AETNA INC /PA/
Form S-3ASR
December 01, 2014

As filed with the Securities and Exchange Commission on December 1, 2014

Registration No. 333-____

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

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Aetna Inc.
(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania (State or Other Jurisdiction of Incorporation or Organization)	23-2229683 (I.R.S. Employer Identification Number)

151 Farmington Avenue
Hartford, Connecticut 06156
(860) 273-0123
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

William J. Casazza
Executive Vice President and
General Counsel
(860) 273-0123
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copy to:
Richard J. Sandler
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017
(212) 450-4000

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. x

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (1)
Debt Securities				$0
Common Shares				$0
Preferred Shares				$0
Purchase Contracts				$0
Warrants to purchase Common Stock				$0
Warrants to purchase Preferred Stock				$0
Warrants to purchase Debt Securities				$0
Units that may include any of the above securities or securities of other entities				$0

(1) An indeterminate amount of securities to be offered at indeterminate prices is being registered pursuant to this Registration Statement. The Registrant is deferring payment of the registration fee pursuant to Rule 456(b) and is omitting this information in reliance on Rule 456(b) and Rule 457(r).

PROSPECTUS

Aetna Inc.

DEBT SECURITIES
COMMON SHARES
PREFERRED SHARES
PURCHASE CONTRACTS
WARRANTS
UNITS

We may offer from time to time debt securities, common shares, preferred shares, purchase contracts, warrants to purchase common shares, warrants to purchase preferred shares, warrants to purchase debt securities, or units that may include any of these securities or securities of other entities. This prospectus describes some of the general terms that may apply to debt securities. The specific terms of any debt securities and the terms of any other securities to be offered will be described in supplements to this prospectus. The debt securities, preferred shares, warrants and purchase contracts may be convertible into or exercisable or exchangeable for common or preferred shares or other securities of the Company or debt or equity securities of one or more other entities. You should read this prospectus and any supplement carefully before you invest.

The Company may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. The applicable prospectus supplement will provide the names of any underwriters, dealers or agents, the specific terms of the plan of distribution, any over-allotment option and any applicable underwriting discounts and commissions.

Our common shares are listed for trading on the New York Stock Exchange under the symbol "AET." We have not yet determined whether any of the other securities that may be offered by this prospectus will be listed on any exchange, inter-dealer quotation system or over-the-counter market. If we decide to seek the listing of any such securities upon issuance, the prospectus supplement relating to those securities will disclose the exchange, quotation system or market on which the securities will be listed.

Investing in these securities involves risks. See "Forward-Looking Information/Risk Factors" beginning on page 46 of our 2013 Aetna Annual Report, Financial Report to Shareholders incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2013 and "Risk Factors" in any prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 1, 2014

We have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus or in any prospectus supplement or free writing prospectus prepared by us or on our behalf or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus is accurate as of any date other than the date on the front of this prospectus. The terms "Aetna", the "Company," "we," "us," and "our" refer to Aetna Inc. and its consolidated subsidiaries. Unless the context otherwise requires, "including" means including without limitation.

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THE COMPANY

We are one of the nation's leading diversified health care benefits companies, serving an estimated 46 million people at September 30, 2014, with information and resources to help them in consultation with their health care professionals make better informed decisions about their health care. We offer a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental, behavioral health, group life and disability plans, medical management capabilities, Medicaid health care management services, Medicare Advantage and Medicare supplement plans, workers' compensation administrative services and health information technology products and services, such as Accountable Care Solutions. Our customers include employer groups, individuals, college students, part-time and hourly workers, health plans, health care providers, governmental units, government-sponsored plans, labor groups and expatriates. Our operations are conducted in three business segments: Health Care, Group Insurance and Large Case Pensions.

Our principal executive offices are located at 151 Farmington Avenue, Hartford, Connecticut 06156, and our telephone number is (860) 273-0123. Internet users can obtain information about Aetna and its services at http://www.aetna.com. This text is not an active link, and our website and the information contained on that site, or connected to that site, is not, and shall not be deemed to be, incorporated into this prospectus or the related registration statement.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the United States Securities and Exchange Commission (the "SEC") utilizing a "shelf" registration process. Under this shelf process, we may sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. To the extent that information in any prospectus supplement or the information incorporated by reference in any prospectus supplement is inconsistent with information contained in this prospectus, the information in such prospectus supplement or the information incorporated by reference into such prospectus supplement shall govern. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading "Where You Can Find More Information."

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at http://www.sec.gov, from which interested persons can electronically access our filings with the SEC, including the registration statement containing this prospectus (including the exhibits and schedules thereto).

We have filed with the SEC a registration statement on Form S-3 relating to the securities covered by this prospectus. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus to a contract or other document of the Company, the reference is only a summary, and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC's public reference room in Washington, D.C., as well as through the SEC's Internet site.

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and all documents we file with the SEC pursuant to Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), after December 1, 2014 and prior to the termination of an offering under this

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prospectus (provided, however, that we are not incorporating, in each case, any documents or information deemed to have been furnished and not filed in accordance with SEC rules):

(a) Our Current Reports on Form 8-K filed on February 7, 2014, March 7, 2014, March 14, 2014, March 28, 2014, June 4, 2014, July 29, 2014, November 3, 2014, November 7, 2014 and November 10, 2014;

(b) Our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2014, June 30, 2014 and September 30, 2014, filed with the SEC on April 24, 2014, July 29, 2014 and October 28, 2014, respectively;

(c) Our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 filed with the SEC on February 28, 2014 (including information specifically incorporated therein by reference from our definitive proxy statement on Schedule 14A filed with the SEC on April 18, 2014); and

(d) Our Registration Statement on Form 8-A dated June 18, 2001.

We will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon written or oral request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference in this prospectus. You may request a free copy of these filings by writing, telephoning, sending a facsimile to or e-mailing the office of the Corporate Secretary, Aetna Inc., 151 Farmington Avenue, RW61, Hartford, Connecticut 06156-3124, Telephone: (860) 273-0123, Facsimile: (860) 293-1361, E-mail: shareholderrelations@aetna.com. The incorporated materials may also be found on the Investor Information portion of our website at http://www.aetna.com/investors-aetna. Our website, and the information contained in it or connected to it, is not, and shall not be deemed to be, incorporated into this prospectus or the related registration statement.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS AND RISK FACTORS

We have made forward-looking statements in this prospectus and the documents incorporated by reference in this prospectus. These forward-looking statements are based on our management's beliefs and assumptions and on information available to our management at the time the statements are or were made. Forward-looking statements include but are not limited to the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "seek," "plan," intend," "anticipate," "estimate," "predict," "project," "pote "continue," "may," "will," "should," "could, "likely," "probable," "view," "guidance," "outlook," "forecast" or the negative of similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. The risk factors discussed in "Forward-Looking Information/Risk Factors" in our 2013 Annual Report, incorporated by reference in, and filed with the SEC as an exhibit to, our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as updated in any future filings with the SEC, and/or other factors could cause our actual results to differ materially from those expressed in forward-looking statements. There may also be other risks that we are unable to predict at the time a forward-looking statement is made or in the future. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements to reflect new information, future events or risks or the eventual outcome of the facts underlying the forward-looking statements. New information, future events or risks may cause the forward-looking events we discuss in this prospectus not to occur or to occur in a manner different from what we expect.

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USE OF PROCEEDS

Unless otherwise indicated in a prospectus supplement, the net proceeds from the sale of the securities will be added to Aetna’s general funds and used for general corporate purposes, including the repayment of indebtedness, share repurchases, redemptions and/or repurchases of indebtedness, business acquisitions and/or investments.

DESCRIPTION OF CAPITAL STOCK

The following description of Aetna’s capital stock is a summary of the material terms thereof and is qualified in its entirety by reference to the provisions of Aetna’s Amended and Restated Articles of Incorporation (“Aetna’s Articles”) and Aetna’s Amended and Restated By-Laws (“Aetna’s By-Laws”). Copies of Aetna’s Articles and By-Laws are incorporated by reference in this prospectus and will be sent to holders of shares of Aetna capital stock upon request. See “Where You Can Find More Information” above.

Aetna’s Articles and By-Laws contain certain provisions that could delay or make more difficult the acquisition of Aetna by means of a tender offer, a proxy contest or otherwise.

Authorized Capital Stock

Under Aetna’s Articles, the total number of shares of all classes of shares that Aetna has authority to issue is 2,996,654,333, having a par value of $.01 each. At September 30, 2014, Aetna’s Articles designated 7,625,000 shares as Class A voting preferred shares (the “Class A voting preferred stock”) and 2,883,673,668 shares as common shares (the “Aetna common stock”). Aetna’s Articles provide that the Aetna board of directors (the “Aetna Board”) has the power to divide the authorized but unissued shares into such classes and series, with such voting rights, designations, preferences, limitations and special rights as the Aetna Board shall then fix and determine. Except as otherwise provided in Aetna’s Articles or in a board resolution, shares purchased, redeemed by, surrendered to or otherwise acquired by Aetna assume the status of authorized but unissued shares, undesignated as to class or series, and may thereafter be reissued in the same manner as other authorized but unissued shares. As of September 30, 2014, Aetna’s authorized capital stock consisted of 7,625,000 shares of Class A voting preferred stock, 2,553,119,363 shares of Aetna common stock and 435,909,970 shares undesignated as to class or series.

Aetna Common Stock

The holders of Aetna common stock are entitled to one vote per share on all matters voted on by shareholders, including elections of directors. Except as expressly provided by law, or as otherwise provided in the terms of the Class A voting preferred stock, or provided in any resolution adopted by the Aetna Board with respect to any subsequently created class or series of Aetna shares, the holders of the Aetna common stock exclusively possess all voting power. Aetna’s Articles preclude cumulative voting in the election of directors. Aetna’s Articles provide for a majority vote standard for uncontested elections of directors, and a plurality of votes standard for contested elections of directors. Subject to any rights of any outstanding series of Aetna preferred stock, the holders of Aetna common stock (i) are entitled to such dividends as may be declared from time to time by the Aetna Board from funds available therefor and (ii) upon dissolution are entitled to receive pro rata all assets of Aetna available for distribution to such holders.

