

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 000-24657

MANNATECH, INCORPORATED
(Exact Name of Registrant as Specified in its Charter)

Texas 75-2508900
(State or other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

600 S. Royal Lane, Suite 200
Coppell, Texas
75019

(Address of Principal Executive Offices, including Zip Code)
Registrant's Telephone Number, including Area Code: (972) 471-7400

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No .

As of July 31, 2000, the number of shares outstanding of the registrant's
sole class of common stock, par value \$0.0001 per share was 24,994,993.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MANNATECH, INCORPORATED
CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)

	December 31, 1999	June 30, 2000 (Unaudited)
	-----	-----
ASSETS		
Cash and cash equivalents.....	\$11,576	\$10,358
Short-term investments.....	1,388	229
Accounts receivable, less allowance for doubtful accounts of \$58.....	275	224
Current portion of notes receivable-shareholders.....	158	176
Inventories.....	13,318	14,687
Prepaid expenses and other current assets.....	728	1,100
Deferred tax assets.....	564	542
	-----	-----
Total current assets.....	28,007	27,316
Property and equipment, net.....	14,093	14,827
Notes receivable-shareholders, excluding current portion.....	543	384
	-----	-----
Other assets.....	1,231	1,122
Long-term investments.....	905	672
	-----	-----

Total assets.....	\$44,779	\$44,321
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of capital leases and note payable.....	\$ 732	\$ 603
Accounts payable.....	1,890	3,378
Accrued expenses.....	13,722	12,704
	-----	-----
Total current liabilities.....	16,344	16,685
Capital leases and note payable, excluding current portion....	326	96
Deferred tax liabilities.....	817	821
	-----	-----
Total liabilities.....	17,487	17,602
	-----	-----
Commitments and contingencies.....		
Shareholders' equity:		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding.....	--	--
Common stock, \$0.0001 par value, 99,000,000 shares authorized 24,790,601 and 24,774,293 shares issued and outstanding in 1999 and 25,011,301 and 24,994,993 in 2000.....	2	2
Additional paid-in capital.....	17,348	17,868
Retained earnings.....	10,146	9,053
	-----	-----
Less treasury stock, at cost, 16,308 shares.....	(204)	(204)
	-----	-----
Total shareholders' equity.....	27,292	26,719
	-----	-----
Total liabilities and shareholders' equity.....	\$44,779	\$44,321
	=====	=====

See accompanying notes to consolidated financial statements.

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MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED JUNE 30, 1999 AND 2000
AND THE SIX MONTHS ENDED JUNE 30, 1999 AND 2000
(in thousands, except per share information)

	Three months ended June 30		Six months ended June 30	
	1999	2000	1999	2000
Net Sales.....	\$45,035	\$39,308	\$87,651	\$79,582
Cost of Sales.....	7,167	6,818	14,060	13,848
Commissions.....	18,665	15,637	35,981	32,382
	-----	-----	-----	-----
Gross profit.....	25,832	22,455	50,041	46,230
	-----	-----	-----	-----
Operating Expenses:				
Selling and administrative expenses.....	8,888	8,987	17,360	18,934
Other operating costs.....	6,754	7,939	12,108	15,373
Write-off of fixed asset.....	-	870	-	870
	-----	-----	-----	-----
Total operating expenses.....	15,642	17,796	29,468	35,177
	-----	-----	-----	-----
Income (loss) from operations.....	3,561	(943)	8,142	(1,825)
Interest income.....	84	179	173	422
Interest expense.....	(42)	(20)	(92)	(43)
Other expense, net.....	(200)	(22)	(218)	(134)
	-----	-----	-----	-----
Income (loss) before income taxes.....	3,403	(806)	8,005	(1,580)
Income tax (expense) benefit.....	(1,221)	216	(2,922)	487
	-----	-----	-----	-----
Net income (loss).....	\$ 2,182	\$ (590)	\$ 5,083	\$ (1,093)
	=====	=====	=====	=====

Earnings (loss) per common share:				
Basic.....	\$0.09	\$ (0.02)	\$0.22	\$ (0.04)
	=====	=====	=====	=====
Diluted.....	\$0.08	\$ (0.02)	\$0.20	\$ (0.04)
	=====	=====	=====	=====
Weighted-average common shares outstanding				
Basic.....	24,160	24,989	23,640	24,931
	=====	=====	=====	=====
Diluted.....	25,569	24,989	25,142	24,931
	=====	=====	=====	=====
Dividends declared per common share.....	\$ 0.00	\$ 0.00	\$ 0.06	\$ 0.00
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

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MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 1999 AND 2000
(in thousands)

	1999	2000
	-----	-----
Cash flows from operating activities:		
Net income (loss).....	\$ 5,083	\$ (1,093)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization.....	1,449	1,754
Write-off of fixed asset software.....	--	870
Tax benefit of warrants and options exercised.....	3,270	226
Deferred income tax expense.....	--	26
Changes in operating assets and liabilities:		
Accounts receivable.....	(10)	51
Inventories.....	(1,057)	(1,369)
Prepaid expenses and other current assets.....	(463)	(372)
Other assets.....	95	109
Accounts payable.....	(4,539)	1,488
Accrued expenses.....	(301)	(1,018)
	-----	-----
Net cash provided by operating activities.....	3,527	672
	-----	-----
Cash flows from investing activities:		
Acquisition of property and equipment and construction in progress.....	(592)	(3,358)
Purchases of investments.....	(1,337)	--
Maturities of investments.....	--	1,392
Repayment of shareholders/related party receivables.....	974	141
	-----	-----
Net cash used in investing activities.....	(955)	(1,825)
	-----	-----
Cash flows from financing activities:		
Payment of dividends.....	(1,327)	--
Repayment of capital lease obligations.....	(311)	(266)
Proceeds from the initial public offering.....	12,000	--
Proceeds from warrants.....	641	--
Proceeds from stock option exercises.....	378	294
Payment of note payable.....	(100)	(93)
Deferred offering costs.....	(615)	--
	-----	-----
Net cash provided by (used in) financing activities.....	10,666	(65)
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	13,238	(1,218)
Cash and cash equivalents:		
Beginning of period.....	763	11,576
	-----	-----
End of period.....	\$14,001	\$10,358
	=====	=====
Supplemental disclosure of cash flow information:		
Income taxes paid.....	\$ 3,464	\$ 50
	=====	=====
Interest paid.....	\$ 78	\$ 47
	=====	=====

See accompanying notes to consolidated financial statements.

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MANNATECH, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mannatech, Incorporated (the "Company") was incorporated in the State of Texas on November 4, 1993, as Emprise International, Inc. Effective October 25, 1995, the Company changed its name to Mannatech, Incorporated. The Company, located in Coppell, Texas, develops and sells proprietary nutritional supplements and topical products through a network marketing system. The Company currently sells its products in the United States, Canada, Australia, the United Kingdom and Japan. Independent associates ("Associates") purchase products at wholesale for the primary purpose of selling to retail consumers or for personal consumption. In addition, Associates earn commissions on their downline growth and sales volume. The Company has eight wholly-owned subsidiaries located throughout the world for the purpose of conducting business in the related country. The wholly-owned subsidiaries are as follows:

Wholly-owned Subsidiary Name	Date Incorporated	Location of Subsidiary	Dated Began Operations
Mannatech Australia Pty Limited	April 22, 1998	St. Leonards, Australia	October 1, 1998
Mannatech Limited	December 1, 1998	Republic of Ireland	Dormant pending start up operations
Mannatech Ltd.	November 18, 1998	Basingstoke, Hampshire U.K.	November 15, 1999
Mannatech Payment Services Incorporated	April 11, 2000	Coppell, Texas	June 26, 2000 facilitating payments services for Mannatech Japan, Inc.
Mannatech Foreign Sales Corporation	May 1, 1999	Barbados	May 1, 1999 acting as a foreign sales Corporation
Internet Health Group, Inc.	May 7, 1999	Coppell, Texas	December 20, 1999 operating through its website "clickwell.com"
Mannatech Japan, Inc.	January 21, 2000	Tokyo, Japan	June 26, 2000
Mannatech Limited	February 14, 2000	New Zealand	Dormant pending start up operations

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial information for the periods presented. The consolidated results of operations of any interim period are not necessarily indicative of the consolidated results of operations to be expected for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 1999.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

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Earnings (loss) per Share

The Company calculates earnings (loss) per share pursuant to Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS 128"). FAS

128 requires dual presentation of basic and diluted earnings (loss) per share ("EPS") on the face of the consolidated statement of operations for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS calculations are based on the weighted-average number of common shares outstanding during the period, while diluted EPS calculations are calculated using the weighted-average number of common shares and dilutive common share equivalents outstanding during each period. At June 30, 2000, all of the 2,028,300 common stock options were excluded from the dilutive EPS calculation as their effect was antidilutive.

The following data show the amounts used in computing earnings (loss) per share and the effect on the weighted-average number of shares of dilutive common stock for the three months ended June 30, 1999 and 2000. The amounts are rounded to the nearest thousands except for per share amounts.

	1999			2000		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Loss) (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS:						
Net income (loss) available to to common shareholders	\$ 2,182	24,160	\$ 0.09	\$ (590)	24,989	(\$0.02)
Effect of dilutive securities:						
Stock options	--	1,409		--	--	
Diluted EPS:						
Net income (loss) available to common shareholders plus assumed conversions	\$ 2,182	25,569	\$ 0.08	\$ (590)	24,989	(\$0.02)

The following data show the amounts used in computing earnings (loss) per share and the effect on the weighted-average number of shares of dilutive common stock for the six months ended June 30, 1999 and 2000. The amounts are rounded to the nearest thousands except for per share amounts.

	1999			2000		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Loss) (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS:						
Net income (loss) available to to common shareholders	\$ 5,083	23,640	\$ 0.22	\$ (1,093)	24,931	(\$0.04)
Effect of dilutive securities:						
Stock options	--	1,502		--	--	
Diluted EPS:						
Net income (loss) available to common shareholders plus assumed conversions	\$ 5,083	25,142	\$ 0.20	\$ (1,093)	24,931	(\$0.04)

NOTE 2 INVENTORIES

Inventories consist of raw materials and finished goods and are stated at the lower of cost (using the first-in, first-out method) or market. At December 31, 1999 and June 30, 2000 inventories, rounded to the nearest thousands, consist of the following:

	1999	2000
Raw materials.....	\$ 5,788	\$ 5,799
Finished goods.....	7,530	8,888
	\$ 13,318	\$ 14,687

NOTE 3 ASSET IMPAIRMENT LOSS

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," the Company recorded an impairment loss on the long-lived asset of its subsidiary Internet Health Group, Inc. as the trend in sales for the subsidiary indicated that the undiscounted future cash flows from its operation would be less than the carrying value of the long-lived asset related to their operation. Accordingly, in the quarter ended June 30, 2000, the Company recognized an asset impairment loss of \$870,000. The impairment loss was measured as the difference between the carrying value of the asset and the fair value of the asset based on discounted estimated future cash flows.

NOTE 4 RECENT ACCOUNTING PRONOUNCEMENTS

In December 1999, the Securities and Exchange Commission ("Commission") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101") which provides guidance on revenue recognition issues. In June 2000, the Commission issued Staff Accounting Bulletin No. 101B, "Second Amendment: Revenue Recognition in Financial Statements" which delayed the implementation of SAB 101 until the fourth fiscal quarter of fiscal years beginning after December 15, 1999. Management does not believe the implementation of SAB 101 will have a material effect on our financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist in the understanding of Mannatech's financial position and results of operations for the six months ended June 30, 2000 compared to the same period in 1999. The Consolidated Financial Statements and related Notes should be referred to in conjunction with this discussion. Unless we state otherwise, all financial information presented below, throughout this report and in the Consolidated Financial Statements and related Notes includes Mannatech and all of its subsidiaries on a consolidated basis.

