerings tailored to meet the unique needs of three specific customer categories on their health and wellness journeys:

1. Those who have never used medications and want to use coach-supported habit-based programs as the core of their weight loss journey;
2. Individuals using GLP-1 medications as a core element of their weight loss program; and
3. People looking to manage weight loss and improved health when they come off GLP-1 medications for whatever reason, including cost, side effects, or any other cause.

For each of these customer categories, we are taking an intentional and methodical approach to building out our offerings to ensure that we can provide compelling products and services to new, former, and current coaches and clients, regardless of where they are on their personal health and wellness journeys.

Usage of GLP-1 medications continue to accelerate, with research commissioned by Medifast suggesting that the GLP-1 support market alone could be worth \$50 billion or more by 2030.² Additionally, recent research showed that about one-third of users qui

¹ Medical advice, treatment, prescriptions, and the overall practice of medicine must be provided by a licensed healthcare professional. **OPTAVIA** and its coaches do not engage in or provide any medical services.

² Based on research commissioned by Medifast utilizing publicly available expectations of the number of GLP-1 users and internal spend per customer.

t taking the medication after six months, and that this can rise to as much as 74% after a year.³ Furthermore, research also shows that two-thirds of weight lost on GLP-1 medications is typically regained within 12 months of stopping treatment, with cardiometabolic benefits often reversing as well.⁴

For audiences looking for a GLP-1 based solution, we have built a collaboration with national virtual primary care provider, LifeMD. Eligible **OPTAVIA** customers have access to board-certified affiliated clinicians and medications, where appropriate, such as GLP-1 medications, that support treatment plans for obesity. With the medications having been shown to be highly effective in conjunction with lifestyle changes, we believe there is strong compatibility with our experience of helping people achieve change through habit-based systems.

Finding new customers and reactivating former customers who do not wish to use medications remains an important area of focus for our business. Our **OPTAVIA** Fuelings and **OPTAVIA** ACTIVE® products address the needs of these customers. We also continue to work on enhancing our digital tools and improving the customer experience to help us achieve our goals. We believe our coach-based model is scalable and drives both customer success and growth, and we continue to work diligently to deliver growth and competitive advantage.

Regardless of need state, our integrated coach-supported, lifestyle-based approach helps customers achieve their health goals. **OPTAVIA** coaches, about 90% of whom were customers first, introduce customers to a set of healthy habits, in most cases starting with the habit of healthy eating, and offer exclusive **OPTAVIA**-branded products. **OPTAVIA** products and plans are one component that support the Company's mission, and our portfolio of products help make it easier for customers to create healthy habits in their lives.

In December 2024, Medifast introduced two science-backed nutrition plans designed specifically for people on GLP-1 medications and people seeking weight management: the GLP-1 Nutrition Support Plan and the Optimization Plan. Both plans feature **OPTAVIA** ASCEND, a new product offering of high-protein, fiber-rich mini meals as well as a daily nutrient pack. The mini meals support muscle, digestive health and long-term wellness, filling a critical gap in the weight management market.

In all cases, the **OPTAVIA** coaching model is heavily focused on the needs of the customer and helps put each customer into supportive and energized health and wellness communities that share their challenges and goals. **OPTAVIA** coaches provide highly tailored and personalized support to customers and motivate them by sharing their passion for healthy living and lifestyle transformation.

OPTAVIA coaches are central to everything that we do, helping to foster a continuous cycle of growth, and attracting and activating new customers, many of whom go on to become **OPTAVIA** coaches. We offer economic incentives designed to support each **OPTAVIA** coach's long-term success, which we believe plays an important role in their financial wellness, providing the opportunity to improve their finances while changing the health trajectory of families, communities and generations.⁵

OPTAVIA coaches are independent contractors, not employees, who support customers and market our products and services primarily through word of mouth, email, and via social media channels such as Facebook, Instagram, X (formerly known as Twitter), and video conferencing platforms. As independent contractors, **OPTAVIA** coaches market our products to friends, family, and other people in their communities. **OPTAVIA** products are shipped directly to **OPTAVIA** customers. **OPTAVIA** coaches do not handle or deliver merchandise to customers. This arrangement frees our **OPTAVIA** coaches from having to manage inventory and allows them to maintain an arms-length transactional relationship while focusing their attention on support and encouragement.

We believe the Company's integrated approach that combines lifestyle coaching, community support, and access to medical solutions through LifeMD, positions the business to meet the needs of a broader spectrum of customers. By focusing on innovative products, enhanced customer experiences, and effective marketing strategies, Medifast has created and is continuing to enhance a differentiated and compelling offer. Its financial strength, operational flexibility, and customer-centric philosophy equip the Company to navigate the changing weight loss market and drive sustainable growth.

³ Grosicki et al. Diabetes Obes Metab. 2025; <https://pubmed.ncbi.nlm.nih.gov/39743934/>

⁴ Wilding, et al; STEP 1 Study Group. Diabetes Obes Metab. 2022; <https://pubmed.ncbi.nlm.nih.gov/35441470/>

⁵ **OPTAVIA** makes no guarantee of financial success. Success with **OPTAVIA** results from successful sales efforts, which require hard work, diligence, skill, persistence, competence and leadership. Please see the **OPTAVIA** Income Disclosure Statement (<http://bit.ly/idsOPTAVIA>) for statistics on actual earnings of coaches.

Macroeconomic Conditions

Certain global economic challenges, including the impact of inflation or tariffs, have caused macroeconomic uncertainty and volatility in markets where we, our suppliers, and our **OPTAVIA** coaches operate.

Like many product-focused companies, we are exposed to market risks from changes in commodity or other raw material prices. An inflationary economy could impact our cost structure and put pressure on consumer spending. Increases in commodity prices or food costs, including as a result of inflation or tariffs, could affect the global and U.S. economies and could also adversely impact our business, financial condition, or results of operations. Additionally, changes in tariff regulations, particularly those involving trade between the United States and key global markets, may affect the cost and availability of certain raw materials. While the full impact of potential tariff policy changes remains uncertain, we remain attentive to policy developments, and we may reassess our supply chain and investment strategies in response to further volatility in the trade environment.

Our variable cost structure can be utilized to adapt to changing market conditions with potential actions including adjustments to our manufacturing, distribution, and customer support infrastructure. As a response, we may periodically take incremental pricing actions to offset supply chain costs, increases in tariff related costs, and inflationary pressures. In addition, prolonged tariff uncertainty may influence consumer sentiment and purchasing behavior, particularly in discretionary spending categories. Fluctuations in consumer confidence, driven by economic concerns or anticipated price increases, could reduce demand for our products.

In response to changing macroeconomic conditions, the Company may take further actions that alter its business operations as may be required by governmental authorities, or that are determined to be in the best interests of employees, **OPTAVIA** coaches and customers, and stockholders. Our ability to effectively navigate these developments is critical to maintaining operational resilience and achieving our long-term strategic objectives. These macroeconomic uncertainties make it challenging for our management to estimate our future business performance. However, we intend to continue to actively monitor the impact of these developments on our business and will update our practices accordingly.

Competition

The weight loss industry is very competitive and encompasses a multitude of weight loss products and programs. These include a wide variety of commercial weight loss programs, pharmaceutical products, surgical interventions, books, self-help diets, dietary meal replacements, and appetite suppressants as well as digital tools, app-based health and wellness monitoring solutions, and wearable trackers. The weight loss market is served by a diverse array of competitors. Potential customers seeking to manage their weight can turn to traditional center-based competitors, online diet-oriented sites, self-directed dieting and self-administered products such as prescription medications, over-the-counter medications and supplements, as well as medically supervised programs. Recently, it became clear that medical weight loss solutions, such as GLP-1 medications, have become an increasingly key component of the overall health and wellness ecosystem, and the recent surging awareness and popularity of these weight loss medications serve as another major competitor, as these products have prompted a huge change in the way that consumers think about weight loss and lifestyle modification solutions in general. We recognize that these weight loss medications have attracted significant attention from the market and pose a threat to our interactions with our traditional customer base. Importantly, the efficacy claims of GLP-1 medications for weight loss are based specifically on their incorporation of lifestyle changes that include a reduced calorie diet and increased physical activity. As a result, under Medifast's **OPTAVIA** offering, weight loss medications are another important element in overall tailored lifestyle plans that also include coaching, community support, nutritionally balanced meals, and exercise.