The Aetna common stock is listed on the New York Stock Exchange under the symbol “AET.” The transfer agent and registrar for the Aetna common stock is Computershare Trust Company, N.A. (the “Transfer Agent and Registrar”).

Additional Aetna Stock, Including Preferred Stock

The Aetna Board is authorized to provide for the issuance of Aetna shares in one or more classes and series, including preferred shares, to establish the number of shares in each class and series, and to fix the voting rights, designations, preferences, limitations and special rights of each such class and series. At September 30, 2014, Aetna's Articles designated 7,625,000 shares as Class A voting preferred stock.

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Preemptive Rights

No holder of any shares of Aetna of any class or series authorized at the date of this prospectus has any preemptive right to subscribe to any securities of Aetna of any kind or class or series.

Book-Entry Shareholding

Certificates representing the Aetna common stock will not be issued unless requested in writing. Holders of record of Aetna common stock have credited to a book-entry account established for them by, and maintained at, the Transfer Agent and Registrar the number of shares of Aetna common stock owned by them. Each holder of record receives an Ownership Statement from the Transfer Agent and Registrar promptly following each transfer to or from such account. Shareholders may request the issuance of a certificate representing the shares of Aetna common stock owned of record by them by writing to the Transfer Agent and Registrar.

Certain Anti-Takeover Provisions

Advance Notice Provisions for Special Meetings

Under the Pennsylvania Business Corporation Law (the “Business Corporation Law”), a company’s shareholders are not permitted to call or require the company to call a special meeting of shareholders unless the company’s governing documents permit them to do so. Aetna’s Articles and By-Laws, taken together, provide that shareholders entitled to cast at least twenty-five percent of the votes that all voting shareholders, voting as a single class, are entitled to cast at the special meeting may call a special meeting of shareholders by delivery to the Corporate Secretary of a written petition signed by each of such shareholders. The written petition must include certain information about the business to be conducted at the special meeting and about the proposing shareholders.

It shall be the duty of the Corporate Secretary to fix the date and time of any shareholder-called special meeting, which shall be held not more than 120 days after the Corporate Secretary’s receipt of a petition that complies with the above requirements. Aetna’s By-Laws provide that only such business may be conducted at a special meeting as is specified in the notice of meeting given by Aetna or in a shareholder petition that satisfies the applicable provision of Aetna’s By-Laws.

Potential Issuances of Aetna Preferred Stock

At September 30, 2014, Aetna’s Articles designated 7,625,000 shares as Class A voting preferred stock. Aetna’s Articles also authorize the Aetna Board to establish, from the authorized but unissued shares, one or more classes and series of Aetna shares, including preferred shares, and to determine, with respect to any such class or series of Aetna shares, the terms and rights of such class or series, including, for example, (i) the designation of the class or series; (ii) the number of shares of the class or series, which number the Aetna Board may thereafter (except where otherwise provided in the designation of any particular class or series) increase or decrease (but not below the number of shares thereof then outstanding); (iii) whether dividends, if any, will be cumulative or noncumulative and the dividend rate of the class or series; (iv) the dates on which dividends, if any, will be payable; (v) the redemption rights and price or prices, if any, for shares of the class or series; (vi) the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the class or series; (vii) the amounts payable on shares of the class or series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of Aetna; (viii) whether the shares of the class or series will be convertible into shares of any other class or series, or any other security, of Aetna or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion price or prices or rate or rates, any adjustments thereof, the date or dates as of which such shares shall be convertible and all other terms and conditions upon which such conversion may be made; (ix) restrictions on the issuance of shares of the same class or series or of any other class or series; and (x) the voting rights, if any, of the holders of such class or series.

The authorized shares of Aetna, including shares of preferred stock and common stock, will be available for issuance without further action by Aetna's shareholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which Aetna's securities may be listed or traded. If the approval of Aetna's shareholders is not so required, the Aetna Board does not intend to seek shareholder approval.

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Although the Aetna Board has no intention at the present time of doing so, it could issue a class or series of Aetna preferred shares that could, depending on the terms of such class or series, impede the completion of a merger, tender offer or other takeover attempt that some, or a majority, of Aetna's shareholders might believe to be in their best interests or in which shareholders might receive a premium for their shares over the then-current market price of such shares.

Potential Issuances of Rights to Purchase Securities

Aetna does not currently have a shareholder rights plan, although the Aetna Board retains the right to adopt a new plan at a future date. Aetna's Articles grant the Aetna Board exclusive authority to create and issue rights entitling the holders thereof to purchase from Aetna shares of capital stock or other securities and to elect to repurchase, redeem, terminate or amend any such rights. The times at which and terms upon which such rights are to be issued, repurchased, redeemed, terminated or amended are to be determined exclusively by the Aetna Board and set forth in the contracts or instruments that evidence any such rights. The authority of the Aetna Board with respect to such rights includes, but is not limited to, determining (i) the purchase price of the capital stock or other securities or property to be purchased upon exercise of such rights; (ii) provisions relating to the times at which and the circumstances under which such rights may be exercised or sold or otherwise transferred, either together with or separately from any other shares or other securities of Aetna; (iii) provisions which adjust the number or exercise price of such rights or the amount or nature of the shares, other securities or other property receivable upon exercise of such rights in the event of a combination, split or recapitalization of any shares of Aetna, a change in ownership of Aetna's shares or other securities or a reorganization, merger, consolidation, sale of assets or other occurrence relating to Aetna or any shares of Aetna, and provisions restricting the ability of Aetna to enter into any such transaction absent an assumption by the other party or parties thereto of the obligations of Aetna under such rights; (iv) provisions which deny the holder of a specified percentage of the outstanding securities of Aetna the right to exercise such rights and/or cause such rights held by such holder to become void; (v) provisions which permit Aetna to redeem or exchange such rights; and (vi) the appointment of the rights agent with respect to such rights. This provision is intended to confirm the Aetna Board's exclusive authority to issue, repurchase, redeem, terminate or amend share purchase rights or other rights to purchase shares or securities of Aetna or any other corporation.

Advance Notice Provisions for Shareholder Nominations and Shareholder Proposals at Annual Meetings

Aetna's By-Laws establish an advance notice procedure for shareholders to nominate candidates for election as directors or to bring other business before annual meetings of shareholders of Aetna (the "Shareholder Notice Procedure").

Nominations for election to the Aetna Board may be made at an annual meeting, or at a special meeting at which directors are to be elected, only by or at the direction of the Aetna Board or by a shareholder who has complied with the Shareholder Notice Procedure. Aetna's By-Laws require that notice of a shareholder nomination set forth certain information with respect to each proposed nominee and the shareholder giving notice.

Aetna's By-Laws provide that at an annual meeting only such business may be conducted as has been brought before the meeting by, or at the direction of, the Chairman or the Aetna Board or by a shareholder who has given timely written notice to the Corporate Secretary of Aetna of such shareholder's intention to bring such business before such meeting in compliance with the Shareholder Notice Procedure. Under the Shareholder Notice Procedure, a shareholder's notice relating to the conduct of business at an annual meeting must contain specified information about such business and about the proposing shareholder.

The Shareholder Notice Procedure requires that notice of nominations or proposals for substantive business must be received by Aetna not later than the 90th day before such meeting is to be held, or if later, by the close of business on the 10th day after public announcement of the date of such meeting is made.

If the Chairman or other officer presiding at a meeting determines that an individual was not nominated, or other business was not brought before the meeting, in accordance with the Shareholder Notice Procedure, such individual will not be eligible for election as a director, or such business will not be conducted at such meeting, as the case may be.

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By requiring advance notice of nominations by shareholders, the Shareholder Notice Procedure affords the Aetna Board an opportunity to consider the qualifications of the proposed nominees and, to the extent deemed necessary or desirable by the Aetna Board, to inform shareholders about such qualifications. By requiring advance notice of other proposed business, the Shareholder Notice Procedure provides a more orderly procedure for conducting annual meetings of shareholders and, to the extent deemed necessary or desirable by the Aetna Board, provides the Aetna Board with an opportunity to inform shareholders, prior to such meetings, of any business proposed to be conducted at such meetings, together with the Aetna Board's position regarding action to be taken with respect to such business, so that shareholders can better decide whether to attend such a meeting or to grant a proxy regarding the disposition of any such business.

Although Aetna's By-Laws do not give the Aetna Board any power to approve or disapprove shareholder nominations for the election of directors or proposals for action, they may have the effect of precluding a contest for the election of directors or the consideration of shareholder proposals if the proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal, without regard to whether consideration of such nominees or proposals might be harmful or beneficial to Aetna and its shareholders.

No Shareholder Action by Written Consent

Aetna's Articles provide that shareholder action may only be taken at an annual or special meeting of shareholders and may not be taken by written consent in lieu of a meeting. The inability of the Aetna shareholders to act by written consent prevents the holders of a majority of the voting power of the voting shares from unilaterally using the written consent procedure to take shareholder action.

Provisions Relating to Shareholder Approval of Business Combination and Other Transactions

Under the Business Corporation Law, unless a higher vote is required in a corporation's articles of incorporation, a plan of merger or consolidation, a plan of asset transfer providing for the sale of all or substantially all of the assets of a corporation, a share exchange, division or voluntary dissolution will be adopted upon receiving at a properly convened meeting the affirmative vote of a majority of the votes cast by all shareholders having a right to vote thereon, and if any class or series is entitled to vote thereon as a class, the affirmative vote of a majority of the votes cast in each class vote. Aetna's Articles require that a plan of merger, consolidation, share exchange or division to which Aetna is a party or a sale of all or substantially all of Aetna's assets receive the affirmative vote of at least a majority of the votes that all voting shareholders, voting as a single class, are entitled to cast thereon based on the shares issued and outstanding on the record date for the meeting at which such plan is to be voted upon by shareholders and, in addition, the affirmative vote of such number or proportion of shares of any class or series of Aetna's capital stock as shall at the time be required by the express terms of such class or series. This higher vote will make it more difficult to obtain shareholder approval of such a business combination or other transaction than would be the case if such higher vote were not required.