Overview

We develop and sell proprietary nutritional supplements and topical products through a network marketing system. We currently sell our products in the United States, Canada, Australia, the United Kingdom and beginning on June 26, 2000 in Japan, through a worldwide network of approximately 267,000 active associates as of June 30, 2000, compared to approximately 246,000 active associates as of June 30, 1999. We are also exploring the most efficient way to enter the New Zealand market either later this year or early next year.

Our basic earnings (loss) per share was (\$0.04) for the six-months ended June 30, 2000 compared to \$0.22 per share for the six-months ended June 30, 1999. This was primarily due to a decrease in sales of \$8.1 million, \$2.0 million of expenses for our subsidiary, Internet Health Group, Inc., including a one time write-off of the fixed asset software, totaling \$870,000, \$3.0 million of start up expenses relating to our international expansion into Japan and some additional expenses incurred with the opening of the United Kingdom operations in November 1999. We expect a decrease in start up expenses and operating expenses for our subsidiaries in the third quarter of 2000.

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Internet Health Group, Inc., our subsidiary, which sells various nonproprietary vitamins and nutritional supplements through its website - clickwell.com, has continued to report disappointing results since its inception

in December 1999. For the six months ended June 30, 2000, the subsidiary had a loss before income taxes of approximately \$2.0 million, which included the write off of their fixed asset software totaling \$870,000. Our management is currently researching possible alternatives concerning this subsidiary. Management has significantly reduced the subsidiary's future operating expenses; however, the subsidiary has two lease agreements and one agreement relating to its website that are noncancelable and remain in effect through December 2002. The remaining payments, reduced by the subleases relating to these three noncancelable agreements through December 2002 are approximately \$419,000.

During the six months ended June 30, 2000, the percentages of consolidated net sales for the United States, Canada, Australia, the United Kingdom and Japan were 78.3%, 13.2%, 6.5%, 1.4%, and 0.6%, respectively. In the future we expect our international operations to account for an increasing percentage of our

consolidated net sales, especially with the opening of our Japan operations on June 26, 2000. October 1998 marked the beginning of our international expansion and it also marked the beginning of the shrinking of our growth rate in net sales generated in the United States and Canada. In addition, in the second quarter of 2000, United States, Canadian and Australia net sales continued to decrease as compared to the same period in 1999. We believe these decreases are due to our associates in the United States, Canada and Australia concentrating their efforts on the development of their presence in the United Kingdom and Japan and competitive Internet networking companies distracting many of our active associates. In addition, associates may have been concerned about recent management changes that occurred in the second quarter of 2000 and the decline of our stock price by heavy trading during the second quarter. To counter this decline we intend to refocus everyone's efforts on our future growth by increasing the number of active associates, introducing new products and revamping our training and marketing materials.

Our revenues are primarily derived from sales of our products and our associate starter and renewal packs, which include some combination of our products and promotional materials. The purchase of a starter or renewal pack allows the associate to purchase products at wholesale prices. If the associate purchases a pack with a wholesale price of \$300 or higher, the associate also receives a \$50 credit toward admission to one of our corporate events. We offer a comparable associate starter pack in each country in which we do business; however, each country has different regulatory guidelines that must be followed and therefore not all types of packs are offered in all countries.

We generally recognize revenues when products or promotional materials are shipped. Our revenues are based primarily on the wholesale prices of the products sold. On average, the wholesale value of the nutritional and topical products contained in each of our packs is between 60% and 70% of the total wholesale value of the packs. On average, the promotional materials value contained in each of the packs are between 30% and 40% of the total wholesale value of the packs. Revenues from promotional packs are allocated between products and events admission based on the proportionate fair value of these items. We defer revenue received from the sale of our promotional packs to the extent that it is greater than the wholesale value of the individual items included in such packs. Allocated event revenues are also deferred. All deferred revenue is amortized over a 12-month period. Total deferred revenue was approximately \$845,000 and \$847,000 at December 31, 1999 and June 30, 2000, respectively.

Associates are compensated by commissions, which are our most significant expense; however, we do not intend for commissions to materially exceed 42% of commissionable net sales. Commissions are paid to associates based on the following:

- . their placement and position within our compensation plan;
- . volume of direct commissionable sales; and
- . number of new enrolled associates.

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Our United States federal statutory tax rate is 35%. We pay taxes in Australia at a statutory tax rate of 36% and in the United Kingdom at 31%. We expect to pay taxes in Japan at a statutory tax rate of up to 54%. We also pay taxes in various state jurisdictions at an approximate average statutory tax rate of 3%. As our international expansion continues, a portion of our income will be subject to taxation in the countries in which we operate. We may receive foreign tax credits that would reduce the amount of United States taxes we owe, based upon the amount of foreign taxes paid. We may not be able to use all of such foreign tax credits in the United States. The use of the foreign tax credits is based upon the proportionate amount of net sales in each country. Because some of the countries that we have expanded to or plan to during 2000 and beyond may have maximum statutory tax rates higher than the United States tax rate, we may pay a higher overall effective tax rate on our consolidated operations.

Results of Operations

The following table summarizes Mannatech's operating results as a percentage of net sales for each of the periods indicated.

Three months ended
June 30

Six months ended
June 30

	1999	2000	1999	2000
Net sales.....	100.0%	100.0%	100.0%	100.0%
Cost of sales.....	15.9	17.3	16.0	17.4
Commissions.....	41.5	39.8	41.1	40.7
Gross profit.....	42.6	42.9	42.9	41.9
Operating expenses:				
Selling and administrative expenses.....	19.7	22.9	19.8	23.8
Other operating costs.....	14.9	20.2	13.8	19.3
Write off of fixed asset.....	0.0	2.2	0.0	1.1
Income (loss) from operations.....	8.0	(2.4)	9.3	(2.3)
Interest income	0.2	0.5	0.2	0.5
Interest expense	(0.1)	(0.1)	(0.1)	(0.0)
Other expense, net.....	(0.5)	(0.1)	(0.3)	(0.2)
Income (loss) before income taxes.....	7.6	(2.1)	9.1	(2.0)
Income tax (expense) benefit.....	(2.7)	0.6	(3.3)	0.6
Net income (loss).....	4.9%	(1.5)%	5.8%	(1.4)%
Number of starter packs sold.....	33,279	31,136	65,809	63,574
Number of renewal packs sold.....	13,189	14,227	27,793	32,564
Total number of packs sold.....	46,468	45,363	93,602	96,138
Total associates canceling associate status.....	1,336	1,225	2,784	3,721

Three months ended June 30, 2000 compared with the three months ended June 30, 1999

Net Sales. Net sales decreased (12.7%) to \$39.3 million for the three months ended June 30, 2000 from \$45.0 million for the comparable period in 1999. The net sales for United States, Canada and Australia decreased as compared to the same period in 1999. We believe this decrease was the result of many of our associates concentrating their efforts on developing a presence in Japan and concerns about recent management changes. The overall decrease was primarily composed of the following:

- . A \$4.7 million increase from the sale of several new products introduced during the first six months of 2000 and the last six months of 1999.

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- . A (\$9.9) million decrease in existing product sales resulting from a decrease in the volume of products sold, which was partially offset by the opening of the United Kingdom operations in November 1999.
- . A decrease of (\$501,000) in associate pack sales resulting from a decrease in the number and a change in the mix of associate packs sold to new associates, which was partially offset by the slight increase in the number and mix of associate renewal packs sold. We are currently exploring ways to change our packs to increase the number of associate packs and renewal packs sold.

Cost of Sales. Cost of sales decreased (5.6%) to \$6.8 million for the three months ended June 30, 2000 from \$7.2 million for the comparable period in 1999. As a percentage of net sales, cost of sales increased to 17.3% for the three months ended June 30, 2000 from 15.9% for the comparable period in 1999. The increase in cost of sales as a percentage of net sales was primarily due to a change in the product mix sold. The dollar amount decrease was due to the decrease in the volume of finished goods sold and the recording of an increase of \$153,000 for write-offs of discontinued promotional materials, normal inventory shrinkage and inventory given away as samples and charitable contributions.

Commissions. Commissions consist of payments to associates for sales activity and down line growth. Commissions decreased (16.6%) to \$15.6 million for the three months ended June 30, 2000 from \$18.7 million for the comparable period in 1999. As a percentage of net sales, commissions decreased to 39.8% for the three months ended June 30, 2000 from 41.5% for the comparable period in 1999. The decrease was the direct result of decreased commissionable sales partially offset by the start up of operations in the United Kingdom in November 1999 and Japan in June 2000.

Gross Profit. Gross profit decreased (12.0%) to \$16.9 million for the three months ended June 30, 2000 from \$19.2 million for the comparable period in 1999. As a percentage of net sales, gross profit increased to 42.9% for the three months ended June 30, 2000 from 42.6% for the comparable period in 1999. These changes were primarily attributable to the factors described above.

Selling and Administrative Expenses. Selling and administrative expenses consist of human resource expenses, including wages, bonuses, printing, marketing expenses and associate events and are a mixture of both fixed and variable expenses. Selling and administrative expenses increased 1.1% to \$9.0 million for the three months ended June 30, 2000 from \$8.9 million for the comparable period in 1999. As a percentage of net sales, selling and administrative expenses increased to 22.9% for the three months ended June 30, 2000 from 19.7% for the comparable period in 1999. The increase was due primarily to the following:

- . an increase of \$270,000 related to printing costs associated with the expansion into new countries, the printing of various reports for public filings and hosting our annual shareholders meeting;
- . an increase of \$113,000 related to freight costs associated with the expansion into new international markets partially offset by the decrease in freight due to decreased sales;
- . a decrease of (\$115,000) in wages and benefits primarily due to the reduction in bonuses and contract labor, which was partially offset by increase due to international expansion; and
- . a decrease of (\$225,000) for our national events and associate events.

Other Operating Costs. Other operating costs include utilities, depreciation, office supplies and travel expenses. Other operating costs increased 16.2% to \$7.9 million for the three months ended June 30, 2000 from \$6.8 million for the comparable period in 1999. As a percentage of net sales, other operating costs increased to 20.2% for the three months ended June 30, 2000 from 14.9% for the comparable period in 1999. The dollar amount increase was primarily due to the following:

- . an increase of approximately \$857,000 related to consulting services including accounting, legal and traveling for the start up of our international expansion into United Kingdom and Japan;

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- . an increase of approximately \$370,000 related to various general and administrative expenses such as building rent for our overseas offices, insurance, depreciation, postage and telephone related to international expansion into United Kingdom and Japan;
- . approximately \$450,000 increase in fees charged by third party processors for our international sales and distribution facilities; and
- . a net decrease of (\$575,000) for the reduction of royalties due to the buyout of the royalty agreement with Ray Robbins in 1999.

Write off of fixed asset. In the second quarter of 2000, management determined our subsidiary Internet Health Group, Inc.'s fixed asset with a book value of \$870,000, was impaired and should be written off. The write off was a result of the poor performance of our subsidiary. Management has also reduced their future operating costs and is researching possible alternatives concerning this subsidiary.

Interest Income. Interest income increased 113.1% to \$179,000 for the three months ended June 30, 2000 from \$84,000 for the comparable period in 1999. As a percentage of net sales, interest income increased to 0.5% for the three months ended June 30, 2000 from 0.2% for the comparable period in 1999. The dollar increase was due to certain investments.

Interest Expense. Interest expense decreased (52.4%) to \$20,000 for the three months ended June 30, 2000 from \$42,000 for the comparable period in 1999. As a percentage of net sales, interest expense remained the same at 0.1% for the three months ended June 30, 2000 and for the comparable period in 1999. The decrease was due primarily to the reduction of the two lease agreements with a bank, to purchase various equipment for our warehouse and laboratory facility.