We believe we have a competitive advantage over traditional diet companies. The **OPTAVIA** model:

- Offers a solution that focuses on holistic wellness; it views healthy weight as a catalyst to greater changes and has impacted more than 3 million lives.
- Provides personalized, empathetic support from coaches who have been in their customers' shoes.
- Promotes lifelong habit development supported by a proprietary integrated approach to behavior change, the Habits of Health Transformational System.
- Encompasses a vibrant health and wellness community.

We also compete with other direct-selling organizations, some of which have a longer operating history and greater visibility, name recognition and financial resources than we do. We also believe we have advantages over traditional direct selling companies:

- **OPTAVIA's** innovative model is customer-centric, with one sales price for both **OPTAVIA** coaches and customers. There is no tiered pricing.
- **OPTAVIA** boasts a health and wellness community, which promotes a holistic health and wellness program and is not focused solely on product sales.
- **OPTAVIA** offers a differentiated direct-to-consumer model, with 100% of products shipped directly to customers.
- The field promotes a unified Habits of Health training system that aligns its leaders around a common mission of Lifelong Transformation, Making a Healthy Lifestyle Second Nature.

We believe our scientific and clinical heritage combined with our commitment to evaluating programs, plans, and products through clinical research are primary differentiators that allow us to compete in these markets. Our scientifically designed products were originally developed by a physician, and we have been on the cutting edge in the development of nutrition and weight-management products since our founding.

Medifast has perfected our model over the last 40+ years, with habits, coaches, and community at the core, and we will continue to innovate as the industry evolves.

Critical Accounting Policies and Estimates

The preparation of our 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. Our unaudited condensed consolidated financial statements are prepared in accordance with GAAP. Our significant accounting policies are described in Note 2 to the audited consolidated financial statements included in the 2024 Form 10-K. There were no significant changes in our critical estimates or policies during the first three months of 2025.

Overview of Results of Operations

Our product sales accounted for approximately 98% of our revenues for each of the three months ended March 31, 2025 and 2024.

The following tables reflect our statements of operations (in thousands, except percentages):

	Three months ended March 31,			
	2025	2024	\$ Change	% Change
Revenue	\$ 115,728	\$ 174,739	\$ (59,011)	(33.8) %
Cost of sales	31,483	47,447	(15,964)	(33.6) %
Gross profit	84,245	127,292	(43,047)	(33.8) %
Selling, general, and administrative	85,507	119,352	(33,845)	(28.4) %
Income (loss) from operations	(1,262)	7,940	(9,202)	(115.9) %
Other income				
Interest income	1,301	1,223	78	6.4 %
Other income	487	2,422	(1,935)	(79.9) %
	1,788	3,645	(1,857)	(50.9) %
Income before provision for income taxes	526	11,585	(11,059)	(95.5) %
Provision for income taxes	1,298	3,269	(1,971)	(60.3) %
Net income (loss)	\$ (772)	\$ 8,316	\$ (9,088)	(109.3) %
% of revenue				
Gross profit	72.8 %	72.8 %		
Selling, general, and administrative costs	73.9 %	68.3 %		
Income (loss) from operations	(1.1) %	4.5 %		

Revenue: Revenue decreased \$59.0 million, or 33.8%, to \$115.7 million for the three months ended March 31, 2025 from \$174.7 million for the three months ended March 31, 2024. The decline in revenue for the three months ended March 31, 2025 was primarily driven by a decrease in the number of active earning **OPTAVIA** coaches to 25,400 as of March 31, 2025 from 37,800 as of March 31, 2024. The decrease in active earning **OPTAVIA** coaches for the quarter, which has been trending downward year-over-year since the first quarter of 2023, has driven by continued challenges in customer acquisition. The average revenue per active earning **OPTAVIA** coach was \$4,556 for the three months ended March 31, 2025 compared to \$4,623 for the three months ended March 31, 2024. While the average revenue per active earning **OPTAVIA** coach has been declining year-over-year since the third quarter of 2022 due to lower sales volumes, we continue to see lower year-over-year declines in this key metric, driven in part by increased productivity of newer coach cohorts. The year-over-year declines reflect broader challenges in the operating environment, including continued acceptance of GLP-1 medications.

Cost of sales: Cost of sales decreased \$16.0 million, or 33.6%, to \$31.5 million from \$47.4 million for the three months ended March 31, 2025 from the corresponding period in 2024. The decrease in cost of sales for the three months ended March 31, 2025 was primarily due to lower sales volumes.

Gross profit: For the three months ended March 31, 2025, gross profit decreased \$43.0 million, or 33.8%, to \$84.2 million from \$127.3 million for the three months ended March 31, 2024. The decrease in gross profit for the three months ended March 31, 2025 was primarily attributable to lower revenue. As a percentage of revenue, gross profit was 72.8% for the three months ended March 31, 2025 and 2024.

Selling, general, and administrative (“SG&A”): SG&A expenses were \$85.5 million for the three months ended March 31, 2025, a decrease of \$33.8 million, or 28.4%, as compared to \$119.4 million from the corresponding period in 2024. The decrease in SG&A expenses for the three months ended March 31, 2025 was primarily due to a \$22.4 million decrease in **OPTAVIA** coach compensation on lower volume, \$3.0 million of market research and investment costs related to medically

supported weight loss which were incurred during the first quarter of 2024 that did not recur in the current quarter, a \$2.5 million decrease in employee compensation, and a \$1.3 million decrease in credit card fees. As a percentage of revenue, SG&A expenses were 73.9% for the three months ended March 31, 2025 as compared to 68.3% for the corresponding period in 2024. The increase in SG&A expenses as a percentage of revenue for the three months ended March 31, 2025 was primarily due to approximately 440 basis points of loss of leverage on fixed costs due to lower sales volume and 200 basis points of company-led marketing efforts primarily due to lower sales volumes, partially offset by 170 basis points of market research and investment costs related to medically supported weight loss which were incurred during the first quarter of 2024 that did not recur in the current quarter. SG&A expenses included research and development costs of \$1.0 million for both the three months ended March 31, 2025 and 2024, in connection with the development of new products, programs and clinical research activities.

(Loss) income from operations: The Company's loss from operations for the three months ended March 31, 2025 was \$1.3 million, a decrease of \$9.2 million as compared to income from operations of \$7.9 million for the corresponding period in 2024, primarily as a result of decreased gross profit partially offset by decreased SG&A expenses. Loss from operations as a percentage of revenue for the three months ended March 31, 2025 was 1.1% as compared to income from operations as a percentage of revenue of 4.5% for the corresponding period in 2024 due to the factors described above impacting revenue and SG&A expenses.

Other income: Other income for the three months ended March 31, 2025 was \$1.8 million, a decrease of \$1.9 million, or 50.9%, as compared to \$3.6 million for the corresponding period in 2024. The decrease in other income for the three months ended March 31, 2025 was primarily due to higher unrealized gains on our investment in LifeMD common stock in the prior year period. The Company's unrealized gain on investment in LifeMD common stock for the first quarter of 2025 was \$0.6 million, compared to \$2.8 million for the corresponding period in 2024.