Provisions Relating to Amendments to Aetna's Articles and By-Laws

Under the Business Corporation Law, shareholders have the right to adopt, amend or repeal the articles of incorporation and bylaws of a corporation. However, the Business Corporation Law requires that any amendment to Aetna's Articles also be approved by the Aetna Board. Under the Business Corporation Law, unless a higher vote is required in a corporation's articles of incorporation, amendments to the corporation's articles of incorporation will be adopted upon receiving at a properly convened meeting the affirmative vote of a majority of the votes cast by all shareholders having a right to vote thereon, and if any class or series is entitled to vote thereon as a class, the affirmative vote of a majority of the votes cast in each class vote. Aetna's Articles provide that the provisions relating to shareholder approval of business combination and other transactions described immediately above may only be amended by the affirmative vote of at least a majority of the votes that all voting shareholders, voting as a single class, are entitled to cast thereon based on the shares issued and outstanding on the record date for the applicable meeting and, in addition, the affirmative vote of such number or proportion of shares of any class or series of Aetna's capital stock as shall at the time be required by the express terms of such class or series.

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In addition, Aetna's By-Laws may be amended by the Aetna Board with respect to all matters not exclusively reserved by law to the shareholders, except the Aetna Board may not alter the size of the Aetna Board beyond a range approved by the shareholders.

Pennsylvania Anti-Takeover Statutes

Under Section 1712 of the Business Corporation Law, which is applicable to Aetna, directors stand in a fiduciary relation to their corporation and, as such, are required to perform their duties in good faith, in a manner they reasonably believe to be in the best interests of the corporation and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. Under Section 1715 of the Business Corporation Law, which is applicable to Aetna, discharging their duties, directors may, in considering the best interests of their corporation, consider, among other things, to the extent they deem appropriate: (a) the effects of any action upon any or all groups affected by the action, including shareholders, employees, suppliers, customers and creditors of the corporation, and upon communities in which offices or other establishments of the corporation are located; (b) the short-term and long-term interests of the corporation; (c) the resources, intent and conduct (past, stated and potential) of any person seeking to acquire control of the corporation; and (d) all other pertinent factors. In considering the best interests of the corporation or the effects of any action, directors are not required to regard the interests of the shareholders, or any other group affected by the action, as dominant or controlling. Absent a breach of fiduciary duty, a lack of good faith or self-dealing, any act of the board of directors, a committee thereof or an individual director is presumed to be in the best interests of the corporation. The Business Corporation Law expressly provides that the fiduciary duty of directors does not require them to (i) redeem or otherwise render inapplicable outstanding rights issued under any shareholder rights plan; (ii) render inapplicable specified statutory anti-takeover provisions, including Subchapter F of Chapter 25 (described below), which is applicable to Aetna; or (iii) take any action solely because of the effect it may have on a proposed acquisition or the consideration to be received by shareholders in such a transaction.

Commentary associated with Section 1715 of the Business Corporation Law, and accepted by courts applying the provisions of that Section to the facts of specific takeover attempts, makes it clear that a purpose of Section 1715 is to legislatively overrule certain judicial decisions in other jurisdictions named in the commentary which have had the effect of limiting the flexibility of incumbent management in contested takeovers. The provisions of Section 1715, and its construction by the courts, could aid the Aetna Board in resisting a proposed acquisition transaction which it believed not to be in the best interests of any one of the corporate constituencies identified in the statute or otherwise not in the best interests of Aetna under any of the criteria identified in the statute that the Aetna Board believes are appropriate to consider.

Aetna is subject to Subchapter F of Chapter 25 of the Business Corporation Law. Subchapter F applies to a transaction between a publicly traded corporation and an interested shareholder (defined generally to be any beneficial owner of 20% or more of the corporation's voting stock). Subchapter F of Chapter 25 prohibits such a corporation from engaging in a "business combination" (as defined in the Business Corporation Law) with an interested shareholder unless (i) the board of directors of such corporation gives approval to the proposed transaction or gives approval to the interested shareholder's acquisition of 20% of the shares entitled to vote in an election of directors of such corporation, in either case prior to the date on which the shareholder first becomes an interested shareholder (the "Share Acquisition Date"), (ii) the interested shareholder owns at least 80% of the stock of such corporation entitled to vote in an election of directors and, no earlier than three months after such interested shareholder reaches such 80% level, holders of a majority of the remaining shares entitled to vote in an election of directors approve the proposed transaction and shareholders receive a minimum "fair price" for their shares (as set forth in the Business Corporation Law) in the transaction and the other conditions of Subchapter F of Chapter 25 of the Business Corporation Law are met, (iii) holders of all outstanding shares of common stock approve the transaction, (iv) no earlier than five years after the Share Acquisition Date, a majority of the remaining shares entitled to vote in an election of directors approve the proposed transaction, or (v) no earlier than five years after the Share Acquisition Date, a majority of all the shares approve the transaction, all shareholders receive a minimum “fair price” for their shares (as set forth in the Business Corporation Law) and the other conditions of Subchapter F of Chapter 25 of the Business Corporation Law are met.

Under certain circumstances, Subchapter F of the Business Corporation Law makes it more difficult for an interested shareholder to effect various business combinations with a corporation. The provisions of Subchapter F

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should encourage persons interested in acquiring Aetna to negotiate in advance with the Aetna Board, since the five-year delay and higher shareholder voting requirements would not apply if such person, prior to acquiring 20% of Aetna’s voting shares, obtains the approval of the Aetna Board for such acquisition or for the proposed business combination transaction.

Subchapter F of the Business Corporation Law will not prevent a hostile takeover of Aetna. It may, however, make more difficult or discourage a takeover of Aetna or the acquisition of control of Aetna by a significant shareholder and thus the removal of incumbent management. Any such effect would be enhanced by the adoption of a shareholder rights plan, as authorized by Aetna’s Articles. Some shareholders may find this disadvantageous in that they may not be afforded the opportunity to participate in takeovers that are not approved as required by Subchapter F of the Business Corporation Law but in which shareholders might receive, for at least some of their shares, a substantial premium above the market price at the time of a tender offer or other acquisition transaction.

Section 2538 of Subchapter D of the Business Corporation Law imposes a higher vote on certain transactions between an “interested shareholder” (as defined in Section 2538(d) of the Business Corporation Law) and a publicly traded corporation unless certain procedural requirements are satisfied. Subchapter E of Chapter 25 of the Business Corporation Law requires a person who acquires 20% or more of the shares of a publicly traded corporation to offer to purchase the shares of any other shareholder at “fair value” (determined as provided in Section 2547). Subchapter G of Chapter 25 of the Business Corporation Law also contains certain provisions applicable to a registered corporation which, under certain circumstances, permit such a corporation to redeem “control shares” (as defined in the Business Corporation Law) and remove the voting rights of control shares. Additionally, Subchapter H of Chapter 25 of the Business Corporation Law requires the disgorgement of profits by a “controlling person” (as defined in the Business Corporation Law). Aetna’s Articles provide that Section 2538 of Subchapter D of the Business Corporation Law, and Subchapters E, G and H of Chapter 25 of the Business Corporation Law are not applicable to Aetna.

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DESCRIPTION OF DEBT SECURITIES

This prospectus describes certain general terms and provisions of the debt securities. When we offer to sell a particular series of debt securities, we will describe the specific terms for the debt securities in a supplement to this prospectus. The prospectus supplement will also indicate whether the general terms and provisions described in this prospectus apply to a particular series of debt securities.

The senior debt securities are to be issued under the senior indenture dated as of March 2, 2001 (the "Senior Indenture") between Aetna and U.S. Bank National Association (successor in interest to State Street Bank and Trust Company), as trustee. The subordinated debt securities are to be issued under a separate indenture (the "Subordinated Indenture") also between Aetna and U.S. Bank National Association, as trustee. The Senior Indenture and the Subordinated Indenture are sometimes referred to individually as an "Indenture" or collectively as the "Indentures." U.S. Bank National Association, in its capacity as trustee under either Indenture, is referred to as the "Trustee" in this prospectus.

We sometimes refer below to specific articles or sections of one or both of the Indentures. When we do so, we indicate where you can find the relevant article or section in the Indentures by noting the article or section number in parentheses. When we do refer to specific articles or sections contained in the Indentures or terms defined in the Indentures, including important terms, which we capitalize here, we use them in this prospectus in the same way we use them in the Indentures, and you should refer to the Indentures themselves for detailed, specific, legal descriptions. In this section, "Description of Debt Securities," when we refer to "Aetna," we refer to Aetna Inc., not including its consolidated subsidiaries.

We have summarized some terms of the Indentures. The summary is not complete. The Indentures are filed as exhibits to the registration statement of which this prospectus is a part. You should read the Indentures for a complete statement of the provisions summarized in this prospectus and for provisions that may be important to you. The Indentures are subject to and governed by the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

Ranking

The debt securities will be our direct, unsecured obligations. The senior debt securities will rank equally with all of our other senior and unsecured, unsubordinated debt. The subordinated debt securities will have a junior position to all of our senior debt.

Since a significant part of our operations are conducted through subsidiaries, a significant portion of our cash flow, and consequently, our ability to service debt, including the debt securities, is dependent upon the earnings of our subsidiaries and the transfer of funds by those subsidiaries to us in the form of dividends or other transfers, supplement;(110) (80)

Accounts payable and accrued liabilities

488 (687)

Deferred revenue

(265) (484)

Net cash (used in) provided by operating activities

(472) (596)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and office equipment

(2) (12)

Net cash used in investing activities

(2) (12)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of common stock under private placement

1,572

Proceeds from issuance of common stock private placement

1,962

Common stock issuance costs

(300)

Repayment of capital lease obligations

(2) (10)

Net cash used in financing activities

(2) 3,224

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS

(476) 2,616

Cash and cash equivalents, beginning of period

603 468

Cash and cash equivalents, end of period

$127 $3,084

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest

$ $2

The statement above combines the cash flows of discontinued operations with the cash flows from continuing operations. See Note 3 for further discussion of discontinued operations.

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

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

(Unaudited)

1. ORGANIZATION

eDiets.com, Inc. (the Company) was incorporated in the State of Delaware on March 18, 1996 for the purpose of developing and marketing Internet-based diet and fitness programs. The Company markets its products both to consumers and to businesses primarily in North America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to those rules and regulations. The Company believes that the disclosures made are adequate to make the information presented not misleading. All the adjustments which, in the opinion of management, are considered necessary for a fair presentation of the results of operations for the periods shown are of a normal recurring nature and have been reflected in the unaudited condensed consolidated financial statements. Results from continuing operations for the three and six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. The Company s Nutrio.com, Inc. subsidiary, also known as eDiets Corporate Services, has been classified as a discontinued operation. See Note 3 for further information regarding discontinued operations. The information included in these unaudited condensed consolidated financial statements should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations contained in this report and the consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. While the Company believes that such estimates are fair when considered in conjunction with the condensed consolidated financial position and results of operations taken as a whole, the actual amount of such estimates, when known, may vary from these estimates.