Other Expense, Net. Other expense consists of tax penalties, miscellaneous income and nonoperating items. Other expense decreased 89.0% to \$22,000 for the three months ended June 30, 2000 from \$200,000 for the comparable period in 1999. As a percentage of net sales, other expense decreased to 0.1% for the three months ended June 30, 2000 from 0.5% for the comparable period in 1999. For the three months ended June 30, 2000, other expense consisted of \$10,000 in

sales tax payments and \$20,000 in currency exchange losses due to translation fluctuations. For the three months ended June 30, 1999, other expense consisted of tax penalties of \$91,000, sales tax payments of \$44,000, loss on abandonment of computer hardware of \$42,000, settlement of a lawsuit of \$75,000 and (\$38,000) of currency exchange gains due to translation fluctuations.

Income Tax (Expense) Benefit. Income tax (expense) benefit was \$216,000 for the three months ended June 30, 2000 and (\$1.2) million for the comparable period in 1999. The effective tax rate decreased to 26.8% for the three months ended June 30, 2000 from 35.9% for the comparable period in 1999. Our effective tax rate decreased primarily as a result of recording certain nondeductible expenses and income related to foreign operations.

Net Income (Loss). For the three months ended June 30, 2000 we had a net loss of (\$590,000) compared to net income of \$2.2 million for the comparable period in 1999. As a percentage of net sales, (1.5%) for the three months ended June 30, 2000 compared to 4.9% in 1999. The dollar amount of the decrease was due primarily to net sales decreasing by (12.7%), expenses incurred related to our international expansion totaling \$3.0 million and \$2.0 million including the \$870,000 write off of the fixed asset, for our Internet Health Group, Inc. subsidiary.

Six months ended June 30, 2000 compared with the six months ended June 30, 1999

Net Sales. Net sales decreased (9.2%) to \$79.6 million for the six months ended June 30, 2000 from \$87.7 million for the comparable period in 1999. The net sales for United States, Canada and Australia decreased as compared to the same period in 1999. We believe this decrease was the result of many of our associates concentrating their efforts on developing a presence in the United Kingdom and Japan as well as concerns over recent management changes. The overall decrease in net sales was primarily composed of the following:

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- . An \$8.8 million increase from the sale of several new products introduced during the first six months of 2000 and the last six months of 1999.
- . A (\$16.3) million decrease in existing product sales resulting from a decrease in the volume of products sold, which was partially offset by the opening of the United Kingdom operations in November 1999.
- . A decrease of (\$543,000) in associate pack sales resulting from a decrease in the number and change in the mix of associate packs sold to new associates which was partially offset by an increase in the number and mix of associate renewal packs sold. The overall increase in the number of packs sold but a decrease in dollars of packs sold is a result of our international expansion and our concentrated efforts on our associate renewal program. We will continue to explore new strategies to further the increase in associate pack sales and renewal pack sales and expect the international expansion to increase associate pack sales.

Cost of Sales. Cost of sales decreased (2.1%) to \$13.8 million for the six months ended June 30, 2000 from \$14.1 million for the comparable period in 1999. As a percentage of net sales, cost of sales increased to 17.4% for the six months ended June 30, 2000 from 16.0% for the comparable period in 1999. The increase in cost of sales as a percentage of net sales was primarily due to a change in product mix sold. The decrease in the dollar amount was primarily due to the decrease in volume of finished goods sold and the recording of an increase of \$375,000 for write-offs of discontinued promotional materials, normal inventory shrinkage and inventory given away as samples and charitable contributions.

Commissions. Commissions consist of payments to associates for sales activity and downline growth. Commissions decreased (10.0%) to \$32.4 million for the six months ended June 30, 2000 from \$36.0 million for the comparable period in 1999. As a percentage of net sales, commissions decreased to 40.7% for the six months ended June 30, 2000 from 41.1% for the comparable period in 1999. The decrease was the direct result of decrease in commissionable sales which was partially offset by the following:

- . an increase in the number of associate packs sold;
- . the introduction of new incentive programs for associates, including the fast start bonus program in the fourth quarter of 1999; and
- . the start up of operations in the United Kingdom in November 1999 and

Japan in June 2000.

Gross Profit. Gross profit decreased (11.2%) to \$33.4 million for the six months ended June 30, 2000 from \$37.6 million for the comparable period in 1999. As a percentage of net sales, gross profit decreased to 41.9% for the six months ended June 30, 2000 from 42.9% for the comparable period in 1999. These changes were primarily attributable to the factors described above.

Selling and Administrative Expenses. Selling and administrative expenses consist of human resource expenses, including wages, bonuses, printing, marketing expenses and associate events and are a mixture of both fixed and variable expenses. Selling and administrative expenses increased 8.6% to \$18.9 million for the six months ended June 30, 2000 from \$17.4 million for the comparable period in 1999. As a percentage of net sales, selling and administrative expenses increased to 23.8% for the six months ended June 30, 2000 from 19.8% for the comparable period in 1999. The dollar amount of the increase was due primarily to the following:

- . \$558,000 increase related to our annual national events, which includes hosting events in Australia, United Kingdom and Japan and an increase in the attendance of our annual national event held in March 2000;
- . \$300,000 increase related to mailing and printing costs associated with international expansion, reports for public filings and hosting our first annual shareholders meeting;
- . \$327,000 increase related to advertising for our Internet Health Group, Inc. subsidiary and for our international operations;
- . \$220,000 increase in wages and benefits primarily due to international expansion; and

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- . \$129,000 increase related to freight costs associated with our personal consumption plan introduced in Japan.

Other Operating Costs. Other operating costs include utilities, depreciation, office supplies and travel expenses. Other operating costs increased 27.3% to \$15.4 million for the six months ended June 30, 2000 from \$12.1 million for the comparable period in 1999. As a percentage of net sales, other operating costs increased to 19.3% for the six months ended June 30, 2000 from 13.8% for the comparable period in 1999. The increase in the dollar amount was primarily due to the following:

- . an increase of approximately \$1.5 million related to consulting services including accounting, legal and traveling for the start up of our international expansion into the United Kingdom and Japan;
- . an increase of approximately \$1.5 million related to various general and administrative expenses such as building rent for our overseas offices, insurance, depreciation, postage and telephone related to our international expansion into the United Kingdom and Japan;
- . approximately \$755,000 increase in fees charged by third party processors for our international sales and distribution facilities; and
- . a decrease of (\$575,000) related to the buyout of the Ray Robbins royalty agreement in 1999.

Write off of fixed asset. In the second quarter of 2000, management determined our Internet Health Group, Inc. Subsidiary's fixed asset with a book value of \$870,000, was impaired and should be written off. The write off was a result of the continuation of the poor performance of our subsidiary. Management has also reduced their future operating costs and is researching possible alternatives concerning this subsidiary.

Interest Income. Interest income increased 143.9% to \$422,000 for the six months ended June 30, 2000 from \$173,000 for the comparable period in 1999. As a percentage of net sales, interest income increased to 0.5% for the six months ended June 30, 2000 from 0.2% for the comparable period in 1999. The dollar increase was primarily due to investing in certain investments.

Interest Expense. Interest expense decreased (53.3%) to \$43,000 for the six months ended June 30, 2000 from \$92,000 for the comparable period in 1999. As a percentage of net sales, interest expense decreased to 0.0% for the six months ended June 30, 2000 from 0.1% for the comparable period in 1999. The decrease was due primarily to the reduction of the two lease agreements with a bank, to

purchase various equipment for our warehouse and laboratory facility.

Other Expense, Net. Other expense consists of tax penalties, miscellaneous income and nonoperating items. Other expense decreased (38.5%) to \$134,000 for the six months ended June 30, 2000 from \$218,000 for the comparable period in 1999. As a percentage of net sales, other expense decreased to 0.2% for the six months ended June 30, 2000 from 0.3% for the comparable period in 1999. For the six months ended June 30, 2000, other expense consisted of approximately \$36,000 in sales tax payments and tax penalties and approximately \$75,000 in currency exchange losses due to translation fluctuations. For the six months ended June 30, 1999, other expense consisted primarily of tax penalties of \$91,000, \$36,000 currency exchange gains due to translation fluctuations, \$42,000 loss from the abandonment of computer hardware and miscellaneous expenses.

Income Tax (Expense) Benefit. Income tax (expense) benefit was \$487,000 for the six months ended June 30, 2000 and (\$2.9) million for the comparable period in 1999. The effective tax rate decreased to 30.6% for the six months ended June 30, 2000 from 36.5% for the comparable period in 1999. Our effective tax rate decreased primarily as a result of recording certain nondeductible expenses and income related to foreign operations.

Net Income (Loss). For the six months ended June 30, 2000 we had a net loss of (\$1.1) million compared to net income of \$5.1 million for the comparable period in 1999. As a percentage of net sales the net income (loss) was (1.4%) for the six months ended June 30, 2000 compared to 5.8% in 1999. The dollar amount of the decrease was due to net sales decreasing by

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(9.2%), the \$870,000 write off of fixed asset and \$3.0 million in expenses incurred related to our international expansion and associate events hosted by Mannatech.

Liquidity and Capital Resources

In February 1999, we received approximately \$9.2 million in net proceeds from the sale of our common stock in our initial public offering. In the initial public offering, we sold 1,500,000 shares of our common stock, at \$8.00 per share and have used all of the proceeds. We used approximately \$6.3 million of our proceeds from the initial public offering for international expansion, primarily for product registration, initial inventory requirements and similar items and have used the remaining \$2.9 million to fund working capital and for general corporate purposes. In February 1999, we also received \$641,271 from the exercise of 475,015 outstanding warrants at \$1.35 per share.

Our primary capital requirement is to fund working capital to support our international growth. We financed our operations primarily through cash flows from operating activities and proceeds from our initial public offering. As a result of our expenditures on the facilities, equipment and personnel necessary to support our international expansion, we had working capital of \$11.7 million as of December 31, 1999 compared to working capital of \$10.6 million at June 30, 2000. For the first six months of 1999, we invested approximately \$592,000 relating to property and equipment including the expansion into Australia. During the first six months of 2000 we invested approximately \$3.4 million in property and equipment including expansion into the United Kingdom and Japan. These projects were financed through operating cash flow in 1999 and 2000.

We paid approximately \$1.3 million in dividends to our shareholders in January and February of 1999. For the six months ended June 30, 2000, current liabilities increased due to an increase in payables and inventory purchases relating to our expansion into the United Kingdom and Japan. We believe our existing facilities are sufficient to support near-term growth.

In March and August 1998, we entered into two capital leases with principal amounts of \$631,000 and \$841,000, respectively. These capital leases bear interest at 9.3%, are collateralized by the leased assets and are payable in thirty-six monthly installments. In July 1998, we entered into a thirty-six month, unsecured note payable with a finance company to finance our three-year product liability insurance premium. The initial principal amount of this note was \$435,670, the interest rate is 8.0% and monthly installments are due through December 2000.

Net cash provided by operating activities was \$3.5 million for the six months ended June 30, 1999 compared to \$672,000 for the six months ended June 30, 2000. During 1999, an increase in net sales was partially offset by increases in inventories and other expenses related to our international expansion and a decrease in income tax payable of approximately \$3.0 million from the tax benefit related to the exercise of warrants and options. During the six months ended June 30, 2000, we had a net loss and an increase in inventories

and payables related to our continued international expansion. For the six months of 2000, we have spent approximately \$3.0 million and expect to spend up to an additional \$500,000 for the start up operations in Japan and the United Kingdom.