Provision for income taxes: For the three months ended March 31, 2025, the Company recorded \$1.3 million in income tax expense, an effective tax rate of 246.8%, as compared to \$3.3 million in income tax expense, an effective tax rate of 28.2%, for the three months ended March 31, 2024. The increase in the effective tax rate for the three months ended March 31, 2025 was primarily driven by the tax rate implication of a change in unrecognized tax benefits due to finalization of a state tax examination, which represented 110.8% of the change, and a tax shortfall for stock compensation, which represented 113.9% of the change. These changes were magnified by the near break-even pre-tax position in the current year.

Net (loss) income: Net loss was \$0.8 million, or \$0.07 per share for the three months ended March 31, 2025 as compared to net income of \$8.3 million, or \$0.76 per diluted share, for the three months ended March 31, 2024. The period-over-period changes were driven by the factors described above in the section titled "(Loss) income from operations."

Liquidity and Capital Resources

The Company had stockholders' equity of \$211.0 million and working capital of \$152.9 million at March 31, 2025 as compared with \$210.1 million and \$150.2 million at December 31, 2024, respectively. The \$0.9 million net increase in stockholders' equity was primarily driven by \$1.9 million for share-based compensation partially offset by a net loss of \$0.8 million for the three months ended March 31, 2025. The Company's cash, cash equivalents, and investments increased from \$162.3 million at December 31, 2024 to \$164.6 million at March 31, 2025.

Net cash provided by operating activities decreased by \$3.9 million to \$3.4 million for the three months ended March 31, 2025 from \$7.3 million for the three months ended March 31, 2024 primarily driven by a \$9.1 million decrease in net income, a \$5.3 million decrease related to changes in inventory balances partially offset by a \$9.9 million decrease in accounts payable and accrued expenses. We decreased our inventory purchases during the period ended March 31, 2025 to align with sales demand.

Net cash used in investing activities was \$2.1 million for the three months ended March 31, 2025 as compared to \$2.8 million for the three months ended March 31, 2024.

Net cash used in financing activities decreased by \$0.9 million to \$0.6 million for the three months ended March 31, 2025 from \$1.5 million for the three months ended March 31, 2024. This decrease was primarily due to a \$0.5 million decrease in cash dividends paid to stockholders and a \$0.4 million decrease in net shares repurchased for employee taxes.

In pursuing its business strategy, the Company may require additional cash for operating and investing activities. The Company expects future cash requirements, if any, to be funded from operating cash flow and financing activities.

From time to time the Company evaluates potential acquisitions that complement our business. If consummated, any such transactions may use a portion of our working capital or require the issuance of equity or debt. We have no present understandings, commitments, or agreements with respect to any material acquisitions.

On October 30, 2024, the Company terminated its Amended Credit Agreement with Citibank, N.A. The Company had no borrowings under the Amended Credit Agreement, inclusive of the credit facility and letter of credit sublimit as of the termination date.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates and a decline in the stock market. The Company does not enter into derivatives, foreign exchange transactions or other financial instruments for trading or speculative purposes other than strategic investments.

The Company is exposed to market risk related to changes in interest rates and market pricing impacting our investment in money market securities, government and agency securities, and corporate bonds. Other than for strategic investments, its current investment policy is to maintain an investment portfolio consisting of corporate bonds and U.S. money market securities directly or through managed funds. Its cash is deposited in and invested through highly rated financial institutions in North America. Its marketable securities are subject to interest rate risk and market pricing risk and will fall in value if market interest rates increase or if market pricing decreases. If market interest rates were to increase and market pricing were to decrease immediately and uniformly by 10% from levels at March 31, 2025, the Company estimates that the fair value of its investment portfolio would decline by an immaterial amount and therefore it would not expect its operating results or cash flows to be affected to any significant degree by the effect of a change in market conditions on our investments. There were no material changes in the Company's market risk exposure related to changes in interest rates and market pricing impacting our investments from the year ended December 31, 2024.

The Company is exposed to market risk related to price fluctuations in equity markets related to its investment in LifeMD common stock, purchased in December of 2023. If equity prices were to decrease immediately and uniformly by 10% from levels at March 31, 2025, the Company estimates that the fair value of the Company investment would decline by an immaterial amount and therefore it would not expect its operating results or cash flows to be affected by any significant degree by the effect of a change in market conditions on our investment. There were no material changes in the Company's market risk exposure related to the investment in LifeMD common stock from the year ended December 31, 2024.

Item 4. Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Act, as of March 31, 2025. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Act is recorded, processed, summarized, and reported accurately and on a timely basis. Based on this evaluation performed in accordance with the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, our management concluded that the Company's disclosure controls and procedures are effective at the reasonable assurance level as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There have been no material changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Act) during the fiscal quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II Other Information

Item 1. Legal Proceedings

The Company is, from time to time, subject to a variety of litigation and similar proceedings that arise out of the ordinary course of its business. Based upon the Company's experience, current information, and applicable law, it does not believe that these proceedings and claims will have a material adverse effect on its results of operations, financial position, or liquidity. However, the results of legal actions cannot be predicted with certainty. Therefore, it is possible that the Company's results of operations, financial condition or cash flows could be materially adversely affected in any particular period by the unfavorable resolution of one or more legal actions.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Part I, Item 1A of the 2024 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

2025	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
January 1 - January 31	—	—	—	1,323,568
February 1 - February 28	70	14.61	—	1,323,568
March 1 - March 31	26,326	14.00	—	1,323,568

- (1) All of the shares of the Company's common stock reflected in this column were surrendered by employees and directors to the Company to cover minimum tax liability withholding obligations upon the exercise of stock options or the vesting of shares of restricted stock and performance-based share awards previously granted to such employees and directors.
- (2) At the outset of the quarter ended March 31, 2025, there were 1,323,568 shares of the Company's common stock eligible for repurchase under the stock repurchase authorization dated September 16, 2014 (the "Stock Repurchase Plan").

As of March 31, 2025, there were 1,323,568 shares of the Company's common stock eligible for repurchase under the Stock Repurchase Plan. There can be no assurances as to the amount, timing, or prices of repurchases, which may vary based on market conditions and other factors. The Stock Repurchase Plan does not have an expiration date and can be modified or terminated by the Board of Directors at any time.

Item 5. Other Information

Rule 10b5-1 and Non-Rule 10b5-1 Trading Arrangements

During the three months ended March 31, 2025, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
3.1	Restated and Amended Certificate of Incorporation of Medifast, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (File No. 001-31573) filed February 27, 2015).
3.2	Amended and Restated Bylaws of Medifast, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Amendment No. 1 Current Report on Form 8-K (File No. 001-31573) filed on December 4, 2019).
10.1	Amended and Restated 2012 Share Incentive Plan (filed herewith).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	The following financial statements from Medifast, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2025 filed April 28, 2025, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Income, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statements of Changes in Stockholders' Equity, and (vi) Notes to the Condensed Consolidated Financial Statements (filed herewith).
104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

In accordance with SEC Release No. 33-8238, Exhibit 32.1 is being furnished and not filed.