Going Concern

The Company s condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. For the three and six months ended June 30, 2012, the Company had a net loss of approximately $0.1 million and $1.2 million, and for the six months ended June 30, 2012, the Company used approximately $0.5 million of cash in its operating activities. As of June 30, 2012, the Company has an accumulated deficit of approximately $109.0 million and total stockholders deficit of approximately $2.3 million. As of June 30, 2012, the Company s unrestricted cash balance was approximately $0.1 million.

Due to uncertainty about the Company s ability to meet its current operating expenses, debt obligations and capital expenditures, the Company s independent registered public accounting firm included an explanatory paragraph regarding the Company s ability to continue as a going concern in their report on our annual financial statements for the year ended December 31, 2011. The Company s debt consists of $1.0 million of principal of related party notes (the Director Notes) as of June 30, 2012. The entire outstanding principal balance of the Director Notes, together with all accrued and unpaid interest, is due and payable on December 31, 2012.

The continuation of the Company s business is dependent upon raising additional financial support. In light of the Company s results of continuing operations, management has and intends to continue to evaluate various possibilities. These possibilities include: raising additional capital through the issuance of common or preferred stock, securities convertible into common stock, or secured or unsecured debt, selling one or more lines of business, or all or a portion of the Company s assets, entering into a business combination, reducing or eliminating operations, liquidating assets, or seeking relief through a filing under the U.S. Bankruptcy Code. These possibilities, to the

EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

extent available, may be on terms that result in significant dilution to the Company s existing stockholders or that result in the Company s existing stockholders losing all of their investment in the Company. There can be no assurances that the Company will be successful in raising adequate additional financial support. If not, the Company will be required to reduce operations and/or liquidate assets and/or seek relief through a filing under the U.S. Bankruptcy Code. The Company s condensed consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Significant Accounting Policies

Meal delivery revenue is recognized when the earnings process is complete, which is upon transfer of title of the product. This transfer occurs upon shipment from the Company s fulfillment center to the end-customer. Meal delivery revenue includes amounts billed for shipping. In accordance with Accounting Standards Codification (ASC) 605-45 (formerly Emerging Issues Task Force (EITF) 99-19), *Revenue Recognition Principal Agent Considerations,* the Company recognizes gross meal delivery revenues based on the relevant fact that the Company is the primary obligor and has assumed asset risk when the customers place orders. Beginning in January 2008, the Company began offering two promotions: a) buy seven weeks of meal delivery and get the 8th week for free and b) buy a meal delivery program and get a free non-cash gift. For the first promotion and in accordance with ASC 605-50 (formerly EITF 01-09), *Revenue Recognition Customer Payments and Incentives*, the Company recognizes the cost of the free offer as cost of revenue proportionally over the term of the meal delivery subscription or until the customer cancels and no longer is entitled to the free offer. During 2011, the Company began offering various free offer promotions whereby the Company recognizes the cost of the free offer as cost of revenue proportionally over the term of the meal delivery subscription or until the customer cancels and is no longer entitled to the free offer. For the second promotion and in accordance with ASC 605-50, the Company recognizes meal delivery revenue when the meals are shipped and the cost of the free non-cash gift as cost of sales when the non-cash gift is shipped.

Digital plan revenue is generated by the Company offering membership subscriptions to the proprietary content contained in its websites. Subscriptions to the Company s digital plans are paid in advance, mainly via credit/debit cards and cash receipts are deferred and recognized as revenue on a straight-line basis over the period of the digital plan subscription. Beginning in January 2008, the Company began to offer a guarantee to all customers, under which if a customer did not meet their weight loss goal upon completion of six consecutive months of digital subscription and met the guarantee requirements they would receive the next six months of digital subscription for free. Consequently, the Company recognizes digital subscription revenue over the potential term of twelve months of digital subscription or until the subscriber no longer meets the guarantee requirements, whichever comes first.

In accordance with ASC605-45*,* the Company recognizes gross digital subscription revenues associated with licensed diet and fitness plans based on the relevant facts of the related license agreements, while the license fee incurred to the licensor is included in cost of revenues.

Other revenue relates primarily to royalty revenue and also includes advertising revenue and ecommerce revenue. Royalty revenue is derived from the exclusive technology licensing agreement related to the Company s operations in the United Kingdom and Ireland and is being recognized on a straight-line basis. On July 31, 2009 the Company terminated the 15-year exclusive licensing agreement with Tesco Ireland Limited (Tesco) which provided Tesco with exclusive rights to use the Company s personalized diet technology in the United Kingdom and Ireland, with an effective date of July 1, 2009. The termination agreement provides Tesco with certain continuing rights in the Company technology used by or incorporated into Tesco s diet website prior to termination, including a three-year non-exclusive right to use such technology and, thereafter, an assignment of certain intellectual property rights relating to such technology.

EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

ASC 820 (formerly SFAS 157), *Fair Value Measurements and Disclosures,* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company s debt consists of $1.0 million of principal of the Director Notes. During November 2010, the Company issued the Director Notes, consisting of (i) a promissory note to Kevin A. Richardson II, chairman of the Company s board of directors and controlling member of Prides Capital Fund, L.P. (Prides), the Company s largest stockholder, (ii) a promissory note to Lee S. Isgur, one of the Company s directors and (iii) a promissory note to Kevin N. McGrath, who at that time was one of the Company s directors and the Company s President and Chief Executive Officer. Interest accrues on the Director Notes at a rate of five percent (5%) per annum. These Director Notes are not traded in an active market. As a result of the volatility of substantially all domestic credit markets that currently exist and the difficulty of the Company obtaining similar financing from an unrelated party, the Company is unable, as of June 30, 2012, to determine the fair value of such debt.

The Company establishes a reserve for refunds for meal delivery and digital plan sales. Meal delivery refunds mainly result from late shipments or packaging issues. Based on historical experience, a range of between approximately 1%-3% of prior month s meal delivery sales will result in a refund, accordingly the Company estimates a reserve based on that assumption for future refunds. Since all digital plan subscriber payments are deferred upon receipt, at the end of each month a portion of the deferred revenue is reclassified as a reserve for refunds. Based on historical experience, a range of between approximately 1%-3% of digital plan subscriber sales will result in a refund issued in the subsequent month after sale. All other refunds issued relate to current month digital plan subscriber sales. Because the revenue has not been recognized, refunds do not result in a reversal of digital plan subscription revenue. Instead, refunds result in a decrease to the amounts maintained in deferred revenue.

The Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate the reserve for refunds. However, if actual results are not consistent with the estimates or assumptions stated above, the Company may be exposed to income or losses that could be material to the condensed consolidated financial statements.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued an amendment to ASC 220, *Comprehensive Income,* which requires companies to present net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. The Company adopted this guidance effective January 1, 2012.

EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. DISCONTINUED OPERATIONS

On August 6, 2012, the Company and its wholly-owned subsidiary, Nutrio.com, Inc. (together the Sellers), entered into an Asset Purchase Agreement (Purchase Agreement) with Nutrio, LLC. Pursuant to the terms of the Purchase Agreement, Nutrio, LLC purchased all of the Sellers right, title and interest in and to certain assets relating to the Sellers corporate services business (the Nutrio Business) for an aggregate purchase price of $255,000.

The Nutrio Business provides private label online nutrition, fitness and wellness programs to companies mainly in the health insurance, pharmaceutical and food industries, and has been referred to as eDiets Corporate Services and business-to-business in the Company s Annual Report on Form 10-K. The Company previously reported Nutrio Business revenue and cost of revenue separately on its consolidated statements of operations. The Nutrio Business generates three types of business-to-business revenue. Licensing and development revenues are accounted for in accordance with (ASU) 2009-13, *Multiple-Deliverable Revenue Arrangements* (amendments to FASB ASC 605, *Revenue Recognition*). Development revenue relates to the planning, design and development of websites for customers. Both licensing and development revenues are recognized on a straight-line basis over the license period once the website is launched. Consulting revenue relates to consulting services provided to customers and revenue is recognized when services and/or deliverables are completed and collection is probable.

Pursuant to ASC 360, *Accounting for the Impairment or Disposal of Long-Lived Assets,* and ASC 205, *Presentation of Financial Statements,* the operating results of the Nutrio Business have been included in Income from discontinued operations, net of tax within the accompanying Condensed Consolidated Statements of Operations, and certain assets and liabilities have been reclassified as assets and liabilities held for sale within the accompanying Condensed Consolidated Balance Sheets. As a result, prior period comparative financial statements have been restated. The Company has combined cash flows from discontinued operations with cash flows from continuing operations in the accompanying Condensed Consolidated Statement of Cash Flows for all periods presented.

Nutrio Business revenue and the income from discontinued operations are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2012	**2011**	**2012**	**2011**
Revenue	$ 173	$ 319	$ 351	$ 714
Income from discontinued operations, net of tax	9	73	23	324

Assets and liabilities held for sale in the accompanying Condensed Consolidated Balance Sheets consist of the following:

	June 30, 2012	**December 31, 2011**
Accounts receivable, net	$ 100	$ 119
Prepaid expenses and other current assets		1
Current assets held for sale	$ 100	$ 120
Accounts payable	$ 11	$ 8
Accrued liabilities	17	16
Deferred revenue	111	60
Current liabilities held for sale	$ 139	$ 84

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. REVENUE RECOGNITION

Revenue by type is as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Meal delivery	$ 5,081	$ 4,755	$ 11,424	$ 10,301
Digital plans	413	669	858	1,439
Royalties	138	154	278	301
Advertising and Ecommerce	2	52	19	124
	5,634	5,630	12,579	12,165

5. DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2012 and December 31, 2011 (in thousands):

	June 30, 2012	December 31, 2011
Deferred revenue		
Unearned meal delivery revenue and digital plans revenue	$ 223	$ 260
Deferred royalty		278
Total deferred revenue	$ 223	$ 538

6. WARRANTS

During February 2011, the Company issued warrants in connection with private placement subscription agreements, entitling the investors in the private placement to acquire a total of 381,183 shares of common stock at an exercise price of $1.7675 per share (the 2011 Private Placement Warrants). Each warrant has a three-year expiration date and is exercisable beginning immediately.