Net cash used in investing activities was \$955,000 for the six months ended June 30, 1999 compared to \$1.8 million for the six months ended June 30, 2000. In 1999, these activities consisted primarily of purchases of computer hardware, internal development of computer software and investing the net proceeds from the initial public offering into investments offset by the repayment of the notes receivable due from certain shareholders to us of approximately \$974,000. We believe the new facilities and software program should be sufficient for our immediate needs. In the first six months of 2000, these activities consisted of purchases of computer hardware and software, build out of our Japan facility and investments earning interest. During the remainder of 2000, we intend to spend up to an additional \$300,000 for translation of our software into other languages and additional purchases of equipment for our international expansion into Japan and New Zealand.

Net cash provided by (used in) financing activities totaled \$10.7 million and (\$65,000) for the six months ended June 30, 1999 and 2000, respectively. We paid dividends on a monthly basis to our shareholders in the amount of \$0.02-\$0.06 per share and paid dividends each month until the completion of the initial public offering on February 12, 1999. Our Board of Directors intends, from time-to-time, to reevaluate this policy after considering relevant factors, including the level of our net income and alternative uses of retained earnings. In February 1999, the gross initial public

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offering proceeds of approximately \$12.0 million were received. In the first six months of 2000, we received approximately \$289,000 related to the exercise of 206,200 stock options at a price per share ranging from \$1.35 to \$2.00.

Our existing capital resources, including cash provided by operating activities, bank borrowings and suspension of dividend payments to shareholders, should be adequate to fund our operations for at least the next 12 months. We have no present commitments or agreements with respect to any acquisitions or purchases of manufacturing facilities or new technologies; however, we have committed to loaning Mr. Fioretti \$500,000 and purchasing up to \$1.5 million of stock from Mr. Charles E. Fioretti. See Item 5 on page 18 for a summary of terms. Mannatech also has agreed to reserve up to \$2.0 million to buy back our stock, on the open market, under certain price conditions. Changes could also occur that would consume available capital resources faster than anticipated. Our capital requirements depend on numerous factors, including:

- . the timing and pace of our entry into international markets;
- . growth in the number of associates; and
- . our research and development efforts.

If our existing capital resources are insufficient to meet our capital requirements, we will be required to raise additional funds. We cannot be sure that additional funding, if necessary, will be available on favorable terms, if at all.

Year 2000

Prior to January 1, 2000, there was a great deal of concern regarding the ability of computers to adequately distinguish 21st century dates from 20th century dates due to the two-digit date fields used by many computer systems and software programs. This inability to distinguish whether "00" means 1900 or 2000 may have resulted in failures or the creation of erroneous results. Most reports to date, however, are that computer systems are functioning normally and the compliance and remediation work accomplished leading up to 2000 was effective and prevented such problems.

We believe that our current versions of software products licensed from third parties are Year 2000 compliant; however, some of our suppliers may be running earlier versions of software products that may not be Year 2000 compliant. We have evaluated the Year 2000 readiness of our vendors and third parties and found no system failures. Furthermore, we currently are unaware of any material operational issues or costs associated with preparing and maintaining our computer and technology systems for the Year 2000; however, we may still experience material unanticipated problems and costs caused by undetected errors or defects, which could seriously harm our business.

Our total cost associated with Year 2000 identification, remediation and testing was approximately \$100,000 and was funded through our operating cash flows. None of our applications failed to perform on January 1, 2000; however, computer experts have warned that there may still be residual consequences of the change in centuries. If we experience any application failures in 2000, it could result in a decrease in sales of our products or an increase in the allocation of resources to address the problem with the Year 2000. If this should occur, we would have to resort to temporary manual processing, which is not expected to have a material adverse impact on our short-term operations.

Recent Financial Accounting Standards Board Statements

In June 1998, the Financial Accounting Standards Board issued Financial Accounting Standard No. 133, "Accounting for Derivative, Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative financial instruments, including certain derivative financial instruments imbedded in other contracts and for hedging activities. In June 1999, the Financial Accounting Standards Board issued Financial Accounting Standard No. 137, which defers the effective date of Financial Accounting Standard No. 133 to fiscal years beginning after June 15, 2000. As we do not have any derivative financial instruments, this pronouncement is not expected to impact us.

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In December 1999, the Securities and Exchange Commission ("Commission") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101") which provides guidance on revenue recognition issues. In June 2000, the Commission issued Staff Accounting Bulletin No. 101B, "Second Amendment: Revenue Recognition in Financial Statements" which delayed the implementation of SAB 101 until the fourth fiscal quarter of fiscal years beginning after December 15, 1999. We do not believe the implementation of SAB 101 will have a material effect on our financial position or results of operations.

Forward-Looking Statements

Some of our statements under "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures about Market Risk", the Notes to Consolidated Financial Statements, "Other Information" and elsewhere in this report may constitute "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 that are subject to certain events, risks and uncertainties that maybe outside of our control. These forward-looking statements include statements of:

- . management's plans and objectives for our future operations and future economic performance;
- . our capital budget and future capital requirements;
- . meeting our existing and future operating needs;
- . the level of future expenditures; including plans for any of our subsidiaries;
- . planned international expansion; and
- . the outcome of regulatory and litigation matters, and the assumptions described in this report underlying such forward-looking statements.

Actual results and developments may differ materially from those expressed in or implied by such statements due to a number of factors, including, without limitation:

- . those described in the context of such forward-looking statements;
- . future product development and manufacturing costs;
- . timely development and acceptance of new products;
- . the entrance into new countries and markets;
- . the impact of competitive products and pricing;
- . the political and economic climate in which we conduct operations; and
- . the risk factors described from time to time in other documents and reports

filed with the Securities and Exchange Commission.

In some cases, forward-looking statements are identified by terminology such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "approximates," "predicts," "potential" or "continue" or the negative of such terms and other comparable terminology.

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Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor anyone else assumes responsibility for the accuracy and completeness of such statements and we are under no duty to update any of the forward-looking statements after the date of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not engage in trading market risk sensitive instruments and do not purchase as investments, hedges that are likely to expose us to certain types of market risk including interest rate, commodity price or equity price risk. We have purchased investments but there has been no material change in our exposure to interest rate risk from our investments. We have not issued any debt instruments, entered into any forward or futures contracts, purchased any options or entered into any swaps.

We also are exposed to certain other market risks, including changes in currency exchange rates as measured against the United States dollar. The value of the United States dollar affects our financial results. Changes in exchange rates may positively or negatively affect our sales (as expressed in United States dollars), gross margins, operating expenses and retained earnings. When the United States dollar increases against currencies in which we sell products or a weakening exchange rate against currencies in which we incur costs, our net sales or costs may be adversely affected. We have established policies, procedures, and internal processes governing the management of market risk and the use of any financial instruments to manage our exposure to such risks. The sensitivity of earnings and cash flows to variability in currency exchange rate is assessed by applying an appropriate range of potential rate fluctuations to our assets, obligations and projected transactions denominated in foreign currency. Based upon our overall currency rate exposure at June 30, 2000, we do not believe that our exposure to exchange rate fluctuations will have a material impact on our consolidated financial position or consolidated results of operations. However, as we have expanded into Japan the Japanese Yen will become our primary currency for which we will have exposure to foreign currency exchange rate risk. The Japan Yen fluctuated during the first six months of 2000 from 101.3 to 111.7 Japanese Yen to the United States dollar. Given the uncertainty of the exchange rate fluctuation against the United States dollar, we cannot determine the dollar effect, if any, of the fluctuation on our future business, product pricing, results of operations or financial condition. All statements other than historical information incorporated in this Item 3 are forward-looking statements. The actual impact of future market changes could differ materially due to, among other things, factors discussed in this report.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

No material changes in, or additions to, the legal proceedings previously reported in Mannatech's Annual Report on Form 10-K for 1999 as filed with the Commission on March 30, 2000 or in our Quarterly Report on Form 10-Q for our first quarter of 2000 as filed with the Commission on May 15, 2000.

Item 2. Changes in Securities and Use of Proceeds

(a) Not applicable.

(b) Not applicable.

(c) None.

(d) Use of Proceeds from Registered Securities. On February 12, 1999, we completed our initial public offering. In the initial public offering, we and certain shareholders sold an aggregate of 3,056,016 shares of our common stock, par value \$0.0001 per share, at a price of \$8.00 per share. None of such payments were direct or indirect payments to directors, officers, affiliates or 10% beneficial owners of Mannatech. No underwriter was involved in the initial public offering.

Of the total number of shares sold in the initial public offering, 1,556,016 shares of common stock were sold by certain shareholders of Mannatech at a price of \$8.00 per share, yielding gross proceeds to them, of \$12,448,128. The net proceeds paid to the selling shareholders were \$11,950,203, after deducting the placement agent's fee of approximately \$497,925.

The remaining 1,500,000 shares sold in the initial public offering were sold by Mannatech at a price of \$8.00 per share, yielding gross proceeds to Mannatech of \$12 million. The net proceeds were \$9,240,958, after deducting:

- . deferred offering costs of approximately \$1,963,431;
- . legal, accounting, printing and other costs of approximately \$406,385; and
- . the placement agent's fee of \$389,226, net of reimbursement of \$90,774 in expenses by the placement agent.

We have used all of our \$9.2 million net proceeds, as planned, as follows:

- . \$6,265,858 of the net proceeds was used to pay for our expansion into Australia, the United Kingdom and Japan; and
- . \$2,975,100 of the net proceeds was used to fund our current working capital needs.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

- a) The 2000 Annual Shareholders Meeting of Mannatech was held on June 19, 2000 and each of the proposals were described in detail in our Definitive Proxy Statement filed with the Securities and Exchange Commission on May 10, 2000 which is attached, herein as Exhibit 22.
- b) Anthony Canale and Robert Henry were elected to continue to serve as Class I directors until the 2003 Annual Shareholders Meeting. Mr. Jules Zimmerman was elected as a Class II independent director and will serve until the 2001 Annual Shareholders Meeting.
- c) The voting for the three proposals were as follows:

Each of the three directors were approved according to the following votes:

Director	For	Against or withheld	Broker non-votes
Anthony Canale	21,797,275	167,567	244,967
Robert Henry	21,872,504	92,338	169,738
Jules Zimmerman	21,879,061	85,781	163,181

The appointment of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 31, 2000 was ratified according to the following votes:

For	Against or withheld	Abstentions	Broker non-votes
22,003,129	20,676	18,437	0

The Mannatech's 2000 Stock Option Plan was ratified according to the following votes:

For	Against or withheld	Abstentions	Broker non-votes
7,795,927	1,301,981	5,764,071	7,180,263

d) None.

Item 5. Other Information

On May 5, 2000, the written resignation of Mr. Samuel L. Caster was accepted by our Board of Directors. Mr. Caster resigned due to the decision to remove him as President, replace him with Terry L. Persinger and the refusal to accept his demand to be named as the sole Chairman of the Board. Mr. Robert M. Henry was appointed to replace Mr. Samuel L. Caster as a Class I director.

On June 1, 2000, a consultancy agreement between Mannatech and Mr. Samuel L. Caster was entered into in which Mr. Caster is retained as a Global Vision Architect Consultant for an annual fee of \$600,000 plus all expenses, a leased automobile and insurance. The agreement is for two years with annual renewal options.

On June 26, 2000, Mr. Chris T. Sullivan who was a Class II, independent director, resigned from our Board of Directors to pursue various personal ventures. On August 2, 2000, the Board of Directors unanimously voted Mr. Samuel L. Caster as a Class II director to replace Mr. Chris T. Sullivan; however, Mr. Caster is prohibited from becoming an independent director due to history with Mannatech. In the future, the Board of Directors plans to add three more independent directors as they believe this would strengthen our board. The Board is currently interested in candidates who have multi-level marketing experience.