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/ DANIEL R. CHARD
Daniel R. Chard
Chief Executive Officer
(Principal Executive Officer)

Dated: April 28, 2025

/s/ JAMES P. MALONEY
James P. Maloney
Chief Financial Officer
(Principal Financial Officer)

Dated: April 28, 2025

MEDIFAST, INC.
AMENDED AND RESTATED 2012 SHARE INCENTIVE PLAN

1. Purpose. The purpose of this Amended and Restated 2012 Share Incentive Plan (the “Plan”) of Medifast, Inc., a Delaware corporation (the “Company”), is to advance the interests of the Company and its stockholders by providing a means to attract, retain, and reward executive officers and other key individuals of the Company and/or its subsidiaries, to link compensation to measures of the Company’s performance in order to provide additional share- based incentives to such individuals for the creation of stockholder value, and to promote ownership of a greater proprietary interest in the Company, thereby aligning such individuals’ interests more closely with the interests of stockholders of the Company.
2. Definitions. The definitions of awards under the Plan, including Options, SARs (including Limited SARs), Restricted Shares, Deferred Shares, and Shares granted as a bonus or in lieu of other awards are set forth in Section 6 of the Plan. Such awards, together with any other right or interest granted to a Participant under the Plan, are termed “Awards.” The definitions of terms relating to a Change in Control of the Company are set forth in Section 8 of the Plan. In addition to such terms and the terms defined in Section 1, the following are defined terms under the Plan:
 - a. “Award Agreement” means any written agreement, contract, notice to a Participant, or other instrument or document evidencing an Award.
 - b. “Beneficiary” means the person, persons, trust, or trusts which have been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under this Plan upon such Participant’s death. If, upon a Participant’s death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the Participant’s estate.
 - c. “Board” means the Board of Directors of the Company.
 - d. “Code” means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code include regulations thereunder and successor provisions and regulations thereto.
 - e. “Committee” means the Compensation Committee of the Board, and/ or such other Board committee as may be designated by the Board to administer the Plan.
 - f. “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time. References to any provision of the Exchange Act include the rules promulgated thereunder and successor provisions and rules thereto.
 - g. “Fair Market Value” of a Share means, as of any given date, the closing sales price of a Share on the New York Stock Exchange for such date or, if such day was not a trading day, the closing sales price for the most recent trading day prior to such date.
 - h. “Participant” means a person who, as an executive officer, director, key employee or key independent contractor of the Company or a subsidiary, has been granted an Award under the Plan which remains outstanding.

- i. “Performance Goals” means the objective goal or goals applicable to a Participant’s Awards that are deemed by the Committee to be important to the success of the Company or any subsidiaries of the Company. The Committee shall establish the specific objective measures for each applicable goal for a performance period, which need not be uniform with respect to each Participant. In creating these measures, the Committee may use one or more of the following business criteria: (i) earnings before or after interest, taxes, depreciation and amortization, (ii) earnings before or after interest, taxes, depreciation and amortization expressed as a percentage of net sales, (iii) earnings per share, (iv) operating cash flow, (v) return on invested capital, (vi) return on stockholders' equity, (vii) market price per share, measured either in absolute terms or as compared to a peer group, (viii) net sales or net revenue, (ix) return on net sales, (x) profit margin, gross or net, (xi) operating margin, (xii) productivity, (xiii) working capital efficiency, (xiv) expense control or (xv) any other criteria determined to be appropriate by the Committee. The business criteria may apply to the individual, a division, a component of the Company’s business, or to the Company and/or one or more subsidiaries of the Company and may be weighted and expressed in absolute terms or relative to the performance of other individuals or companies or an index.
- j. “Rule 16b-3” means Exchange Act Rule 16b-3 as from time to time in effect and applicable to the Plan and Participants.
- k. “Share” means a Common Share of the Company and such other securities as may be substituted for such Share or such other securities pursuant to Section 8; provided, however, that to the extent any class of common shares are readily tradable on an established securities market, such common shares shall be designated as the Shares for purposes of this Plan.
- l. “Termination of Service” means: (i) with respect to an Award granted to an employee, the termination of the employment relationship between the employee and the Company and all Company subsidiaries, (ii) with respect to an Award granted to an independent contractor, the termination of the service arrangement between the independent contractor and the Company and all Company subsidiaries, and (iii) with respect to an Award granted to a non-employee director, the cessation of the provision of services as a director of the Company and all Company subsidiaries; provided, however, that if the Participant’s status changes from employee, independent contractor, or non-employee director to any other status eligible to receive Awards under the Plan, the Committee may provide that no Termination of Service occurs for purposes of the Plan until the Participant’s new status with the Company and all Company subsidiaries terminates. For purposes of this subsection, if a Participant’s relationship is with a Company subsidiary, and not the Company (i.e., the Participant is an employee, independent contractor, or non-employee director of a Company subsidiary and not the Company), the Participant shall incur a Termination of Service when such entity ceases to be a Company subsidiary, unless the Committee determines otherwise.

3. Administration.

- a. Composition of Committee. The Committee shall consist solely of two or more individuals each of whom shall be a “nonemployee director” as defined in Rule 16b-3. If the Committee cannot or does not act, the Board shall have the rights and responsibilities of the Committee hereunder and under the Award Agreements.
- b. Authority of the Committee. The Plan shall be administered by the Committee. The Committee shall have full and final authority to take the following actions, in each case subject to and consistent with the provisions of the Plan:
 - i. to select Participants to whom Awards may be granted;
 - ii. to determine the type or types of Awards to be granted to each Participant;
 - iii. to determine the number of Awards to be granted, the number of Shares to which an Award will relate, the terms and conditions of any Award granted under the Plan (including, but not limited to, the exercise price, grant price, or purchase price, any restriction or condition, any schedule or performance conditions for the lapse of restrictions or conditions relating to transferability, forfeiture before or after grant, exercisability, or settlement of an Award, and waivers, accelerations, or modifications thereof, based in each case on such considerations as the Committee shall determine), and all other matters to be determined in connection with an Award;
 - iv. to determine whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
 - v. to prescribe the form of each Award Agreement, which need not be identical for each Participant;
 - vi. to adopt, amend, suspend, waive, and rescind such rules and regulations and appoint such agents as the Committee may deem necessary or advisable to administer the Plan;
 - vii. to correct any defect or supply appropriate text for any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Award, rules and regulations, Award Agreement, or other instrument hereunder, with such constructions and interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law; provided that, the Committee’s construction and interpretation shall not be entitled to deference on and after a Change in Control except to the extent that such constructions and interpretations are made exclusively by members of the Committee who are individuals who served as Committee members before the Change in Control;
 - viii. to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan; and

- ix. In the event of any dispute or disagreement as to the interpretation of the Plan or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to the Plan, the decision of the Committee, except as provided in clause (vii), shall be final and binding upon all persons. Unless otherwise expressly provided hereunder, the Committee, with respect to any grant, may exercise its discretion hereunder at the time of the Award or thereafter.
- c. Manner of Exercise of Committee Authority. Unless authority is specifically reserved to the Board under the terms of the Plan, the Company's bylaws, or applicable law, the Committee shall have discretion to exercise authority under the Plan. Any action of the Committee with respect to the Plan shall be final, conclusive, and binding on all persons, including the Company, subsidiaries of the Company, Participants, any person claiming any rights under the Plan from or through any Participant, and stockholders. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. To the extent permitted by applicable law, the Committee may delegate to officers or employees of the Company or any subsidiary the authority, subject to such terms as the Committee shall determine, (i) to perform administrative functions, (ii) with respect to Participants not subject to Section 16 of the Exchange Act, to perform such other functions of the Committee as the Committee may determine, and (iii) with respect to Participants subject to Section 16, to perform such other functions of the Committee as the Committee may determine to the extent performance of such functions will not result in the loss of an exemption under Rule 16b-3 otherwise available for transactions by such persons. If and to the extent applicable, no member of the Committee may act as to matters under the Plan specifically relating to such member. If no Committee is designated by the Board to act for these purposes, the Board shall have the rights and responsibilities of the Committee hereunder and under the Award Agreements.
- d. Limitation of Liability. Each member of the Committee shall be entitled to in good faith, rely or act upon any report or other information furnished to him by any officer or other employee of the Company or any subsidiary, the Company's independent certified public accountants, or any executive compensation consultant, legal counsel, or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee, nor any officer or employee of the Company acting on behalf of the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Company acting on behalf of the Committee or members thereof shall, to the extent permitted by law or charter, be fully indemnified, held harmless and protected by the Company with respect to any such action, determination, or interpretation.