During 2009, the Company issued warrants (the 2009 Prides Warrants) to Prides and issued warrants (the 2009 Private Placement Warrants) to investors in connection with a private placement transaction. The 2009 Prides Warrants and the 2009 Private Placement Warrants all have a 10-year expiration date and are exercisable immediately.

Warrants outstanding as of June 30, 2012 are as follows:

	Warrants to Purchase Shares of Common Stock	Exercise Price
2009 Prides Warrants	241,931	$ 6.00

2009 Private Placement Warrants	95,944	$ 6.00
2011 Private Placement Warrants	381,183	$ 1.7675
Total warrants outstanding	719,058	

Warrants issued to related parties as of June 30, 2012 totaled 628,605 of the total 719,058 warrants outstanding in the table above.

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. STOCK-BASED COMPENSATION

The Company grants stock options, restricted stock units and restricted stock awards to its employees, officers, directors and consultants. In November 2004, the Company adopted the eDiets.com, Inc. 2004 Equity Incentive Plan, as amended and restated in May 2010 (as subsequently amended, the Incentive Plan). The Incentive Plan provides for the grant of incentive stock options or ISOs , non-qualified stock options or NSOs , stock appreciation rights or SARs , restricted stock, restricted stock units (RSUs), performance awards, deferred stock and unrestricted stock. The Incentive Plan is administered by the Compensation Committee of the Board of Directors (the Committee). A maximum of 4,000,000 shares of common stock may be delivered in satisfaction of awards made under the Incentive Plan. The maximum number of shares subject to performance awards granted under the Incentive Plan in any calendar year is 800,000 shares. The term of any ISO granted under the Incentive Plan may not exceed ten years, or five years if granted to a person that owns common stock representing more than 10% of the voting power of all class of stock of the Company. Options granted under the Incentive Plan generally vest ratably over a three-year period. SARs may be granted either in tandem with or independent of stock options. The Incentive Plan also provides for awards of fully vested unrestricted stock, but no more than 360,000 shares in the aggregate may be granted at less than fair market value unless granted in lieu of cash compensation equal to such fair market value. The Incentive Plan also provides for deferred grants entitling the recipient to receive common stock upon satisfaction of conditions determined by the Committee in its discretion. The Incentive Plan provides for performance award grants which may be linked to the market value, book value, net profits or other measure of the value of common stock or other specific performance criteria determined appropriate by the Committee, or may be based upon the appreciation in the market value, book value, net profits or other measure of the value of a specified number of shares of common stock over a fixed period or periods determined by the Committee.

As of June 30, 2012 and December 31, 2011, there were 2,862,811 and 1,857,135 options outstanding, respectively, under the Incentive Plan.

In November 1999, the Company adopted the eDiets.com, Inc. Stock Option Plan (as subsequently amended, the Plan). The Plan terminated in November 2009 pursuant to the Plan provisions and therefore, the Company will not grant any additional shares or options under the Plan. The Plan provided for the grant of ISOs and NSOs to purchase up to 1,000,000 shares of the Company s common stock to employees, directors and consultants to the Company. Options granted to employees under the Plan generally vest ratably over a two- or three-year period and expire five or ten years from the date of grant. Such options generally have an exercise price equal to the fair market value of the underlying common stock at the grant date and are fully exercisable on the date of grant for a period of up to five to ten years.

As of June 30, 2012 and December 31, 2011, 51,046 and 52,250 options, respectively, were outstanding under the Plan.

The Company accounts for its stock-based compensation plans in accordance with ASC 718-10 (formerly SFAS 123R), *Compensation Stock Compensation*. Under the provisions of ASC 718-10, the Company estimates the fair value of each stock option on the date of grant using a Black-Scholes-Merton (BSM) option-pricing formula, applying the following assumptions, and amortizes that value to expense over the option s vesting period using the straight-line attribution method.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2012	**2011**	**2012**	**2011**
Expected term (in years)	4.0	4.0	3.9	3.8
Risk-free interest rate	0.62%	1.7%	0.62%	1.4%
Expected volatility	1.20	.854	1.18	.745
Expected dividend yield	%	%	%	%

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Expected Term: The expected term represents the period over which the share-based awards are expected to be outstanding for employees, officers and directors. The Company uses the historical exercise experience in determining the expected term. For consultants, the expected term is equal to the remaining contractual term of the share-based awards.

Risk-Free Interest Rate: The Company bases the risk-free interest rate used in its assumptions on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equivalent to the stock option award s expected term.

Expected Volatility: The volatility factor used in the Company s assumptions is based on the historical price of its stock from 2001 to the current period because the Company believes that this extended period reflects the true Company history.

Expected Dividend Yield: The Company does not intend to pay dividends on its common stock for the foreseeable future. Accordingly, the Company uses a dividend yield of zero in its assumptions.

As required by ASC 718-10, the Company estimates forfeitures of employee stock options, RSUs and restricted stock awards and recognizes compensation cost only for those awards expected to vest. Forfeiture rates are determined for three groups (employees, officers and directors) based on historical experience. Estimated forfeitures are adjusted to the actual forfeiture experience as needed.

During the quarters ended June 30, 2012 and 2011, the Company recognized stock-based compensation expense under ASC 718-10 (related to stock options, RSUs and restricted stock awards) of $0.2 million and $0.6 million, respectively. During the six months ended June 30, 2012 and 2011, the Company recognized stock-based compensation expense under ASC 718-10 (related to stock options, RSUs and restricted stock awards) of $0.3 million and $0.9 million, respectively.

The breakdown of stock-based compensation expense per line item on the accompanying condensed consolidated statements of operations for the three months ended June 30, 2012 and 2011 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Cost of revenue	$ 4	$ 17	$ 9	$ 25
Technology and development	8	57	23	99
Sales, marketing and support	26	113	80	196
General and administrative	107	355	162	490
Stock compensation related to discontinued operations	7	51	18	66
	$ 152	$ 593	$ 292	$ 876

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

A summary of option activity under the Company s stock plans for the three months ended June 30, 2012 is as follows (shares in thousands):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (yrs)	Aggregate Intrinsic Value ($000)
Outstanding at December 31, 2011	1,909	$ 5.62	7.90	$ 11
Granted	1,086	0.51		
Exercised				
Forfeited	(34)	4.76		
Expired	(47)	17.69		
Outstanding at June 30, 2012	2,914	$ 3.53	7.97	$ 19
Vested or expected to vest at June 30, 2012	2,507	$ 3.76	7.83	$ 13
Exercisable at June 30, 2012	1,703	$ 5.53	6.90	$

The weighted-average fair value of stock options granted during the quarters ended June 30, 2012 and 2011 was $0.23 and $1.37, respectively. The weighted-average fair value of stock options granted during the six months ended June 30, 2012 and 2011 was $0.33 and $1.33, respectively.

There were no stock option exercises during 2012 and 2011. As of June 30, 2012, there was $0.2 million of total unrecognized compensation cost related to the stock options granted under the Company s stock plans. That cost is expected to be recognized over a weighted-average period of 1.5 years.

8. DEBT

On November 12, 2010, the Company issued the following promissory notes (the Director Notes): (i) a promissory note to Kevin A. Richardson II, one of the Company s directors and an officer of Prides, pursuant to which the Company borrowed $600,000, (ii) a promissory note to Lee S. Isgur, one of the Company s directors, pursuant to which the Company borrowed $200,000 and (iii) a promissory note to Kevin N. McGrath, who at that time was one of the Company s directors and the Company s President and Chief Executive Officer pursuant to which the Company borrowed $200,000. The entire outstanding principal balance of the Director Notes, together with all accrued and unpaid interest, is due and payable on December 31, 2012. Interest accrues on the Director Notes at a rate of five percent (5%) per annum. In the event the principal is not paid in full within three business days of the due date, or any other default occurs thereunder, then interest shall accrue on the outstanding principal balance of the Director Notes at a rate of ten percent (10%) per annum.

9. LOSS PER COMMON SHARE

Basic loss per common share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the weighted average number of common and dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of the incremental common shares issuable upon exercise of stock options and warrants (using the treasury stock method), which were not included in diluted loss per share as they would have been anti-dilutive and were approximately zero and 11,000, respectively, for the three and six months ended June 30, 2012, and approximately 100,000 and 158,000, respectively, for the three and six months ended June 30, 2011. The Company did not have any dilutive potential common shares related to convertible debt.

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. SEGMENT INFORMATION

ASC 280 (formerly SFAS 131), *Segment Reporting*, designates the internal reporting that is used by management for making operating decisions and assessing performance as the source of the Company s reportable segments.

The Company operates in a single market consisting of the sale of services, information and products (ecommerce and meal delivery) related to nutrition, fitness and motivation. The Company has two reportable segments: the U.S. business-to-consumer segment and the European business segment. Meal delivery and Digital plans operations are included in the U.S. business-to-consumer segment.

The Company does not engage in inter-company revenue transfers between segments. The Company s management evaluates performance based primarily on business segment. Accounting policies of the reportable segments are the same as the Company s consolidated accounting policies.

Net revenues and segment loss of the Company s two reportable segments are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Total revenues:				
U.S. business-to-consumer	$ 5,496	$ 5,476	$ 12,300	$ 11,864
Total U.S.	5,496	5,476	12,300	11,864
Europe	138	154	279	301
Total revenues	$ 5,634	$ 5,630	$ 12,579	$ 12,165
Segment (loss) income:				
U.S. business-to-consumer	$ (278)	$ (1,070)	$ (1,490)	$ (1,859)
Total U.S.	(278)	(1,070)	(1,490)	(1,859)
Europe	138	155	279	323
Loss from operations	$ (140)	$ (915)	$ (1,211)	$ (1,536)

11. LEGAL PROCEEDINGS

In the ordinary course of business, the Company and/or its subsidiaries may be parties to legal proceedings and regulatory inquiries, the outcome of which, either singly or in the aggregate, is not expected to have a material adverse effect on the Company s financial condition or results of operations.