On August 8, 2000, an agreement between Mannatech and Mr. Charles E. Fioretti was entered into to purchase some of his stock and enter into an eighteen month lock up agreement. The terms of the agreement is as follows:

For Charles E. Fioretti:

- On August 8, 2000, Mannatech will loan Mr. Charles Fioretti \$500,000 at an interest rate of 6.9% that will be imputed but not charged. The outstanding balance of the note will be repaid in six successive with monthly installments of 26,455 shares of common stock (\$83,333.33 divided by the closing price on August 8, 2000 at \$3.50 times 0.90) beginning on September 3, 2000 and continuing through February 3, 2001, at which time any remaining balance will be due. The note is collateralized by 174,570 shares of Mr. Fiorettis' stock.

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- From March 3, 2001 through March 3, 2002, Mannatech will purchase \$83,333.33 of his stock, on a monthly basis, valued at 90% of the fair market value price on the close of that business day.
- Mr. Fioretti will be prohibited from selling any shares he owns directly or indirectly for eighteen months beginning on August 8, 2000.
- Commencing on March 3, 2002 and on the third business day thereafter, Mannatech will have the right but not the obligation to purchase at least \$100,000 worth of his stock, valued at the greater of 90% of the fair market value, or \$2.00 per share.

On August 9, 2000 the Board approved up to \$2.0 million to be used to buy back our stock, on the open market, under certain price conditions. The Board also agreed to end the unsuccessful negotiations with Mr. William C. Fioretti to obtain a lock up agreement as his terms were considered unreasonable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-K

- 3.1 Amended and Restated Articles of Incorporation of Mannatech, dated October 25, 1995, incorporated herein by reference to Exhibit 3.1 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
 - 3.2 Second Amended and Restated Bylaws of Mannatech, dated August 26, 1997, incorporated herein by reference to Exhibit 3.2 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
 - 3.3 Amendment to the Bylaws of Mannatech dated May 19, 1998, incorporated herein by reference to Exhibit 3.3 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
 - 3.4 Amendment to the Bylaws of Mannatech dated October 20, 1999, incorporated herein by reference to Exhibit 99 to Mannatech's Form 8-K (File No. 000-24657) filed with the Commission on November 3, 1999.
 - 4 Specimen Certificate representing the common stock, par value \$0.0001 per share, of Mannatech, incorporated herein by reference to Exhibit 4.1 to Mannatech's Amendment No. 1 to Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.
 - 10.1 1997 Stock Option Plan dated May 20, 1997, incorporated herein by reference to Exhibit 10.1 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
 - 10.2 1998 Incentive Stock Option Plan dated April 8, 1998, incorporated herein by reference to Exhibit 10.2 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
 - 10.3 Option Agreement dated July 1, 1997 with Multi-Venture Partners, Ltd., incorporated herein by reference to Exhibit 10.7 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
 - 10.4 Option Agreement dated October 19, 1999 with Steven A. Barker Ph.D., incorporated by reference to Exhibit 10.8 to Mannatech's 1999 Form 10-K (File No. 000-24657) filed with the Commission on March 30, 2000.
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- 10.5 Form of Indemnification Agreement with a schedule of director signatures, incorporated herein by reference to Exhibit 10.8 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
 - 10.6 Schedule of additional directors signatories relating to the Form of Indemnification Agreements in Exhibit 10.5 above, incorporated by reference to Exhibit 10.10 to Mannatech's 1999 Form 10-K (File No. 000-24657) filed with the Commission on March 30, 2000.
 - 10.7 Letter of Understanding Regarding Development of Proprietary Information for Mannatech effective as of August 1, 1997, as amended, by and between Bill H. McAnalley, Ph.D. and Mannatech, incorporated herein by reference to Exhibit 10.12 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
 - 10.8 Commercial Lease Agreement dated November 7, 1996 between MEPC Quorum Properties II Inc. and Mannatech, as amended by the First Amendment thereto dated May 29, 1997 and the Second Amendment thereto dated November 13, 1997, incorporated herein by reference to Exhibit 10.13 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
 - 10.9 Commercial Lease Agreement dated May 29, 1997 between MEPC Quorum Properties II Inc. and Mannatech, as amended by the First Amendment thereto dated November 6, 1997, incorporated herein by reference to Exhibit 10.14 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
 - 10.10 Assignment of Patent Rights dated October 30, 1997 by and among Bill H. McAnalley, Ph.D., H. Reginald McDaniel, D. Eric Moore,

Eileen P. Vennum and William C. Fioretti and Mannatech, incorporated herein by reference to Exhibit 10.15 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.

- 10.11 Supply Agreement effective as of August 14, 1997 by and between Mannatech and Caraloe, Inc., incorporated herein by reference to Exhibit 10.17 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.12 Trademark License Agreement effective as of August 14, 1997 by and between Mannatech and Caraloe, Inc., incorporated herein by reference to Exhibit 10.19 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.13 Supply Agreement effective January 12, 2000 by and between Mannatech and Caraloe, Inc, incorporated herein by reference to Exhibit 10.17 to Mannatech's 1999 Form 10-K (File No. 000-24657) filed with the Commission on March 30, 2000.
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- 10.17 Individual Guaranty of Samuel L. Caster dated January 5, 1998, incorporated herein by reference to Exhibit 10.27 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.18 Individual Guaranty of Charles E. Fioretti dated January 5, 1998, incorporated herein by reference to Exhibit 10.28 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.19 Form of Employment Agreement entered into between Mannatech and each of Charles E. Fioretti, Patrick D. Cobb, Anthony E. Canale, Bill H. McAnalley and Deanne Varner, incorporated herein by reference to Exhibit 10.30 to Mannatech's Amendment No. 1 to Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.
- 10.20 Employment Agreement dated November 1, 1999, entered into between Mannatech and Terry L. Persinger, incorporated herein by reference to Exhibit 10.25 to Mannatech's 1999 Form 10-K (File No. 000-24657) filed with the Commission on March 30, 2000.
- 10.21 Renewal and Extension Promissory Note dated February 17, 1999 in the amount of \$33,316.02 made by Patrick D. Cobb, incorporated herein by reference to Exhibit 10.25 to Mannatech's 1998 Form 10-K (File No. 000-24657) filed with the Commission on March 31, 1999.
- 10.22 Renewal and Extension Promissory Note dated February 17, 1999 in the amount of \$199,896.10 made by Samuel L. Caster, incorporated herein by reference to Exhibit 10.26 to Mannatech's 1998 Form 10-K (File No. 000-24657) filed with the Commission on March 31, 1999.
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- 10.24 Form of Employment Agreement entered into between Mannatech and

Robert M. Henry, incorporated herein by reference to Exhibit 10.24 to Mannatech's 2000 Form 10-Q (File No. 000-24657) filed with the Commission on March 30, 2000, incorporated herein by reference to Exhibit 10-24 to Mannatech's March 31, 2000 Form 10-Q (File No. 000-24657) filed with the Commission on May 15, 2000.

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- 10.26* 2000 Stock Option Plan, dated June 19, 2000.
- 10.27* Lock-up agreement between Mannatech and Charles E. Fioretti, dated August 8, 2000.
- 22 Definitive Proxy Statement pursuant to Section 14(a) of the Securities Exchange Act of 1934 (File No. 000-24657) filed with the Commission on May 10, 2000.
- 27* Financial Data Schedule.

* Filed herewith.

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(b) Reports on Form 8-K.

On May 12, 2000, Mannatech filed a Form 8-K (File No. 000-24657) with the Securities and Exchange Commission in connection with the written resignation of Mr. Samuel L. Caster that was accepted by our Board of Directors on May 5, 2000. Mr. Caster outlined his resignation and disagreements in a letter dated May 3, 2000.

Mannatech believes Mr. Caster's reasons for resigning were ultimately personal and strongly disagreed with Mr. Caster's allegations. In addition, Mannatech also rejected his demand letter, dated May 3, 2000.

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SIGNATURES

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

MANNATECH, INCORPORATED

August 14, 2000

/S/ ROBERT M. HENRY

Robert M. Henry
Chief Executive Officer

August 14, 2000

/S/ STEPHEN D. FENSTERMACHER

Stephen D. Fenstermacher
Senior Vice President and Chief Financial
Officer and principal financial officer

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INDEX TO EXHIBITS

- 3.1 Amended and Restated Articles of Incorporation of Mannatech, dated October 25, 1995, incorporated herein by reference to Exhibit 3.1 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 3.2 Second Amended and Restated Bylaws of Mannatech, dated August 26, 1997, incorporated herein by reference to Exhibit 3.2 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 3.3 Amendment to the Bylaws of Mannatech dated May 19, 1998, incorporated herein by reference to Exhibit 3.3 to

- Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 3.4 Amendment to the Bylaws of Mannatech dated October 20, 1999, incorporated herein by reference to Exhibit 99 to Mannatech's Form 8-K (File No. 000-24657) filed with the Commission on November 3, 1999.
- 4 Specimen Certificate representing the common stock, par value \$0.0001 per share, of Mannatech, incorporated herein by reference to Exhibit 4.1 to Mannatech's Amendment No. 1 to Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.
- 10.1 1997 Stock Option Plan dated May 20, 1997, incorporated herein by reference to Exhibit 10.1 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.2 1998 Incentive Stock Option Plan dated April 8, 1998, incorporated herein by reference to Exhibit 10.2 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.3 Option Agreement dated July 1, 1997 with Multi-Venture Partners, Ltd., incorporated herein by reference to Exhibit 10.7 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.4 Option Agreement dated October 19, 1999 with Steven A. Barker Ph.D., incorporated by reference to Exhibit 10.8 to Mannatech's 1999 Form 10-K (File No. 000-24657) filed with the Commission on March 30, 2000.
- 10.5 Form of Indemnification Agreement with a schedule of director signatures, incorporated herein by reference to Exhibit 10.8 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.6 Schedule of additional directors signatories relating to the Form of Indemnification Agreements in Exhibit 10.5 above, incorporated by reference to Exhibit 10.10 to Mannatech's 1999 Form 10-K (File No. 000-24657) filed with the Commission on March 30, 2000.
- 10.7 Letter of Understanding Regarding Development of Proprietary Information for Mannatech effective as of August 1, 1997, as amended, by and between Bill H. McAnalley, Ph.D. and Mannatech, incorporated herein by reference to Exhibit 10.12 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.8 Commercial Lease Agreement dated November 7, 1996 between MEPC Quorum Properties II Inc. and Mannatech, as amended by the First Amendment thereto dated May 29, 1997 and the Second Amendment thereto dated November 13, 1997, incorporated herein by reference to Exhibit 10.13 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.9 Commercial Lease Agreement dated May 29, 1997 between MEPC Quorum Properties II Inc. and Mannatech, as amended by the First Amendment thereto dated November 6, 1997, incorporated herein by reference to Exhibit 10.14 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.10 Assignment of Patent Rights dated October 30, 1997 by and among Bill H. McAnalley, Ph.D., H. Reginald McDaniel, D. Eric Moore, Eileen P. Vennum and William C. Fioretti and Mannatech, incorporated herein by reference to Exhibit 10.15 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.11 Supply Agreement effective as of August 14, 1997 by and between Mannatech and Caraloe, Inc., incorporated herein by reference to Exhibit 10.17 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.

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* Filed herewith.

CONSULTANCY AGREEMENT

This Consultancy Agreement ("Agreement") is made and effective this 1st day of June, 2000, by and between Mannatech, Incorporated ("Mannatech"), a Texas corporation whose principal place of business is 600 S. Royal Lane, Suite 200, Coppell, Texas and Samuel L. Caster ("Caster"), who resides at 2034 W. Beltline Road, Cedar Hill, Texas 75014.