4. Shares Available Under Plan; Individual Award Limitations; Adjustments.

- a. Shares Reserved for Awards. Subject to adjustment as hereinafter provided, the total number of Shares reserved and available for issuance to Participants in connection with Awards (including with respect to ISOs) under the Plan shall be approximately 628,000 Shares; provided, however, that the number of Shares with respect to which (i) Awards of Options (including ISOs) and SARs may be granted to any Participant shall in each case not exceed 75,000 during any calendar year and (ii) Awards of Restricted Shares, Deferred Shares and Shares may be granted to any non-employee Director, shall in each case not exceed 150,000 during any calendar year. If all or any portion of an Award is forfeited, settled in cash, or terminated without issuance of Shares to the Participant, the Shares to which such Award or portion thereof related shall again be available for future Awards under the Plan. Notwithstanding anything to the contrary contained herein, Shares subject to an Option or SAR under this Plan shall not again be available for issuance under this Plan if such Shares are (i) Shares tendered, withheld or surrendered in payment of the exercise or purchase price of an Option or SAR or tax obligations relating to Award, (ii) Shares that were not issued or delivered as a result of the net settlement or net exercise of an Option or SAR or (iii) Shares repurchased on the open market with the proceeds of an Option's exercise price. The Committee may adopt procedures for the counting of Shares relating to any Award to ensure appropriate counting and avoid double counting (in the case of tandem or substitute awards). Any Shares issued pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury Shares, or Shares acquired in the market for the account of the Participant (which treasury Shares or acquired Shares will be deemed to have been "issued" pursuant to such Award).
- b. Adjustments.
- i. In the event that the Committee shall determine that any recapitalization, reorganization, merger, consolidation, spin-off, combination, repurchase, exchange of Shares or other securities of the Company, stock split or reverse split, extraordinary dividend (whether in the form of cash, Shares, or other property), liquidation, dissolution, or other similar corporate transaction or event affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of each Participant's rights under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of Shares remaining reserved and available for issuance under Section 4(a), (ii) the number and kind of outstanding Restricted Shares or Restricted Shares relating to any other outstanding Award in connection with which Restricted Shares may be issued, (iii) the number and kind of Shares that may be issued in respect of other outstanding Awards, and/or (iv) the exercise price or grant price relating to any Award (or, if deemed appropriate, the Committee may make provision for a cash payment with respect to any outstanding Award). In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring

events (including, without limitation, events described in the preceding sentence) affecting the Company or any subsidiary or the financial statements of the Company or any subsidiary, or in response to changes in applicable laws, regulations, or accounting principles; or in the event the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of benefits or potential benefits intended to be made available under the Plan.

- ii. If the Company shall be consolidated or merged with another corporation or other entity, each Participant who has received Restricted Shares that are then subject to restrictions imposed by Section 6(d) may be required to deposit with the successor corporation the certificates for the stock or securities or the other property that the Participant is entitled to receive by reason of ownership of Restricted Shares in a manner consistent with Section 6(d)(iv), and such stock, securities or other property shall become subject to the restrictions and requirements imposed by Section 6(d), and the certificates therefor or other evidence thereof shall bear a legend similar in form and substance to the legend referred to in Section 6(d)(iv).
- iii. The judgment of the Committee with respect to any matter referred to in this sub-section (b) shall be conclusive and binding upon each Participant without the need for any amendment to the Plan.

5. Eligibility. Except as provided in the following sentence, Executive officers, other key employees and other key independent contractors of the Company and its subsidiaries, including any director and any director who is also an executive officer or employee, are eligible to be granted Awards under the Plan. Notwithstanding the preceding sentence, only Executive officers and other key employees of the Company and its “subsidiary corporation” (as such term is defined in Section 424(f) of the Code) are eligible to be granted ISOs under the Plan.

6. Specific Terms of Awards.

- a. General. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 10(f)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of Termination of Service by the Participant or upon the occurrence of other events. In addition, the Committee shall require, as the condition of the issuance of Shares in connection with any Award, that consideration be received by the Company which meets the requirements of the Delaware General Corporation Law.
- b. Options. An Option entitles a Participant to purchase a Share on the exercise thereof. Options include ISOs and NQSOs. An ISO is an Option that is intended to meet the requirements of Section 422 of the Code. An NQSO is an Option that

is not an ISO. The Committee is authorized to grant Options to Participants on the following terms and conditions:

- i. Exercise Price. The exercise price per Share purchasable under an Option shall be determined by the Committee at the time of grant but shall be not less than 100% (110% in the case of an ISO granted to a more-than-ten-percent stockholder, as provided in clause (vi) below) of Fair Market Value on the date of grant of the Option.
- ii. Term. The term of each Option shall be determined by the Committee and shall not exceed ten years (five years in the case of an ISO granted to a more-than-ten-percent stockholder (as provided in clause (vi) below)).
- iii. Time and Method of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, including, without limitation, cash, Shares, cashless exercise and/or a broker-assisted exercise, and the methods by which Shares will be delivered or deemed to be delivered to Participants.
- iv. Forfeiture. Except as otherwise determined by the Committee, upon Termination of Service during the applicable term of the Options, unexercised Options shall be forfeited and again be available for Award by the Company. The Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that forfeiture conditions relating to the Options will be waived in whole or in part in the event of terminations resulting from specified causes.
- v. ISO Annual Limit. The aggregate Fair Market Value (determined as of the date the ISO is granted) of the Shares with respect to which the ISOs are exercisable for the first time by a Participant during any calendar year (counting ISOs under this Plan and under any stock option plan of the Company or a parent or subsidiary corporation of the Company (as defined in Sections 424(e) and (f) of the Code) shall not exceed \$100,000. If an Option intended as an ISO is granted to a Participant and the Option may not be treated in whole or in part as an ISO pursuant to the \$100,000 limit, the Option shall be treated as an ISO to the extent it may be so treated under the limit and as an NQSO as to the remainder. For purposes of determining whether an ISO would cause the limitation to be exceeded, ISOs shall be taken into account in the order granted.
- vi. More-Than Ten-Percent Stockholder. If, after applying the attribution rules of Section 424(d) of the Code, the Participant owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of a parent or subsidiary corporation of the Company (as defined in Sections 424(e) and (f) of the Code) immediately before an ISO is granted to him or her, the exercise price for the ISO shall be not less than 110 percent of the Fair Market Value of the optioned Shares on the date the ISO is granted, and such ISO, by its terms, shall not be exercisable after the expiration of five years from the date the

ISO is granted. The conditions set forth in this clause shall not apply to NQSOs.

- c. Share Appreciation Rights. The Committee is authorized to grant SARs to Participants on the following terms and conditions:
 - i. Right to Payment. A SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one Share on the date of exercise, over (B) the Fair Market Value of one Share on the date of grant of the SAR.
 - ii. Other Terms. The Committee shall determine the time or times at which a SAR may be exercised in whole or in part, the method of exercise, method of settlement, form of consideration payable in settlement, method by which Shares will be delivered or deemed to be delivered to Participants, whether or not a SAR shall be in tandem with any other Award, and any other terms and conditions of any SAR. Limited SARs that may only be exercised upon the occurrence of a Change in Control (as such term is defined in Section 8(b) or as otherwise defined by the Committee) may be granted on such terms, not inconsistent with this Section 6(c), as the Committee may determine. Such Limited SARs may be either freestanding or in tandem with other Awards.
 - iii. Forfeiture. Except as otherwise determined by the Committee, upon Termination of Service during the applicable term of the SARs, unexercised SARs shall be forfeited and again be available for Award by the Company. The Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that forfeiture conditions relating to the SARs will be waived in whole or in part in the event of terminations resulting from specified causes.
- d. Restricted Shares. The Committee is authorized to grant Restricted Shares to Participants on the following terms and conditions:
 - i. Grant. The Committee may provide a specified purchase price for the Restricted Shares (whether or not any State law applicable to the Company requires the payment of a purchase price). Except to the extent restricted under the terms of the Plan and any Award Agreement relating to the Restricted Shares, a Participant granted Restricted Shares shall have all of the rights of a stockholder including, without limitation, the right to vote Restricted Shares and the right to receive dividends thereon (as described below). Restricted Shares include Performance Shares. Performance Shares are Restricted Shares that provide for a lapse of restrictions upon the attainment of certain Performance Goals.
 - ii. Lapse of Restrictions.
 - 1. In General. Upon the lapse of all restrictions in accordance with this subsection (d) or Section 8, Shares shall cease to be Restricted Shares for purposes of the Plan.
 - 2. Restricted Shares Other Than Performance Shares. With respect to Restricted Shares that are not Performance Shares, the applicable restrictions shall lapse at such time or times, and on such

conditions (such as performance-based requirements), as the Administrator may specify in the Award Agreement. The Administrator may at any time accelerate the time at which the restrictions on all or any part of the shares of Restricted Shares (other than Performance Shares) will lapse.