12. SUBSEQUENT EVENTS

As described in Note 3, the Company and its wholly-owned subsidiary, Nutrio.com, Inc. (together the Sellers), entered into a Purchase Agreement with Nutrio, LLC on August 6, 2012. Pursuant to the terms of the Purchase Agreement, Nutrio, LLC purchased all of the Sellers right, title and interest in and to certain assets relating to the Sellers corporate services business for an aggregate purchase price of $255,000.

Pursuant to the Purchase Agreement, Nutrio, LLC had the right to reduce the cash purchase price payment by the amount of previously billed receivables that relate to post-closing periods. Nutrio, LLC reduced the amount of the cash purchase price payment by approximately $70,000 on August 6, 2012. The Company expects to collect the amount in accordance with the collection terms as invoiced, which is generally within 45 days. In the event that any portion of the $70,000 is not collected, the Company would seek collection from Nutrio, LLC to collect the full amount of the $255,000 purchase price.

On August 10, 2012, the Company entered into a letter of intent (the Letter of Intent) with As Seen On TV, Inc. (ASTV), a direct response marketing company, whereby ASTV agreed to acquire all of the Company s outstanding shares of common stock in exchange for 16,185,392 newly issued shares of ASTV common stock, representing an acquisition price of approximately $0.80 per share of the Company s common stock. Under the Letter of Intent, all other outstanding securities of the Company exercisable or exchangeable for, or convertible into, capital stock of the Company would be deemed converted into, and exchanged for securities of ASTV on an as converted basis immediately prior to the record date of the acquisition.

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EDIETS.COM, INC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Letter of Intent is subject to numerous conditions, including satisfactory completion of due diligence, negotiation of a definitive purchase agreement and closing of the acquisition on or before November 1, 2012.

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

OUR BUSINESS

Products and Services

eDiets.com, Inc. (eDiets , the Company or we) leverages the power of technology to bring weight loss solutions to both consumers and businesses. We generate revenue primarily in two ways.

We offer a nationwide weight-loss oriented meal delivery service.

We sell digital weight-loss programs.

Subscription Business (includes our meal delivery plans and our digital subscription-based plans)

We offer a subscription-based nationwide weight-loss oriented meal delivery service. We also have been offering digital subscription-based plans in the United States since 1998, when we launched our first diet plan. Our digital diet plans are personalized according to an individual s weight goals, food and cooking preferences and include the related shopping lists and recipes. eDiets offers a variety of different digital diet plans, some of which we have developed and some of which we have licensed from third parties under exclusive arrangements.

Subscribers to our meal delivery and digital diet plans are acquired through our own advertising or through co-marketing arrangements with third parties. In addition to a meal delivery product or a digital diet plan, they receive access to support offerings including interactive online information, communities and education as well as telephone and online support. eDiets offers message boards on various topics of interest to our subscribers, online meetings presented by a dietitian and the resources of approximately 40 customer service representatives.

Meal delivery subscribers generally purchase a full week or five days of prepared breakfasts, lunches, and dinners, supplemented by snacks that are generally shipped to arrive within two or three days.

Digital subscription programs ranging from four weeks to 52 weeks are billed in advance in varying increments of time. Substantially all of our digital subscribers purchase programs via credit/debit cards, with renewals billed automatically, until cancellation.

License Business (includes royalty revenue)

We recognize royalty revenue as a result of having licensed to Tesco plc (Tesco) the exclusive rights to use eDiets brand and diet plan technology in the UK and Ireland. Effective July 31, 2009, we terminated this exclusive licensing agreement with Tesco. The termination agreement provides Tesco with certain continuing rights in the Company technology used by or incorporated into Tesco s diet website prior to termination, including a three-year non-exclusive right to use such technology and, thereafter, an assignment of certain intellectual property rights relating to such technology.

DISCONTINUED OPERATIONS

On August 6, 2012, the Company and its wholly-owned subsidiary, Nutrio.com, Inc. (together the Sellers), entered into an Asset Purchase Agreement (Purchase Agreement) with Nutrio, LLC. Pursuant to the terms of the Purchase Agreement, Nutrio, LLC purchased all of the Sellers right, title and interest in and to certain assets relating to the Sellers corporate services business (the Nutrio Business) for an aggregate purchase price of $255,000.

The Nutrio Business provides private label online nutrition, fitness and wellness programs to companies mainly in the health insurance, pharmaceutical and food industries, and has been referred to as eDiets Corporate Services and business-to-business in the Company s Annual Report on Form 10-K. The Company previously reported Nutrio Business revenue and cost of revenue separately on its consolidated statements of operations.

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Pursuant to ASC 360, *Accounting for the Impairment or Disposal of Long-Lived Assets,* and ASC 205, *Presentation of Financial Statements,* the operating results of the Nutrio Business have been included in Income from discontinued operations, net of tax , and certain assets and liabilities have been reclassified as assets and liabilities held for sale. We reported income from discontinued operations, net of taxes, for the three and six months ended June 30, 2012 of approximately $9,000 and $23,000, respectively.

CRITICAL ACCOUNTING POLICIES

We have identified the policies outlined below as critical to our business operations and an understanding of our results of operations. The listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for management s judgment in their application. The impact and any associated risks related to these policies on our business operations is discussed throughout Management s Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see the Notes to the Consolidated Financial Statements in our 2011 Form 10-K. Note that our preparation of the financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

REVENUE RECOGNITION:

Meal delivery revenue is recognized when the earnings process is complete, which is upon transfer of title of the product. This transfer occurs upon shipment from our fulfillment center to the end-customer. Meal delivery revenue includes amounts billed for shipping. In accordance with Accounting Standards Codification (ASC) 605-45 (formerly Emerging Issues Task Force (EITF) 99-19), *Revenue Recognition Principal Agent Considerations*, we recognize gross meal delivery revenues based on the relevant fact that we are the primary obligor and have assumed asset risk when the customers place orders. Beginning in January 2008 we began offering two promotions: a) buy seven weeks of meal delivery and get the 8th week for free and b) buy a meal delivery program and get a free non-cash gift. For the first promotion and in accordance with ASC 605-50 (formerly EITF 01-09), *Revenue Recognition Customer Payments and Incentives*, we recognize the cost of the free offer as cost of revenue proportionally over the term of the meal delivery subscription or until the customer cancels and no longer is entitled to the free offer. During 2011, we began offering various free offer promotions whereby we recognize the cost of the free offer as cost of revenue proportionally over the term of the meal delivery subscription or until the customer cancels and is no longer entitled to the free offer. For the second promotion and in accordance with ASC 605-50, we recognize meal delivery revenue when the meals are shipped and the cost of the free non-cash gift as cost of sales when the non-cash gift is shipped.

We offer memberships to the proprietary content contained in our websites. Revenues from customer subscriptions are paid in advance mainly via credit/debit cards. Subscriptions to the digital plans are paid in advance and cash receipts are deferred and recognized as revenue on a straight-line basis over the period of the digital plan subscription. Beginning in January 2008, we began to offer a guarantee to all customers, under which if a customer did not meet their weight loss goal upon completion of consecutive six months of digital subscription and met the guarantee requirements they would receive the next six months of digital subscription for free. Consequently, we recognize digital subscription revenue over the potential term of twelve months of digital subscription or until the subscriber no longer meets the guarantee requirements, whichever comes first.

In accordance with ASC 605-45, we recognize gross digital subscription revenues associated with licensed diet and fitness plans based on the relevant facts of the related license agreements, while the license fee incurred to the licensor is included in cost of revenues.

Other revenue relates primarily to royalty revenue and also includes advertising revenue and ecommerce revenue. Royalty revenue is derived from the exclusive technology licensing agreement related to our previous operations in the United Kingdom and Ireland and is being recognized on a straight-line basis.

Our most significant accounting estimate is our reserve for refunds for meal delivery and digital plan sales. Meal delivery refunds mainly result from late shipments or packaging issues. Based on historical experience, a range of between approximately 1%-3% of prior month s meal delivery sales will result in a refund, accordingly we estimate a reserve based on that assumption for future refunds. Since digital plan subscriber payments are deferred upon receipt, at the end of each month we reclassify a portion of our deferred revenue to reserve for refunds. Based on historical experience, a range of between approximately 1%-3% of digital plan subscriber sales will result in a refund issued in the subsequent month after sale. All other refunds issued relate to current month digital plan subscriber sales. Because the revenue has not been recognized, refunds do not result in a reversal of digital plan subscription revenue. Instead, refunds result in a decrease to the amounts maintained in deferred revenue. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate the reserve for refunds. However, if actual results are not consistent with our estimates or assumptions stated above, we may be exposed to income or losses that could be material to our condensed consolidated financial statements.

RESULTS OF OPERATIONS

Going concern and continuing operations

Our condensed consolidated financial statements have been prepared assuming we will continue as a going concern. For the three and six months ended June 30, 2012, we had a net loss of approximately $0.1 million and $1.2 million. We used approximately $0.5 million of cash in our operating activities during the six months ended June 30, 2012. As of June 30, 2012, we had an accumulated deficit of $109.0 million, total stockholders deficit of $2.3 million and our unrestricted cash balance was approximately $0.1 million.

Due to uncertainty about our ability to meet our current operating expenses, debt obligations and capital expenditures, our independent registered public accounting firm included an explanatory paragraph regarding our ability to continue as a going concern in their report on our annual financial statements for the year ended December 31, 2011. Our debt consists of $1.0 million of principal of related party promissory notes (the Director Notes) as of June 30, 2012. The entire outstanding principal balance of the Director Notes, together with all accrued and unpaid interest, is due and payable on December 31, 2012.

On August 10, 2012, we entered into a letter of intent (the Letter of Intent) with As Seen On TV, Inc. (ASTV), a direct response marketing company, whereby ASTV agreed to acquire all of our outstanding shares of common stock in exchange for 16,185,392 newly issued shares of ASTV common stock, representing an acquisition price of approximately $0.80 per share of the Company s common stock. Under the Letter of Intent, all of our other outstanding securities exercisable or exchangeable for, or convertible into, our capital stock would be deemed converted into, and exchanged for securities of ASTV on an as converted basis immediately prior to the record date of the acquisition.