WITNESSETH:

WHEREAS, Mannatech is in the business of operating a network marketing company which sells a proprietary line of dietary supplements, cosmetics and over-the-counter drugs ("Products") and which compensates its distributors ("Associates") by a defined compensation plan;

WHEREAS, in connection with the development of its business Mannatech has agreed to retain Caster as Global Vision Architect under terms and conditions to be set forth herein ("Consultancy");

WHEREAS, Mannatech intends to enter into a confidential relationship with Caster whereby Caster will acquire an intimate knowledge of Mannatech's business and will obtain or has obtained specialized skills. Mannatech will permit Caster to have access to and to utilize the business goodwill, cost and pricing information, CONFIDENTIAL INFORMATION (as defined herein) and various trade secrets of Mannatech, including without limitation, marketing programs, business relationships, customer lists, business plans, financial data, privileged legal information and other compilations of information developed by Mannatech and essential to its business;

WHEREAS, Caster will be a key consultant of Mannatech and Mannatech will provide or has provided Caster with access to such CONFIDENTIAL INFORMATION and trade secrets in reliance upon Caster entering into this Agreement; and

WHEREAS, in conjunction with Caster's consultancy and subsequent access to and use of the CONFIDENTIAL INFORMATION and trade secrets of Mannatech, Caster has agreed to enter into this Agreement with Mannatech;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and upon the terms, conditions and provisions hereinafter set forth, Mannatech and Caster do hereby agree as follows:

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ARTICLE I.
DUTIES AND COMPENSATION

1. Caster is retained, commencing June 1, 2000 as Global Vision Architect to the Company or such other comparable position as the parties shall agree. The term of this Agreement, unless otherwise modified in writing is for a two (2) calendar year period, ending on May 31, 2002 (the "Primary Term"). Unless this Agreement is terminated by written notice by either party at least ninety (90) days prior to May 31, 2002, this Agreement shall renew on June 1, 2002 for an additional one-year period, with like automatic renewals occurring on each subsequent anniversary date of this Agreement unless either party provides written notice of termination to the other at least ninety (90) days prior to such anniversary date.

2. Caster is engaged to serve as Global Vision Architect at an annual salary of \$600,000 (Six Hundred Thousand Dollars) payable in monthly installments on the 1st day of each month commencing on June 1, 2000. Caster's title will be "Founder and Global Vision Architect." Caster shall report directly to the Chief Executive Officer ("CEO"). This agreement shall not be considered an employment agreement nor is it an offer for employment. The parties agree that Caster is and will continue to be during the term of his Consultancy, an independent contractor for federal income tax and all other purposes, and will, accordingly, file, remit and pay all required amounts attributable to such income as an independent contractor to any and all taxing authorities, as required. Mannatech will provide a leased automobile to Caster

on comparable terms to those provided during his employment.

3. Caster agrees to participate and engage in the following activities and other tasks as requested by Mannatech from time-to-time:

- a.) Act as a corporate liaison to Associates, particularly high-ranking Associates (the "Field");
 - b.) Communicate and promote corporate ideas and plans of Mannatech management team to the Field and receive from the Field and communicate to the Mannatech management team the Field's ideas and plans and criticisms of Mannatech;
 - c.) Work with other members of the Mannatech management team to assist in the development of sales and marketing devices;
 - d.) Appear at Mannatech-sponsored events;
 - e.) Assist with Associate-sponsored events;
 - f.) Promote Mannatech in a positive manner that is consistent with Caster's values of honesty and integrity;
 - g.) Provide advisement to the Mannatech management team as required from time-to-time; and
 - h.) Such other undertakings as the parties may hereafter agree.
4. Caster and Mannatech further agree that:

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- a) Caster plans to spend a significant amount of his time promoting Manna Relief and that he may devote time to other businesses or causes from time to time during the term of his Consultancy. Caster agrees that during the term of his Consultancy.
 - (i) He will not promote and endorse at Mannatech business functions any other organization(s) of which he is affiliated other than MannaRelief without the consent of the CEO of Mannatech;
 - (ii) his promotion of MannaRelief and other permitted organizations shall not be presented as endorsed by or as part of Mannatech;
 - (iii) In written communications he will include a statement to the effect that MannaRelief, or any other permitted organization, as the case may be, is not a part of Mannatech and that MannaRelief is open to all participants;
 - (iv) Caster will not serve as a spokesman or representative for any for-profit business other than Mannatech without the prior consent of the Chief Executive Officer ("CEO") of Mannatech.
- b) Caster shall not have any authority to act on behalf of Mannatech in the areas of negotiation or execution of any contracts or agreements in an attempt to bind Mannatech (or its subsidiaries) and will not purport to have any such authority to any third party, including Mannatech Associate(s). Caster will not present to third parties, including Mannatech Associates, any plan, program or position as having been approved by Mannatech unless it has been first proposed to the Mannatech Board of Directors and/or the CEO (as the case may be) and approved by the same.
- c) During the term of his Consultancy, Caster will, for the purposes of fulfilling his duties under this Agreement, attend corporate and Associate meetings of all sorts as requested, provided he is given reasonable prior notice. Further, Caster shall, during the term of this Agreement, make such communications with corporate officers and employees of Mannatech as may be reasonably requested.

DUTIES, NON-COMPETITION and NON-SOLICITATION

1. Caster agrees to serve in the position of Global Vision Architect, or such other position as the parties may hereafter agree during the term of this Agreement, and to perform with reasonable diligence the duties and services undertaken by Caster pursuant to such Consultancy, as well as such additional duties and services appropriate to such Consultancy upon which the parties mutually may agree from time-to-time or as shall be designated by the Board of Directors. Caster will meet with the CEO from time to time to discuss and agree to those activities, including but not limited to these specified in Article 5, Section 3, that Caster will

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undertake within the scope of his Consultancy. Caster also agrees that his Consultancy is subject to the current and future policies, written directives, and procedures maintained and established by Mannatech for its management, and concerning which Mannatech shall inform Caster in writing. Caster shall devote such of his time and efforts as are reasonably necessary to perform the duties that Caster has agreed to undertake pursuant to this Agreement. Caster shall further perform his duties in accordance with the directives of the Mannatech Board of Directors and the CEO of Mannatech or, as the parties may agree, from time-to-time, as the case may be. Caster may designate up to four (4) weeks during each calendar year of the Consultancy in which he will not be available to provide services to Mannatech.

2. Caster acknowledges and understands that from time to time Caster's duties may require Caster to work on-site at a non-company location. In such instance, Caster agrees to comply with all of the policies, procedures and directives relevant to working at such non-company location which are generally applicable to the Company's employees. Mannatech shall reimburse Caster for reasonable and necessary travel and lodging expenses regarding any travel required in connection with this Consultancy Agreement, provided that the same are booked through the Mannatech Travel Department or otherwise approved by the CEO of Mannatech.

3. Caster represents and admits that in the event of the termination of Caster's consultancy for any reason whatsoever, Caster's experience and capabilities are such that Caster can earn a livelihood in business engaged in other lines and/or of a different nature, and that the enforcement of a remedy by way of injunction will not prevent Caster from earning a livelihood.

4. Caster acknowledges that he will receive special knowledge and specialized training from Mannatech, included in which is the CONFIDENTIAL INFORMATION identified in Article III below. Caster further acknowledges that the special knowledge and/or training provided by Mannatech and the CONFIDENTIAL INFORMATION is valuable to Mannatech and, therefore, Mannatech's investment in the training and the protection and maintenance of the CONFIDENTIAL INFORMATION constitutes a legitimate interest to be protected by Mannatech by the covenant not to compete, set forth in Article II of this Agreement.

5. Non-Competition. Caster therefore agrees that for a period of one (1) year after Caster shall cease to be a consultant of Mannatech, Caster shall not engage in any form of business which is in competition with Mannatech, including through the business of any person, company, firm, corporation, partnership, association, agency, or business, and particularly through a party known to Caster to be an independent contract sales associate and/or a customer of Mannatech ("Subject Person") or with whom Caster had contact during, or by reason of, Caster's consultancy to Mannatech, including any Subject Person known to Caster prior to Caster's original consultancy to Mannatech.

6. Non-Solicitation. Caster further agrees that for a period of one (1) year after Caster shall cease to be a consultant of Mannatech, Caster will not, either directly or indirectly, through any person, firm, association or corporation with which Caster is now or may hereafter

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become associated with, solicit, cause, influence or induce any present or future Subject Person of Mannatech or its affiliates to leave the employ or business relationship with Mannatech or its affiliates to accept employment, affiliation, associate relationship or consultancy or any other business relationship with Caster or with such person, firm, association, or corporation

with whom Caster may then be affiliated.

As set forth above, Caster acknowledges that the foregoing non-competition and non-solicitation covenants are ancillary to or a part of an otherwise enforceable agreement, such being the general agreement of this Consultancy and its related agreements concerning confidentiality and non-disclosure of CONFIDENTIAL INFORMATION and non-solicitation, at the time that this non-competition covenant is made, that the limitations as to time defined herein are reasonable and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Mannatech, that the limitations as to geographic area defined herein are reasonable and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Mannatech, and that the scope of activity to be restrained defined herein is reasonable and does not impose a greater restraint than is necessary to protect the good will or other business interests.

7. The foregoing covenants not to compete and solicit shall not be held invalid or unenforceable because of the scope or the territory or actions subject thereto or restricted thereby, or the period of time within which such Agreement is operative; but an award or decree in arbitration or any judgment of a court of competent jurisdiction, as the case may be, may define the maximum territory and actions subject thereto and restricted by this Article II and the period of time during which the Agreement is enforceable. Any alleged breach of other provisions of this Agreement asserted by Caster against Mannatech shall not be a defense for Caster to claims arising from Mannatech's enforcement of the provisions of this paragraph. Should Caster violate the non-competition, non-solicitation covenants of this Article II, then the period of time for these covenants shall automatically be extended for the period of time from which Caster began such violation until Caster permanently ceases such violation.

8. Irrespective of the term of this Agreement, and in consideration of the promises specified in Article II of this Agreement, Mannatech agrees as follows:

- a. To provide specialized training as it shall deem warranted from time to time; and
- b. To provide Caster with access to Mannatech's software and files, records, marketing procedures, processes, computer programs, compilations of information, records, Associate and client requirements, customer and associate lists and information pertaining to Subject Persons, pricing techniques, lists, formulae, lists identifying Associates, partners, potential investors, methods of doing business and other CONFIDENTIAL INFORMATION which is regularly used in the operation of the business

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of Mannatech.

9. Caster represents and warrants that the delivery and execution of this Agreement will not cause a breach in the terms of any existing agreement to which he is a party nor interfere with any undertakings which he is bound to perform or refrain from under any such agreements.

10. Caster shall be bound by and abide by all policies and procedures of Mannatech in effect during the term of his Consultancy.

11. Caster acknowledges and agrees that during the term of his Consultancy he will owe a contractual duty of loyalty, fidelity, and allegiance to Mannatech. In keeping with these duties, Caster shall make full disclosure to Mannatech of all business opportunities pertaining to Mannatech's business and shall not appropriate for Caster's own benefit such business opportunities.

12. Article II, Paragraphs 5 and 6 shall survive the execution, performance and/or termination of this Agreement, subject to the time and scope limitations set forth therein.

ARTICLE III. CONFIDENTIAL INFORMATION

1. Mannatech will provide or has provided Caster under his prior employment with specialized information concerning the products and the business

operations of Mannatech. Irrespective of the term of this Agreement and in consideration of Caster's promises specified in Article II of this Agreement, Mannatech agrees to provide specialized training and instruction to Caster for the job duties assigned to Caster, and agrees to provide specialized training to Caster for such additional job duties as Mannatech and Caster may agree.

2. During the course of the Consultancy and training incident thereto Caster will be or was given access to Mannatech's CONFIDENTIAL INFORMATION concerning products and the business operations of Mannatech.