3. Performance Shares. With respect to Performance Shares, the applicable restrictions shall lapse at the end of the applicable performance period if and to the extent the Performance Goals have been achieved for such period. The Committee shall certify the extent to which the Performance Goals are achieved and shall have the discretion to decrease (but not increase) the extent to which such restrictions lapse on account of such achievement. The restrictions shall also lapse (A) as provided in Section 8, or (B) if and to the extent determined by the Committee, in the case of the Participant's death or disability (as determined by the Committee). If the Participant's Termination of Service occurs for any reason prior to the end of the performance period, the Participant shall forfeit all Performance Shares granted with respect to such performance period except (i) as provided in Section 14, (ii) as determined by the Committee in the case of the Participant's death or disability (as determined by the Committee), or (iii) as otherwise provided by the Committee.
- iii. Forfeiture. Except as otherwise determined by the Committee, upon Termination of Service during the applicable restriction period, Restricted Shares that are at that time subject to restrictions shall be forfeited and reacquired by the Company; provided, however, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Shares will be waived in whole or in part in the event of terminations resulting from specified causes.
- iv. Certificates for Shares. Restricted Shares granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Participant, such certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, the Company may retain physical possession of the certificate, and the Participant shall have delivered a stock power to the Company, endorsed in blank, relating to the Restricted Shares.
- v. Dividends and Distributions. Dividends paid on Restricted Shares shall be either paid at the dividend payment date in the form the dividends are paid to other stockholders, in cash, or in unrestricted Shares having a Fair Market Value equal to the amount of such dividends, or subject to the terms of Section 409A of the Code, the payment of such dividends shall be deferred and/or the amount or value thereof automatically reinvested in additional Restricted Shares, other Awards, or other investment vehicles,

as the Committee shall determine or permit the Participant to elect; provided that with respect to Restricted Shares (including Performance Shares) that vest based on the achievement of Performance Goals or other performance criteria, dividends shall be paid at the time and to the extent that the restrictions and risk of forfeiture on the Restricted Shares lapse. Shares distributed in connection with a Share split or Share dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Shares with respect to which such Shares or other property are distributed.

- vi. Nature of Restricted Shares. Restricted Shares granted under the Plan are not intended to provide for the deferral of compensation subject to Section 409A of the Code.
- e. Deferred Shares. The Committee is authorized to grant Deferred Shares to Participants, subject to the following terms and conditions:
 - i. Award and Restrictions. A Deferred Share shall entitle a Participant to a Share (or its cash equivalent) on the date of vesting. Deferred Shares shall be subject to such vesting conditions as the Committee may impose, if any, which may include vesting at the expiration of the deferral period, at earlier specified times, or upon the achievement of certain Performance Goals, separately or in combination, under such circumstances, in such installments, or otherwise as the Committee may determine.
 - ii. Issuance of Shares. Upon meeting the vesting condition specified for an Award of Deferred Shares, the Company shall issue the Shares to which the Participant is entitled under the Award. In no event shall such issuance occur more than two and one-half months after the close of the calendar year in which the Participant's rights to such shares vest. In the event the Award of Deferred Shares provides for partial vesting over multiple years, shares that vest during a calendar year shall be issued to the Participant within two and one-half months after the close of the calendar year in which the Shares vest.
 - iii. Vesting.
 - 1. Deferred Shares Other Than Deferred Shares That Are Subject to Performance Goals. With respect to Deferred Shares that are not subject to Performance Goals, the Committee shall determine when such Deferred Shares shall vest and any conditions (such as continued employment) that must be met in order for such Deferred Shares to vest at the end of the applicable vesting period. The Committee may at any time accelerate the time at which such Deferred Shares shall vest.
 - 2. Deferred Shares Subject to Performance Goals. Deferred Shares that are subject to Performance Goals shall vest at the end of the applicable performance period if and to the extent the Performance Goals have been achieved for such period. The Committee shall certify the extent to which the Performance Goals are achieved and shall have the discretion to decrease (but not increase) the

extent to which such Deferred Shares vest on account of such achievement. Such Deferred Shares shall also vest (A) as provided in Section 8, or (B) if and to the extent determined by the Committee in the case of the Participant's death or disability (as determined by the Committee). If the Participant's Termination of Service occurs for any reason prior to the end of the performance period, the Participant shall forfeit all such Deferred Shares granted with respect to such performance period, except (i) as provided in Section 8, (ii) as determined by the Committee in the case of the Participant's death or disability (as determined by the Committee), or (iii) as otherwise determined by the Committee.

- iv. Forfeiture. Except as otherwise determined by the Committee, upon Termination of Service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award Agreement evidencing the Deferred Shares), all Deferred Shares that are at that time subject to such risk of forfeiture shall be forfeited; provided, however, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Shares will be waived in whole or in part in the event of terminations resulting from specified causes.
- v. Dividend Equivalents. The Committee may provide that payments in the form of dividend equivalents will be credited in respect of Deferred Shares, which amounts may be paid or distributed when accrued or deemed reinvested in additional Deferred Shares. Any dividend equivalents credited with respect to Deferred Shares shall be subject to restrictions and a risk of forfeiture to the same extent as the Deferred Shares and amounts credited shall be distributed in accordance with the provisions of Section 6(e)(ii) above.
- vi. Compliance with Section 409A. Notwithstanding anything herein to the contrary, all distributions of Deferred Shares shall be made within the applicable "short-term deferral period" within the meaning of Section 409A of the Code.
- f. Bonus Shares and Awards in Lieu of Cash Obligations. The Committee is authorized to grant Shares as a bonus, or to grant Shares or other Awards in lieu of Company obligations to pay cash under other plans or compensatory arrangements; provided, however, that, in the case of Participants subject to Section 16 of the Exchange Act, the amount of such Shares or Awards shall be determined by the Committee in a manner conforming to then - applicable requirements of Rule 16b-3. Shares or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee.
- g. Other Stock-Based Awards. The Committee shall have the right to grant other Awards based upon the Shares having such terms and conditions as the Committee may determine, including the grant of shares based upon certain

conditions, the grant of securities convertible into Shares and the grant of phantom shares.