The Letter of Intent is subject to numerous conditions, including satisfactory completion of due diligence, negotiation of a definitive purchase agreement and closing of the acquisition on or before November 1, 2012.

Both before and after consummation of the transactions described in the Letter of Intent, and if those transactions are never consummated, the continuation of our business is dependent upon raising additional financial support. In light of our results of operations, management has and intends to continue to evaluate various possibilities to the extent these possibilities do not conflict with our obligations under the Letter of Intent. These possibilities include: raising additional capital through the issuance of common or preferred stock, securities convertible into common stock, or secured or unsecured debt, selling one or more lines of business, or all or a portion of the our assets, entering into a business combination, reducing or eliminating operations, liquidating assets, or seeking relief through a filing under the U.S. Bankruptcy Code. These possibilities, to the extent available, may be on terms that result in significant dilution to our existing stockholders or that result in our existing stockholders losing all of their investment in the Company.

There can be no assurances that we will be successful in raising adequate additional financial support. If not, we will be required to reduce operations and/or liquidate assets and/or seek relief through a filing under the U.S. Bankruptcy Code. Our condensed consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should we be unable to continue as a going concern. Our condensed consolidated financial statements have been prepared assuming we will continue as a going concern.

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The following table sets forth our consolidated results of operations expressed as a percentage of total revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue	100%	100%	100%	100%
Cost of revenue	50	50	50	50
Technology and development	3	4	3	4
Sales, marketing and support	38	42	45	41
General and administrative	12	21	12	17
Amortization of intangible assets	*	*	*	*
Interest expense, net	*	*	*	*
Income tax benefit (provision)	*	*	*	*
Loss from continuing operations	(3)	(16)	(10)	(13)
Income from discontinued operations, net of tax	*	1	*	3
Net loss	(3)%	(15)%	(10)%	(10)%

* Less than 1%

COMPARISON OF THE THREE AND SIX MONTHS ENDED JUNE 30, 2012 TO THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

Revenue: Total revenue for the three and six months ended June 30, 2012 was approximately $5.6 and $12.6 million, respectively, relatively flat compared to the prior year quarter and an increase of approximately 3% versus the $5.6 million and $12.2 million recorded in the corresponding prior year periods.

Revenue by type is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Meal delivery	$ 5,081	$ 4,755	$ 11,424	$ 10,301
Digital plans	413	669	858	1,439
Royalties	138	154	278	301
Advertising and Ecommerce	2	52	19	124
Total revenue	$ 5,634	$ 5,630	$ 12,579	$ 12,165

Meal delivery had revenues of approximately $5.1 million and $11.4 million, including shipping revenue, for the three and six months ended June 30, 2012, respectively, compared to approximately $4.8 million and $10.3 million for the corresponding prior year periods. The 7% increase in meal delivery revenue for the three months ended June 30, 2012 compared to the corresponding period of the prior year is directly related to an approximately 6% increase in meals shipped during the three months ended June 30, 2012. The 11% increase in meal delivery revenue for the six months ended June 30, 2012 compared to the corresponding period of the prior year is directly related to an approximately 7% increase in meals shipped during the six months ended June 30, 2012. We have expanded our meal delivery promotional offerings and are always adjusting the mix of our meal delivery promotional offerings. We decreased advertising spend levels during the three months ended June 30, 2012, but the higher levels of advertising spend during the first quarter of 2012 enabled us to acquire a sufficient number of new customers during the three and six months ended June 30, 2012 in order to achieve a higher volume of shipments compared to the corresponding prior year period.

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Digital plans revenue was approximately $0.4 million and $0.9 million for the three and six months ended June 30, 2012, respectively, compared to approximately $0.7 million and $1.4 million in the corresponding prior year periods. Digital plans revenue is driven by the following two factors: the average number of digital plans subscribers and the average weekly fee paid by digital plan subscribers. As of June 30, 2012, the average paying subscribers was approximately 38% lower than the corresponding prior year period, and during the three and six months ended June 30, 2012, the average weekly fees were lower than the corresponding prior year periods. The number of overall active subscribers continues to decline. Due to cash constraints and uncertain returns from online advertising, we target more of our advertising investments in general to meal delivery. Increased competition, the growth of similar services that are offered for free, economic conditions, and our overall reduction in online advertising expenditures have all contributed to the decline in digital subscribers during the last several reporting periods. Our advertising is now targeted primarily on driving potential customers to our call center rather than to our website. As a result of these factors and to offset further decreases in the liquidity of the digital business, we have diversified from a digital subscription-only model to an integrated business model that focuses on the sale of our meal delivery service which we believe permits us to better capture cross-selling opportunities and leverage our existing customer relationships.

Royalty revenues related to our licensing agreement with Tesco were approximately $138,000 and $278,000 for the three and six months ended June 30, 2012. Royalty revenue remained relatively flat compared to the corresponding prior year periods.

Advertising revenue and Ecommerce revenue was approximately $2,000 and $19,000 for the three and six months ended June 30, 2012, respectively, compared to approximately $52,000 and $124,000 during the three and six months ended June 30, 2012. We no longer focus on generating advertising revenue from third-party banner impressions on our website.

In the future we expect that revenue streams from meal delivery will continue to be the largest share of total revenue.

Cost of Revenue: Total cost of revenue for the three and six months ended June 30, 2012 was approximately $2.8 million and $6.2 million, respectively, as compared to approximately $2.8 million and $6.1 million for the corresponding prior year period.

Cost of revenue by type is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Meal delivery	$ 2,756	$ 2,739	$ 6,089	$ 5,890
Digital plans	42	63	87	150
Other	27	25	61	75
Total cost of revenue	$ 2,825	$ 2,827	$ 6,237	$ 6,115

Consolidated gross margin was approximately 50% for both the three and six months ended June 30, 2012, respectively, compared to approximately 50% for both the three and six months ended June 30, 2011. Meal delivery gross margin increased to approximately 46% and 47% for the three and six months ended June 30, 2012, respectively, compared to approximately 42% and 43% for the corresponding prior year periods. This is the result of continued cost reductions from stabilizing our technology platform, a reduction in product costs and food production efficiencies realized with our primary food vendor, and a reduction in our shipping costs. We anticipate our total gross margin will continue to improve in the future as our efforts to improve the meal delivery margin through reduced food costs and increased shipping efficiencies continue to be realized. Gross margin for digital plans remained relatively flat at approximately 90% for both the three and six months ended June 30, 2012, respectively, compared to approximately 91% and 90% for the corresponding prior year periods.

Cost of meal delivery revenue consists primarily of variable costs such as credit card fees, product costs, fulfillment and shipping costs, as well as costs associated with revenue share arrangements, depreciation and promotional costs. Cost of meal delivery revenue was $2.8 million and $6.1 million for the three and six months ended June 30, 2012, respectively, compared to $2.7 million and $5.9 million in the corresponding prior year periods. As a result of the increased revenue levels mentioned above, the variable costs of meal delivery revenue increased accordingly during the three and six months ended June 30, 2012.

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Cost of digital plans revenue consists primarily of variable costs such as credit card fees and revenue sharing or royalty costs related to license agreements with third party nutrition and fitness companies. Other costs include Internet access fees, compensation for nutritional professionals and depreciation. Cost of digital plans revenue was below $0.1 million for both the three and six months ended June 30, 2012 primarily because variable costs declined in conjunction with the decline in digital plan subscribers mentioned above.

Cost of other revenue consists primarily of Internet serving fees. Cost of other revenue was less than $0.1 million for both the three and six months ended June 30, 2012 and 2011.

Technology and Development: Technology and development expenses consist of payroll and related expenses we incur related to testing, maintaining and modifying our websites, telecommunication systems and infrastructure and other internal-use software systems. Technology and development expenses also include depreciation of the computer hardware and capitalized software we use to run our website and store our data. These expenses were approximately $0.1 million and $0.3 million for the three and six months ended June 30, 2012, respectively, compared to approximately $0.2 million and $0.5 million for the three and six months ended June 30, 2011. Technology and development compensation expenses were lower during 2012 due to a reduction in headcount.

Sales, Marketing and Support Expense: Sales, marketing and support expenses consist primarily of advertising expenses and compensation for employees in those departments related to promoting our meal delivery and digital subscription plans. Sales, marketing and support expenses were approximately $2.1 million and $5.7 million for the three and six months ended June 30, 2012, respectively, compared to approximately $2.3 million and $5.0 million for the corresponding prior year periods and represent mainly advertising media expense and compensation expense. Our advertising media expense (television, print and online advertising) during the three months ended June 30, 2102 was approximately $1.3 million compared to $1.4 million during the corresponding prior year period. The decrease is the result of lower advertising media expense in an effort to manage our customer acquisition cost and control our cash burn rate during the seasonally slower summer months. Advertising media expense (television, print and online advertising) during the six months ended June 30, 2012 was approximately $3.3 million compared to $3.1 million during the corresponding prior year period. The increase is the result of an increase in television and print advertising expense. Additionally, costs of producing our advertisements, such as production costs relating to new television commercials or print advertisements, totaled approximately $0.1 million and $0.3 million during the three and six months ended June 30, 2012 and less than $0.1 million during both of the corresponding prior year periods. The expenses associated with another component of our sales process, our call center, increased during 2012 as we added staff and incentives to drive higher sales.

General and Administrative Expenses: General and administrative expenses consist primarily of salaries and benefits, overhead and related costs for general corporate functions, including professional fees. General and administrative expenses were approximately $0.7 million and $1.5 million for the three and six months ended June 30, 2012 compared to $1.2 million and $2.1 million in the corresponding prior year periods. General and administrative expenses were lower during 2012 due to a reduction in headcount and an overall reduction in corporate expenses.

Amortization of Intangible Assets: Amortization expense was less than $0.1 million for both the three and six months ended June 30, 2012 and 2011.

Interest Expense, Net: Interest expense was approximately $13,000 and $26,000 for the three and six months ended June 30, 2012 and 2011. Interest expense relates to the interest costs in connection with $1.0 million of principal of the Director Notes.

Income From Discontinued Operations, Net of Tax: The Company previously reported Nutrio s business-to-business revenue and cost of revenue separately on its consolidated statements of operations. The operating results of Nutrio have been included in income from discontinued operations, net of tax.