3. Caster acknowledges that in the further course of the Consultancy with Mannatech, Caster will gain a close, personal and special influence with Mannatech's customers and will be acquainted with all of Mannatech's business, particularly Mannatech's CONFIDENTIAL INFORMATION concerning the business of Mannatech and its affiliates.

4. For purposes of this Agreement "CONFIDENTIAL INFORMATION" shall mean and include information known to Caster arising during the course of his prior employment with Mannatech and information disclosed to Caster or known by Caster through Caster's consultancy with Mannatech, about Mannatech's products, processes and services, including but not limited to information concerning inventions, trade secrets, research and development, as well as all data or information concerning customers (including Subject Persons), customer lists

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(including downline reports and similar reports of business activities and relevant information concerning Subject Persons), prospect lists, mailing lists, sales leads, contracts, financial reports, sales, purchasing, price lists, product costs, marketing programs, marketing plans, business relationships, business methods, accounts payable, accounts receivable, accounting procedures, control procedures and training materials, but will not include information that is available from sources other than Mannatech without breach of any obligation or duty owed to Mannatech.

5. Caster agrees to use his reasonable efforts and will exercise reasonable diligence to protect and safeguard the CONFIDENTIAL INFORMATION. In this respect, Caster agrees that fulfilling the obligations of the Agreement is part of Caster's responsibilities with Mannatech for which Caster has been retained as a consultant and for which Caster has received consideration therefor.

6. Except as may be required by Mannatech in connection with and during the Consultancy with Mannatech, or with the express written permission of Mannatech, Caster shall not, either during Caster's work as a consultant with Mannatech or at any time thereafter, directly or indirectly, download, printout, copy, remove from the premises of Mannatech, use for Caster's own benefit or for the benefit of another person not under a confidentiality obligation, or disclose to another, any CONFIDENTIAL INFORMATION of Mannatech.

7. Caster agrees that all files, memoranda, data, notes, records, drawings, charts, graphs, analyses, letters, reports, or other documents or similar items containing Confidential Information made or compiled by Caster, made available to Caster or otherwise coming into Caster's possession during the Consultancy shall remain at all times the property of Mannatech and shall be delivered to Mannatech upon termination of the Consultancy with Mannatech or at any other time upon request.

8. Further, prior to the execution of this Consultancy Agreement, Caster was an employee of Mannatech under the terms of an Employment Agreement, dated May 14, 1997, containing provisions regarding CONFIDENTIAL INFORMATION, similar in scope and content to the foregoing, certain of which survived the termination of his employment. It is the express intention and agreement of the parties that there be no lapse in the terms and conditions under which Caster shall be bound by to transact with regard to the CONFIDENTIAL INFORMATION of Mannatech between the period in which the Employment Agreement was (and to certain extents remains) in effect and under this Consultancy Agreement.

9. This Article III shall survive the performance and termination of this Agreement for a period of five (5) years from the date of termination of Caster's Consultancy.

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ARTICLE IV.
ASSIGNMENT OF INVENTIONS

1. Caster agrees to promptly disclose to Mannatech and Caster hereby assigns to Mannatech or its designee, its assigns, successors or legal representatives, all, right, title and interest in and to any and all patents, formulae, inventions, processes, designs, software, firmware, circuitry, diagrams, copyrights, trade secrets, and any other proprietary information (collectively, the "Proprietary Information") whatsoever, conceived, developed or completed by Caster during the course of the Consultancy with Mannatech, or using Mannatech's time, data, facilities and/or materials, provided the subject matter of the Proprietary Information relates substantially and directly to the business of Mannatech.

2. Caster agrees to assist Mannatech at any time during the Consultancy with Mannatech, or after termination of the Consultancy by Mannatech with reimbursement by Mannatech for all reasonable expenses incurred and with reasonable compensation for Caster's time required if his Consultancy has terminated, in the preparation, execution, and delivery of any assignments, disclosures, patent applications, or papers within the scope and intent of this Agreement reasonably required to obtain patents or copyrights in the Proprietary Information in this or a foreign country and in connection with such other proceedings as may be reasonably necessary to vest title to the Proprietary Information in Mannatech, its assigns, successors, or legal representatives.

3. If, during Caster's Consultancy by Company, Caster creates any work of authorship, at the request of Mannatech or in the course of the performance of his duties under this Agreement, fixed in any tangible medium of expression, which is the subject matter of copyright (such as videotapes, written presentations, or acquisitions, computer programs, electronic mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to Company's business, products, or services, whether such work is created solely by Caster or jointly with others (whether during business hours or otherwise and whether on Company's premises or otherwise), Company shall be deemed the author of such work if the work is prepared by Caster in the scope of Caster's Consultancy, or, if the work is not prepared by Caster within the scope of Caster's Consultancy but is specially ordered by Company as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and Company shall be the author of the work.

4. During the term of Caster's Consultancy, and for a period of not more than one hundred eighty (180) days after the termination of Caster's Consultancy, to the extent necessary to allow the use of existing material stocks prepared prior to the termination of Caster's Consultancy, Caster grants to a Mannatech a non-exclusive, royalty-free, world-wide license to use Caster's name, voice, likeness, and similar characteristics (the "Licensed Rights") for the

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purposes of advertising, promoting, selling and otherwise merchandising Mannatech products and services in connection with Caster's services retained under this Agreement. Mannatech shall be the sole owner and subject to the terms of such license will have the use and control of all promotional materials and trade literature ("Promotional Materials") produced for Mannatech bearing Caster's image, likeness, voice or name. Mannatech will use the Licensed Rights only upon or in connection with the usages contemplated by this Section 4 and in accordance with reasonable standards of quality specified or approved by Caster from time to time. All Promotional Materials incorporating the Licensed Rights will be subject to Caster's prior approval, which will not be unreasonably withheld, for the purpose of assuring the quality and accuracy of the Promotional Materials. Mannatech shall, subject to the terms of the license granted hereby, be free to dispose of and treat in any way all Promotional Materials as contemplated hereby, including but not limited to selling, advertising, distributing, and using in other mediums.

ARTICLE V.
MISCELLANEOUS

1. Termination.

- a. Commencing on August 1, 2000 (60 days after signing) either of Mannatech or Caster may, upon thirty (30) days prior written notice (a "Termination Notice") terminate Caster's Consultancy. Each of Mannatech and Caster agrees that if they provide a Termination Notice, (i) it will include a reasonably complete summary statement of the reason for the giving of such notice, (ii) each party will undertake reasonable efforts to resolve any conflict, disagreement or failure of either party to perform its obligations under this Agreement so as to permit the Consultancy to continue, and (iii) the CEO, Caster and members of the Board of Directors will meet at such reasonable times and places as any of them may request in order to attempt to resolve any such conflict, disagreement or failure of either party to perform its agreements hereunder. If the parties are unable to resolve such matter, then the termination of Caster's Consultancy will become effective on the date stated in the Termination Notice. Delivery of a Termination Notice will be Mannatech's exclusive remedy with respect to any claim that Caster has breached any of his obligations set forth in Article I, Article II, Sections 1 and 2 or Article IV. Upon any termination of Caster's Consultancy pursuant to this Section 1.a., or upon termination of Caster's Consultancy in conjunction with the termination of this Agreement upon any anniversary date pursuant to Article I, Section 1, Caster will be paid, as severance (the "Severance Payment"), an amount equal to \$300,000, plus an additional amount equal to \$25,000 for each full calendar month of Caster's Consultancy, to a maximum of twelve months (or a total of \$300,000). The Severance Payment will be paid in

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twelve equal monthly installments commencing on the date of the termination of Caster's Consultancy.

- b. This Agreement will terminate upon Caster's death.

2. Enforcement. It is the express intention of the parties to this Agreement to comply with all laws applicable to the covenants and provisions contained in this Agreement. If any of the covenants contained in this Agreement are found to exceed in duration or scope those permitted by law, it is expressly agreed that such covenant may be reformed or modified by the award or decree of an arbitrator, or, if applicable, a final judgment of a court of competent jurisdiction or other lawful constituted authority, as the case may be, to reflect a lawful and enforceable duration or scope, and such covenant automatically shall be deemed to be amended and modified so as to comply with the arbitration award, decree, judgment or order of such court or authority, as the case may be. If any one or more of the provisions contained herein shall for any reason be held invalid, illegal or unenforceable in any respect even after reformation, such invalidity, illegality or unenforceability shall not affect the enforceability or validity of any other provision contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions had never been contained herein.

3. Adequacy of Consideration; Separate Agreements. Caster agrees that the agreements, non-competition agreements, nondisclosure agreements, and non-solicitation agreements set forth herein each constitute separate agreements, independently supported by good and adequate consideration and shall be severable from the other provisions of this Agreement and shall survive the Agreement. If a court of competent jurisdiction determines that any restriction in a clause or provision of this Agreement is void, illegal or unenforceable, the other clauses and provisions of this Agreement shall remain in full force and effect and the clauses and provisions that are determined to be void, illegal or unenforceable shall be limited so that they shall remain in effect to the fullest extent permitted by law.

4. No Indirect Breach. Caster will use his reasonable efforts to ensure that no corporation or other entity of which he is an officer, principal, manager, director or owner of more the 5% of the voting securities or other affiliate, shall take any action that Caster could not take without violating any provision of this Agreement.

5. Injunctive Relief. Caster recognizes and acknowledges that damages in the event of his breach of certain provisions of this Consultancy Agreement would be inadequate, and Caster agrees that Mannatech, in addition to all other

remedies it may have, shall have the right to injunctive relief or Article III if there is a breach by Caster of any one or more of the provisions contained in Article II hereof.

6. Arbitration. Arbitration, including the right to invoke permanent injunctive relief, shall be the exclusive remedy for any and all disputes, claims or controversies, whether statutory, contractual or otherwise, between Mannatech and Caster concerning the Consultancy

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or the termination thereof, provided that either party may apply to a state or federal court of appropriate jurisdiction in Dallas County, Texas for interim, temporary, or preliminary relief, including relief by restraining order or preliminary injunction, in connection with any alleged breach or threatened or imminent breach of any provision of this Agreement and in aid of the arbitration provisions herein. By providing for such interim relief or preliminary relief in the courts of Dallas County, Texas, the parties agree that they are not waiving the mandatory arbitration provisions herein. In the event either party provides a Notice of Arbitration of Dispute to the other party, Mannatech and Caster agree to submit such dispute or controversy, whether statutory or otherwise, to an arbitrator or arbitrators selected from a panel of arbitrators of the American Arbitration Association located in Dallas, Texas. The effective rules at the time of the commencement of the Commercial Arbitration of the American Arbitration Association shall control the arbitration. In any arbitration proceeding conducted subject to these provisions, all statutes of limitations that would otherwise be applicable shall apply to any arbitration proceeding hereunder. In any arbitration proceeding conducted subject to these provisions, the arbitrator(s) is/are specifically empowered to decide any question pertaining to limitations, and may do so by documents or by a hearing, in his or her sole discretion. In this regard, the arbitrator may authorize the submission of pre-hearing motions similar to a motion to dismiss or for summary adjudication for the purposes of consideration of this matter. The arbitrator's decision will be final and binding upon the parties. The parties further agree to abide by and perform any award rendered by the arbitrator(s). The prevailing party in such proceeding shall be entitled to record and have awarded its reasonable attorney's fees, in addition to any other relief to which it may be entitled. In rendering the award, the arbitrator(s) shall state the reasons therefor, including any computations of actual damages or offsets, if applicable.

7. Waiver of Breach. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by any party.

8. Entire Agreement. This Agreement contains the entire agreement of the parties hereto. No modification or amendment of this Agreement may be made except by written agreement signed by both of the parties hereto.