7. Certain Provisions Applicable to Awards.

- a. Stand-Alone, Additional, Tandem and Substitute Awards. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for, any other Award granted under the Plan or any award granted under any other plan of the Company, any subsidiary, or any business entity to be acquired by the Company or a subsidiary, or any other right of a Participant to receive payment from the Company or any subsidiary. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards. The per Share exercise price of any Option, grant price of any SAR, or purchase price of any other Award conferring a right to purchase Shares granted in substitution for an outstanding Award or award may be adjusted to reflect the in- the-money value of the surrendered Award or award, provided such adjustment does not cause the Award to be treated as deferred compensation subject to Section 409A of the Code.
- b. Term of Awards. The term of each Award shall be for such period as may be determined by the Committee up to a maximum term of ten years.
- c. Form of Payment Under Awards. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company or a subsidiary upon the grant or exercise of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Shares, other Awards.
- d. Rule 16b-3 Compliance. It is the intent of the Company that this Plan comply in all respects with applicable provisions of Rule 16b-3 in connection with any grant of Awards to or other transaction by a Participant who is subject to Section 16 of the Exchange Act (except for transactions exempted under alternative Exchange Act Rules or acknowledged in writing to be non-exempt by such Participant). Accordingly, if, at such time, any provision of this Plan or any Award Agreement relating to an Award does not comply with the requirements of Rule 16b -3 as then applicable to any such transaction, such provision will be construed or deemed amended to the extent necessary to conform to the applicable requirements of Rule 16b-3 so that such Participant shall avoid liability under Section 16(b).
- e. Treatment of Dividends and Dividend Equivalents on Unvested Awards. Notwithstanding any other provision of the Plan to the contrary, if dividends are declared during the period that an Award is outstanding, such dividends (or dividend equivalents) shall either (i) not be paid or credited with respect to such Award or (ii) be accumulated but remain subject to vesting requirements to the same extent as the applicable Award and shall only be paid at the time such the vesting requirements are satisfied. In no event shall dividends or dividend equivalents be paid with respect to Options or Stock Appreciation Rights prior to their exercise or settlement, as applicable.

- f. Minimum Vesting Period. Notwithstanding any other provision of the Plan to the contrary, the minimum vesting period with respect to any portion of an Award shall be no less than one year; provided, that Shares underlying Awards with respect to up to 5% of the total number of Shares reserved for Awards under Section 4(a) (subject to adjustment under Section 4(b)) may be exempt from the foregoing limitations. Nothing in this Section 7(j) shall limit the Company's ability to grant Awards that contain rights to accelerated vesting upon a termination of employment or service for any reason other than for Cause or limit any rights to accelerated vesting in connection with a Change in Control, as provided in Section 8 of the Plan, in each case, prior to the completion of the minimum one-year service requirement described in the foregoing sentence. In addition, the minimum vesting requirement set forth in this Section 7(j) shall not apply to (i) an Award granted in substitution for another award, (ii) Awards granted to non-employee directors which vest on the earlier of the one-year anniversary of the date of grant and the next annual meeting of the Company's shareholders (which is at least 50 weeks after the immediately preceding year's annual meeting), (iii) Awards settled solely in cash in lieu of shares or (iv) Awards granted in lieu of earned cash obligations.

8. Change in Control Provisions.

- a. In the event of a "Change in Control," as defined in this Section, unless otherwise provided in the Award Agreement or another contract or Company-sponsored plan, in the event of a Change in Control, unless provision is made in connection with the Change in Control for (x) assumption of Awards previously granted or (y) substitution for such Awards of new awards covering stock of a successor corporation or its "parent corporation" (as defined in Section 424(e) of the Code) or "subsidiary corporation" (as defined in Section 424(f) of the Code) with appropriate adjustments as to the number and kinds of shares and the exercise prices, if applicable, the following shall occur:
- i. the Committee as constituted immediately before the Change in Control may make such adjustments as it, in its discretion, determines are necessary or appropriate in light of the Change in Control (including, without limitation, the substitution of stock other than stock of the Company as the stock optioned hereunder, cash payment or other equitable consideration and the acceleration of vesting or exercisability of Awards under the Plan), provided that the Committee determines that such adjustments do not have a substantial adverse economic impact on the Participants as determined at the time of the adjustments, and
 - ii. any Award carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested, subject only to the restrictions set forth in Sections 7(d) and 10(a); and (B) the restrictions, deferral of settlement, and forfeiture conditions applicable to any other Award granted under the Plan shall lapse and such Award shall be deemed fully vested, and any performance conditions imposed with respect to any Award shall be deemed to be fully achieved based on the

greater of (i) target performance level or (ii) actual performance achievement, subject to the restrictions set forth in Sections 7(d) and 10(a) and any related provisions in a Company-sponsored plan.

- iii. Termination Following a Change in Control. Unless otherwise provided in the Award Agreement or another contract or under the terms of a transaction constituting a Change in Control, upon a Participant's involuntary termination of employment without Cause within twenty-four (24) months following the Change in Control, provided that such termination does not result from the Participant's termination due to death or for disability, (1) any Award carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested, subject only to the restrictions set forth in Sections 7(d) and 10(a); and (2) the restrictions, deferral of settlement, and forfeiture conditions applicable to any other Award granted under the Plan shall lapse and such Award shall be deemed fully vested, and any performance conditions imposed with respect to any Award shall be deemed to be fully achieved based on the greater of (i) target performance level or (ii) actual performance achievement, subject to the restrictions set forth in Sections 7(d) and 10(a).
- b. For purposes of the Plan, a "Change in Control" shall have occurred if:
 - i. Any "Person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any entity controlling, controlled by or under common control with the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of shares of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of either the combined voting power of the Company's then outstanding voting securities or the then outstanding Shares (in either case, other than as a result of an acquisition of securities directly from the Company);
 - ii. during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i), (iii), or (iv) of this Section 8(b)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;
 - iii. a merger, consolidation, recapitalization, or reorganization of the Company is consummated, or a reverse share split of any class of voting securities of the Company, other than any such transaction which would

result in at least 75% of the total voting power represented by the voting securities of the Company or the surviving entity outstanding immediately after such transaction being beneficially owned by persons who together beneficially owned of least 75% of the combined voting power of the voting securities of the Company outstanding immediately prior to such transaction, with the relative voting power of each such continuing holder compared to the voting power of each such continuing holder not substantially altered as a result of the transaction; provided that, for purposes of this paragraph (iii), such continuity of ownership (and preservation of relative voting power) shall be deemed to be satisfied if the failure to meet such 75% threshold (or to substantially preserve such relative voting power) is due solely to the acquisition of voting securities by an employee benefit plan of the Company or such surviving entity or of any subsidiary of the Company or such surviving entity; or

- iv. the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect).

Notwithstanding the foregoing, no event or condition shall constitute a Change of Control to the extent that, if it were, a 20% tax would be imposed upon or with respect to an award under Section 409A of the Code; provided that, in such case, the event or condition shall continue to constitute a Change in control to the maximum extent possible (e.g., if applicable, in respect of vesting without an acceleration of distribution) without causing the imposition of such 20% tax.

- c. For purposes of the Plan, "Cause" means a Participant's gross misconduct, insubordination, violation of the Company's policies, or commission of a felony.

9. Certain Corporate Transactions.

In the event of a corporate transaction (such as, for example, a merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation), the surviving or successor corporation shall assume each outstanding Award or substitute a new award of the same type for each outstanding Award; provided, however, that, in the event of a proposed corporate transaction, the Committee may terminate all or a portion of the outstanding Awards, effective upon the closing of the corporate transaction, if it determines that such termination is in the best interests of the Company. If the Committee decides so to terminate outstanding Options and SARs, the Committee shall give each Participant holding an Option or SAR to be terminated not fewer than seven days' notice prior to any such termination, and any Option or SAR which is to be so terminated may be exercised (if and only to the extent that it is then exercisable under the terms of the Award Agreement and Section 8) at any time prior to such termination. Further, except as otherwise provided in the Plan, the Administrator may, in its discretion accelerate, in whole or in part, the date on which any or all Awards become exercisable or vested (to the extent such Award is not fully exercisable or vested pursuant to the Award Agreement or Section 8).

The Committee also may, in its discretion, change the terms of any outstanding Award to reflect any such corporate transaction, provided that (i) in the case of ISOs, such change would not constitute a “modification” under Section 424(h) of the Code, unless the Participant consents to the change, and (ii) no such adjustment shall be made to an outstanding Option or SAR if such adjustment would cause the Option or SAR to be subject to Section 409A of the Code.