Net Loss: As a result of the factors discussed above, we recorded a net loss of approximately $0.1 million and $1.2 million for the three and six months ended June 30, 2012, respectively and a net loss of $0.9 million and $1.2 million for the corresponding prior year periods.

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LIQUIDITY AND CAPITAL RESOURCES

The Company s principal use of cash in its operating activities for the three and six months ended June 30, 2012 was for advertising media expense (television, print and internet advertising) promoting meal delivery and digital diet programs to potential subscribers. Advertising expense in the first half of the year usually exceeds advertising expense in the second half of the year due to seasonality in the weight-loss business. As a result, we have historically experienced proportionally lower or negative cash flows from operating activities in the first six months of each year. The amount of advertising and its effectiveness is a significant driver of our operations. Our advertising commitments are typically short term in nature with most of it purchased on the spot market.

During November 2010, the Company issued the Director Notes, consisting of (i) a promissory note to Kevin A. Richardson II, chairman of the Company s board of directors and controlling member of Prides Capital Fund, L.P. (Prides), the Company s largest stockholder, pursuant to which the Company borrowed $600,000, (ii) a promissory note to Lee S. Isgur, one of the Company s directors, pursuant to which the Company borrowed $200,000 and (iii) a promissory note to Kevin N. McGrath, who at that time was one of the Company s directors and the Company s President and Chief Executive Officer, pursuant to which the Company borrowed $200,000. The entire outstanding principal balance of the Director Notes, together with all accrued and unpaid interest, is due and payable on December 31, 2012. Interest accrues on the Director Notes at a rate of five percent (5%) per annum. In the event the principal is not paid in full within three business days of the due date, or any other default occurs thereunder, then interest shall accrue on the outstanding principal balance of the Director Notes at a rate of ten percent (10%) per annum.

At June 30, 2012, we had a net working capital deficit of approximately $3.8 million, compared to a net working capital deficit of approximately $2.9 million at December 31, 2011. Cash and cash equivalents at June 30, 2012 were approximately $0.1 million, a decrease of approximately $0.5 million from the balance of $0.6 million at December 31, 2011. Our accumulated deficit amounts to approximately $109.0 million as of June 30, 2012.

We have never declared a dividend or paid a cash dividend. We currently intend to retain any earnings for use in the business and do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Cash Flows from Operating Activities: For the six months ended June 30, 2012, we used approximately $0.5 million of cash in operating activities. Our cash flow related to our net loss of approximately $1.2 million, adjusted for, among other things, certain non-cash items including approximately $0.1 million of depreciation, $0.3 million of stock-based compensation, as well as an aggregate increase in cash flows from our operating assets and liabilities of $0.3 million.

Cash Flows from Investing Activities: For the six months ended June 30, 2012, we used a small amount of cash relating to capital expenditures.

Cash Flows from Financing Activities: For the six months ended June 30, 2012, we repaid a small amount of capital lease obligations.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words such as may , will , expect , intend , anticipate , believe , estimate , continue , plan and si expressions in this report identify forward-looking statements. The forward-looking statements are based on current views with respect to future events and financial performance. Specifically, this quarterly report contains forward-looking statements regarding:

- our expectation that we will enter into a definitive merger agreement with As Seen on TV, Inc. and consummate the merger by November 1, 2012;

- our expectation that, to the extent it does not conflict with our obligations under the Letter of Intent with As Seen on TV, Inc., we will seek additional financial support and that management will continue to evaluate various possibilities, including a private placement or public offering of our common stock or securities convertible into our common stock, selling one or more lines of business, or all or a portion of the Company s assets, entering into a business combination, reducing or eliminating operations, liquidating assets, or seeking relief through a filing under the U.S. Bankruptcy Code;

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- our belief regarding market demand for our products;
- our expectation that our total gross margins will continue to improve in the future as our continued efforts to improve meal delivery margin are realized;
- our expectation that revenue streams from meal delivery will continue to be the largest share of total revenues;
- our intended use of our liquidity;
- our expectation regarding the effect of any legal proceedings or legal inquiries on our financial condition or results of operations; and
- our estimates regarding certain accounting and tax matters, including the adoption of certain accounting pronouncements.

These forward-looking statements reflect our current views about future events and are subject to risks, uncertainties and assumptions. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from those expressed in any forward-looking statement. The most important factors that could prevent us from achieving our goals, and cause the assumptions underlying forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, but are not limited to, the following:

- our ability to enter into a definitive merger agreement with As Seen on TV, Inc. and consummate the merger pursuant to the terms of the merger agreement, including the ability and willingness of each party to fulfill their respective due diligence and closing condition obligations;
- our ability to attract and retain customers at an acceptable cost;
- our ability to raise additional financial support from one or more sources;
- our ability to sufficiently increase our revenues and control expenses, including through controlling increases in the cost of food and food services;
- the effectiveness of our marketing and advertising programs;
- our ability to recruit and retain key executive officers;
- competition from other weight management industry participants or the development of more effective or more favorably perceived weight management methods;
- our ability to rapidly secure alternate technology infrastructure vendors if we experience website or call center service interruption;

our ability to successfully implement programs designed to enhance the privacy protection of our visitors to our website;

our ability to meet our debt service obligations and repay the Director Notes at maturity;

health or advertising related claims by consumers;

general business and economic conditions, including the state of the credit markets and capital markets;

our ability to maintain compliance with applicable regulatory requirements; and

our ability to successfully estimate certain accounting and tax matters, including the effect on our Company of adopting certain accounting pronouncements.

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All forward-looking statements are current only as of the date on which such statements are made. We do not undertake any obligation to release publicly the result of any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In order to ensure that the information we must disclose in our filings with the SEC is recorded, processed, summarized and reported on a timely basis, we have formalized our disclosure controls and procedures. Our principal executive officer and principal financial officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in Securities and Exchange Act Rules 13a-15(e) and 15d-15(e), as of June 30, 2012. Based on such evaluation, such officers have concluded that, as of June 30, 2012, our disclosure controls and procedures were effective.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2012 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

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

Item 5. Other Information

On August 10, 2012, we entered into a Letter of Intent with As Seen on TV, Inc. (ASTV) which contemplates that a wholly owned subsidiary of ASTV will merge with and into eDiets.com, Inc., following which we would be the surviving corporation and a wholly owned subsidiary of ASTV (the Merger). Pursuant to the Letter of Intent, it is contemplated that our stockholders would receive an aggregate of 16,185,392 newly issued shares of ASTV common stock in the Merger, representing an acquisition price of approximately $0.80 per share of our common stock as of August 10, 2012. Under the Letter of Intent, all warrants and options exercisable or convertible into our common stock which are outstanding immediately prior to the effective time of the Merger will be exchanged for stock options and warrants of ASTV with substantially equivalent vesting and exercise rights.

The Letter of Intent is nonbinding, except for certain provisions relating to confidentiality, exclusivity, public announcements and costs. A binding commitment to undertake the Merger will result only when we enter into a definitive merger agreement with ASTV. Although the Merger is anticipated to take place by November 1, 2012, there is no assurance that the parties will enter into a definitive merger agreement or, if entered, when the Merger will occur or if it will occur at all. In this regard, the Merger contemplated by the Letter of Intent is subject to numerous conditions, including, but not limited to, the following:

- Satisfaction by each party with its due diligence review of the other;

- Accuracy and completeness of representations and warranties at the date of the merger agreement and at the effective time of the Merger;

Compliance with those covenants set forth in the merger agreement;

Approval of the Merger by our Board of Directors and the Board of Directors of ASTV;

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Receipt of approval for the Merger from our stockholders (which we anticipate will be received in the form of a written consent executed by our majority stockholder at the time of entering into the merger agreement)

Distribution of an information statement on Schedule 14C under the Securities Exchange Act of 1934, as amended (the Exchange Act);

Effectiveness of a registration statement on Form S-4 under the Securities Act of 1933, as amended, relating to shares of ASTV common stock that would be issued to our stockholders in the Merger, and the lack of material misstatement therein or omission therefrom;

Compliance by ASTV with applicable state securities law or blue sky requirements relating to the Merger;

Modification or repayment of the related party debt that we currently owe to certain of our directors in a manner acceptable to the holders of the Director Notes, ASTV and the Company;

Receipt of opinions by each of ASTV and the Company as to the fairness, from a financial point of view, of the Merger consideration, provided, however, that the Board of Directors of either party may determine not to seek such an opinion if, in their discretion, they deem such opinion not to be necessary;

All required governmental approvals, consents and filings have been made or obtained;

No action pending or threatened challenging the merger or imposing limitations on the surviving entity;

No material adverse change in either party s business, prospects, financial condition, results of operations, or capitalization;

Executed employment agreements with certain key officers on terms reasonably satisfactory to ASTV;

Continued quotation of the ASTV Common Stock on the OTCQB or OTCBB;

Continued compliance by the parties with their periodic reporting requirements under the Exchange Act; and

Customary opinions of counsel for both parties.

The Letter of Intent contemplates that we may issue up to $500,000 of our securities prior to the Merger in connection with one or more financing transactions. In addition, the Letter of Intent contemplates that, upon execution of a definitive merger agreement, (i) either party may terminate the merger agreement if the Merger does not occur by November 1, 2012 and (ii) in the event that either party terminates the merger agreement, other than due to the failure of the other party to satisfy the conditions or perform or otherwise comply with covenants set forth in the merger agreement, such party shall be required to pay to the other within five business days a break-up fee in the amount of $1,000,000.

The foregoing description of the Letter of Intent does not purport to be complete and is qualified in its entirety by reference to the Letter of Intent, a copy of which is filed as Exhibit 10.67 and is incorporated herein by reference.

Item 6. Exhibits

The following exhibits are included herein:

10.67	Letter of Intent dated August 10, 2012 by and between As Seen On TV, Inc. and eDiets.com, Inc.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2	Certification of Principal Financial and Accounting Officer Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)).
32.1	Section 1350 Certification of Chief Executive Officer of the Company.
32.2	Section 1350 Certification of Principal Financial and Accounting Officer of the Company.

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SIGNATURE

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.

eDiets.com, Inc.

/s/ Kevin A. Richardson, II
Kevin A. Richardson, II
Principal Financial and Accounting Officer
(Duly Authorized Officer)

DATE: August 15, 2012

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Exhibit Index

Exhibit No.	Description
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