10. General Provisions.

- a. Compliance With Laws and Obligations. The Company will not be obligated to issue or deliver Shares in connection with any Award or take any other action under the Plan in a transaction subject to the registration requirements of the Securities Act of 1933, as amended, or any other federal or state securities law, any requirement under any listing agreement between the Company and any stock exchange or automated quotation system, or any other law, regulation, or contractual obligation of the Company, until the Company is satisfied that such laws, regulations, and other obligations of the Company have been complied with in full. Certificates representing Shares issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be applicable under such laws, regulations, and other obligations of the Company, including any requirement that a legend or legends be placed thereon.
- b. Limitations on Transferability. Awards and other rights under the Plan will not be transferable by a Participant except by will or the laws of descent and distribution (or to a designated Beneficiary in the event of the Participant’s death), and, if exercisable, shall be exercisable during the lifetime of a Participant only by such Participant or his or her guardian or legal representative; provided, however, that such Awards and other rights may be transferred to one or more transferees during the lifetime of the Participant in connection with the Participant’s estate or tax planning, and such transferees may exercise rights thereunder in accordance with the terms thereof, but only if and to the extent consistent with the registration of the offer and sale of Shares on Form S-8, Form S-3, or such other registration form of the Securities and Exchange Commission as may then be filed and effective with respect to the Plan and permitted by the Committee. The Company may rely upon the beneficiary designation last filed in accordance with this Section 10(b). Awards and other rights under the Plan may not be pledged, mortgaged, hypothecated, or otherwise encumbered by a Participant and shall not be subject to the claims of a Participant’s creditors.
- c. Taxes. The Company and any subsidiary is authorized to withhold from any Award granted or to be settled, any delivery of Shares in connection with an Award, any other payment relating to an Award, or any payroll or other payment to a Participant amounts of withholding and other taxes due or potentially payable in connection with any income recognition event involving an Award (including, for example, an election under section 83(b) of the Code), and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority

to withhold or receive Shares or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations.

- d. No Right to Continued Employment; Leaves of Absence. Neither the Plan, any Award Agreement, or any action taken hereunder shall be construed as giving any Participant the right to be retained in the employ or contract of the Company or any of its subsidiaries, nor shall it interfere in any way with the right of the Company or any of its subsidiaries to terminate any Participant's employment or contract at any time. Unless otherwise specified in the applicable Award Agreement, an approved leave of absence shall not be considered a Termination of Service for purposes of an Award under the Plan.
- e. No Rights to Awards; No Stockholder Rights. No Participant or employee or independent contractor shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants, employees or independent contractors. No Award shall confer on any Participant any of the rights of a stockholder of the Company unless and until Shares are duly issued or transferred and delivered to the Participant in accordance with the terms of the Award or, in the case of an Option, the Option is duly exercised.
- f. Changes to the Plan and Awards. The Board may amend, alter, suspend, discontinue, or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of stockholders or Participants, except that any material amendment or alteration will be subject to the approval of the Company's stockholders at or before the next annual meeting of stockholders for which the record date is after the date of such Board action if such stockholder approval is required by any applicable federal or state law or regulation or the rules of any stock exchange or automated quotation system on which Company securities may then be listed or quoted, and the Board may otherwise determine to submit other such amendments or alterations to stockholders for approval; provided, however, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant with respect to any Award theretofore granted to him. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue, or terminate, any Award theretofore granted and any Award Agreement relating thereto; provided, however, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant under such Award; and provided further that no such amendment, discontinuance or termination of the Plan shall accelerate the time for payment of any Deferred Shares or other amounts subject to Section 409A of the Code (except to the extent permitted by Section 409A of the Code). Except as permitted under Section 4(b), if the Fair Market Value of Shares subject to an Option or SAR has declined since the Award was granted, the Committee shall not, without stockholder approval, (i) cancel any or all such Options or SARs in exchange for cash or the grant of a new Award, or (ii) reduce the exercise price of any or all such Options or reduce the amount over which appreciation of a SAR is measured; provided, however, that such reduced amount shall not be less than the Fair Market Value on the date such reduction is made.

- g. No Fiduciary Relationship. Nothing contained in the Plan and no action taken pursuant to the provisions of the Plan, shall create or shall be construed to create a trust of any kind, or a fiduciary relationship between the Company or its subsidiaries, or their officers or the Committee, on the one hand, and the Participant, the Company, its subsidiaries or any other person or entity, on the other.
- h. Notices. All notices under the Plan shall be in writing, and if to the Company, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Board; and if to the Participant, shall be delivered personally, sent by facsimile transmission or mailed to the Participant at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section 10(h).
- i. Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided, however, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company’s obligations under the Plan to deliver cash, Shares, other Awards, or other property pursuant to any Award, which trusts or other arrangements shall be consistent with the “unfunded” status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.
- j. Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements as it may deem desirable, including the granting of awards otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.
- k. Non-Deferred Compensation Plan. The Plan is intended to constitute an equity or equity-based compensation plan that does not provide for the deferral of compensation subject to Section 409A of the Code and, if any provision of the Plan is subject to more than one interpretation or construction, such ambiguity shall be resolved in favor of that interpretation or construction which is consistent with the Plan not being subject to the provisions of Section 409A. Notwithstanding the forgoing, if, at any time, any provision of this Plan or any Award Agreement relating to an Award does not comply with the requirements of Section 409A of the Code, such provision will be construed or deemed amended to the extent necessary to conform to the applicable requirements of Section 409A of the Code so that such Participant shall avoid liability under Section 409A. Deferred Shares are intended to meet the “short-term deferral exception” under Section 409A of the Code.
- l. No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other

Awards, or other property shall be issued or paid in lieu of such fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

- m. Captions. The use of captions in this Plan is for convenience. The captions are not intended to provide substantive rights.
 - n. Governing Law. The validity, construction, and effect of the Plan, any rules and regulations under the Plan, and any Award Agreement will be determined in accordance with the Delaware General Corporation Law and other laws (including those governing contracts) of the State of Delaware, without giving effect to principles of conflicts of laws, and applicable federal law.
 - o. Recoupment Policy. Notwithstanding any provision of this Plan to the contrary, a Participant's right to receive or retain an Award, to retain any amount received pursuant to an Award (in cash or Shares) and, in the case of Shares received pursuant to an Award, to retain any profit or gain the Participant realized in connection with such an Award, shall be subject to any recoupment or "clawback" policy adopted by the Company.
11. Effective Date and Plan Termination. The Plan, as amended and restated, will be effective upon approval of the Board, subject to its approval by the stockholders of the Company if such stockholder approval is required by any applicable federal or state law or regulation or the rules of any stock exchange or automated quotation system as then in effect. Unless earlier terminated by action of the Board, the Plan will remain in effect until such time as no Shares remain available for issuance under the Plan and the Company or, if earlier, until the day before the tenth anniversary of the effective date of a renewal of the Plan. For clarity, the Plan shall be effective until March 13, 2035.

RULE 13a-14(a) CERTIFICATION

I, Daniel R. Chard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medifast, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: April 28, 2025

/s/ Daniel R. Chard

Daniel R. Chard
Chief Executive Officer

RULE 13a-14(a) CERTIFICATION

I, James P. Maloney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medifast, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: April 28, 2025

/s/ James P. Maloney

James P. Maloney
Chief Financial Officer

MEDIFAST, INC.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q (the "Report") for the quarter ended March 31, 2025 of Medifast, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel R. Chard, Chief Executive Officer and I, James P. Maloney, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

By: /s/ DANIEL R. CHARD

Daniel R. Chard
Chief Executive Officer
April 28, 2025

/s/ JAMES P. MALONEY

James P. Maloney
Chief Financial Officer
April 28, 2025