9. Descriptive Headings. All headings, captions and arrangements used in this Agreement are intended solely for the convenience of the parties and shall not be deemed to limit, amplify or modify the terms of this Agreement nor affect the meaning thereof.

10. Governing Law. The substantive laws of the State of Texas, excluding any conflicts of law rule or principle that might otherwise refer to the substantive law of another jurisdiction, shall govern the interpretation, validity and effect of this Agreement without regard to the place for performance thereof. This Agreement has been executed and delivered by the parties hereto in Dallas County, Texas, and Mannatech and Caster agree that exclusive venue as to any action which might ensue before or after arbitration shall lie, to the extent permitted by the

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Texas and Federal Arbitration Acts within the State or Federal Courts in Dallas County, Texas to decide any matter relating to this Agreement or the related arbitration.

11. Notices. Any notice or communication required or permitted hereby shall be in writing and shall be delivered personally, sent by prepaid telegram and followed with a confirming letter, or mailed by certified or registered mail, postage prepaid.

(a) If to Caster, to:
Samuel L. Caster
2034 W. Beltline Road
Cedar Hill, Texas 75014

(b) If to Mannatech, to:
Mannatech, Incorporated
600 S. Royal Lane, Suite 200
Coppell, Texas 75019

or in the case of each party hereto, to such other address and to the attention of such other person as may have theretofore been specified in writing in like manner by such party to the other party. Each such notice or communication shall be deemed to have been given as of the date so delivered or at the expiration of the third business day following the date of the mailing.

12. Assignment. This Agreement shall insure to the benefit of and be binding upon Mannatech and Caster and their respective successors and assigns. Neither party shall be entitled to assign any rights or obligations hereunder without the prior written consent of the other party.

13. Prior Agreement. This Agreement supersedes all prior agreements, if any, between the parties of any and every nature whatsoever, including agreements for additional compensation or benefits. All such prior agreements are null and void, except that Article I of Caster's Employment Agreement dated May 14, 1997 remains in effect as to confidential information received prior to his resignation on May 3, 2000.

14. Caster Acknowledgement. Caster affirms and attests by signing this Agreement that Caster has read this Agreement before signing it and that Caster fully understands its purposes, terms, and provisions, which Caster hereby expressly acknowledges to be reasonable in all respects. Caster further acknowledges receipt of one (1) copy of this Agreement.

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IN WITNESS WHEREOF, this Agreement is executed by the parties hereto, effective as of the 1st day of June, 2000.

CASTER:

MANNATECH:

MANNATECH, INCORPORATED
A Texas Corporation

/s/ Samuel L. Caster

Samuel L. Caster

By: /s/ Robert M. Henry

Robert M. Henry
Its: Chief Executive Officer

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MANNATECH, INCORPORATED
2000 STOCK OPTION PLAN

1. Purpose of the Plan. The purpose of this 2000 Stock Option Plan is to

attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to the Employees of the Company and to promote the success of the Company's business and reward directors and consultants of the Company.
2. Definitions. As used herein, the following definitions shall apply:

- (a) "Code" shall mean the Internal Revenue Code of 1986.

- (b) "Common Stock" shall mean the Common Stock of the Company.

- (c) "Company" shall mean Mannatech, Incorporated, a Texas corporation.

- (d) "Option Committee" shall mean the Option Committee appointed by the

Board of Directors in accordance with paragraph (a) of Section 4 of the Plan.
- (e) "Continuous Status as an Employee " shall mean the absence of any

interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of sick leave, military leave, or any other leave of absence approved by the Option Committee; provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.
- (f) "Employee" shall mean any person, including officers and directors,

employed by the Company or any Parent or Subsidiary of the Company. The payment of a director's fee by the Company shall not be sufficient to constitute "employment" by the Company.
- (g) "Incentive Stock Option" shall mean an Option intended to qualify as

an incentive stock option within the meaning of Section 422 of the Code.
- (h) "Non-Employee Director" shall mean a Non-Employee Director as defined

in Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), promulgated under SEC Release 34-37260 (May 31, 1996), as such Rule may be amended from time to time.
- (i) "Option" shall mean a stock option granted pursuant to the Plan.

- (j) "Optioned Stock" shall mean the Common Stock subject to an Option.

- (k) "Optionee" shall mean an Employee who receives an Option.

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- (l) "Parent" shall mean a "parent corporation", whether now or hereafter

existing, as defined in Section 425(e) of the Code.
- (m) "Plan" shall mean this 2000 Stock Option Plan.

- (n) "Stock Option Agreement" shall mean a Stock Option Agreement, pursuant

to which Options are granted under the Plan.
- (o) "Share" shall mean a share of the Common Stock, as adjusted in

accordance with Section 11 of the Plan.
- (p) "Subsidiary" shall mean a "subsidiary corporation", whether now or

hereafter existing, as defined in Section 425(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 11 of the

Plan, the maximum aggregate number of shares, which may be optioned and sold
under the Plan, is 2,000,000 shares of common stock. The Shares may be
authorized, but unissued or reacquired common stock.

If an Option should expire or become unexercisable for any reason
without having been exercised in full, the unpurchased Shares, which were
subject thereto, shall, unless the Plan shall have been terminated, become
available for future grant under the Plan.

4. Administration of the Plan.

- (a) Procedure. The Plan shall be administered by the Option Committee

consisting of not less than two Non-Employee Directors to administer
the Plan, subject to such terms and conditions as the Board of
Directors may prescribe. From time to time the Board of Directors may
increase the size of the Option Committee and appoint additional
members thereof, remove members (with or without cause) and appoint
new members in substitution therefore, fill vacancies however caused,
or remove all members of the Option Committee and thereafter directly
administer the Plan.
- (b) Powers of the Option Committee. Subject to the provisions of the Plan,

the Option Committee shall have the authority, in its discretion to
grant Non-qualified Stock Options and Incentive Stock Options, in
accordance with Section 422 of the Code; to determine, upon review of
relevant information and in accordance with Section 8(b) of the Plan,
the fair market value of the Common Stock; to determine the exercise
price per share of Options to be granted, which exercise price shall
be determined in accordance with Section 8(a) of the Plan; to
determine the Employees to whom, and the time or times at which,
Options shall be granted and the number of shares to be represented by
each Option; to interpret the Plan; to prescribe, amend and rescind
rules and regulations relating to the Plan; to determine the terms and
provisions of each Option granted (which need not be

identical) and, with the consent of the holder thereof, modify or
amend each Option; to accelerate or defer (with the consent of the
Optionee) the exercise date of any Option, consistent with the
provisions of Section 5 of the Plan; to authorize any person to
execute on behalf of the Company any instrument required to effectuate
the grant of an Option previously granted by the Option Committee; and
to make all other determinations deemed necessary or advisable for the
administration of the Plan.

- (c) Effect of Option Committee's Decision. All decisions, determinations

and interpretations of the Option Committee shall be final and binding
on all Optionees and any other holders of any Options granted under
the Plan.

5. Eligibility.

- (a) Incentive Stock Options may be granted only to Employees. An Employee, who has been granted an Option may, if such Employee is otherwise eligible, is granted an additional Option or Options.
- (b) The Plan shall not confer upon any Optionee any right with respect to continuation of employment with the Company nor shall it interfere in any way with Optionee's right or the Company's right to terminate Optionee's employment at any time.

6. Term of Plan. The Plan shall become effective upon by the adoption by the -----
Option Committee and the approval by the shareholders of the Company as described in Section 17 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 13 of the Plan.

7. Term of Option. The term of each Option shall be ten (10) years from the -----
date of grant thereof or such shorter term as may be provided in the Stock Option Agreement. However, in the case of an Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant thereof or such shorter time as may be provided in the Stock Option Agreement.

8. Exercise Price and Consideration.

(a) The per Share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Option Committee, but shall be subject to the following:

(i) In the case of an Option granted to an Employee, director or consultant, who, at the time of the grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the fair market value per Share on the date of grant.

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(ii) In the case of an Option granted to any other Employee, director or consultant, the per Share exercise price shall be no less than 100% of the fair market value per Share on the date of grant.

(b) The fair market value per share shall be determined using the quoted closing sale price per share as reported by Nasdaq National Market.

(c) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Option Committee and may consist entirely of cash, certified or official bank check, other Shares of the Company's Common Stock having a fair market value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, or any combination of such methods of payment, or such other consideration and method of payment for the issuance of Shares to the extent permitted under the Texas Business Corporation Act.

9. Exercise of Option

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted -----
hereunder shall be exercisable at such times and under such conditions as determined by the Option Committee, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan.

(i) An Option may not be exercised for a fraction of a Share.

(ii) An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the

Option is exercised has been received by the Company. Full payment, as authorized by the Option Committee, may consist of a consideration and method of payment allowable under section 8(c) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of the duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of the Plan. Prior to the time of issuance, the Company shall satisfy its employment tax and other tax withholding obligations by requiring the Optionee to pay the amount of withholding tax, if any, that must be paid under federal, state and local law due to the exercise of the Option, subject to such restrictions or procedures as the Company deems necessary to satisfy Rule 16b-3 of the Exchange Act. The payment of such withholding tax may be by certified or official bank check or by the delivery of a number of shares of Common Stock

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(plus cash if necessary) having a fair market value equal to the amount of such withholding tax.

(iii) Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Status as an Employee. If any Employee ceases to serve

as an Employee, such Employee may, but only within thirty (30) days after the date such person ceases to be an Employee, exercise his or her Option to the extent that such person was entitled to exercise it at the date of such termination. To the extent that such Employee was not entitled to exercise the Option at the date of such termination, or if such Employee does not exercise such Option (which such person was entitled to exercise) within the time specified herein, the Option shall terminate.

(c) Disability of Optionee. Notwithstanding the provisions of Section 9(b)

above, in the event an Employee is unable to continue his or her employment relationship with the Company as a result of such Employee's total and permanent disability (as defined in Section 22(e)(3) of the Code), such Employee may, but only within six (6) months (or such other period of time not exceeding twelve (12) months as is determined by the Option Committee at the time of grant of the Option) from the date of termination, exercise his or her Option to the extent such person was entitled to exercise it at the date of such termination. To the extent that the Employee was not entitled to exercise the Option at the date of termination, or if such Employee does not exercise such Option (which such person was entitled to exercise) within the time specified herein, the Option shall terminate.

(d) Death of Optionee. In the event of the death of an Optionee:

(i) During the term of the Option who is at the time of his or her death an Employee and who shall have been in Continuous Status as an Employee or director or consultant since the date of grant of the Option, the Option may be exercised, at any time within six (6) months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance.

10. Non-Transferability of Options. The Option may not be sold, pledged,

assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised,

during the lifetime of the Optionee, only by the Optionee.

11. Adjustments Upon Changes in Capitalization or Merger. Subject to any

required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options

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have yet been granted or which have been returned to the Plan upon cancellation or expiration of any Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Option committee, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

In the event of the proposed dissolution or liquidation of the Company, the Option will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Option Committee. The Option Committee may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Option Committee and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. In the event of the proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Option shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Option Committee determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the Optionee shall have the right to exercise the Option as to all of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. If the Option Committee makes an Option fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Option Committee shall notify the Optionee that the Option shall be fully exercisable for a period of thirty (30) days from the date of such notice, and the Option will terminate upon the expiration of such period.

12. Time of Granting Options. The date of grant of an Option shall be the date

on which the Option Committee makes the determination granting such Option. Notice of the determination shall be given to each Optionee to whom an Option is so granted within a reasonable time after the date of such grant.

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13. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Option Committee may amend or terminate

the Plan from time to time in such respects as the Option Committee may deem advisable; provided that, the following revisions or amendments shall require approval of the shareholders of the Company in the manner described in Section 17 of the Plan:

(i) An increase in the number of Shares subject to the Plan above 2,000,000 Shares, other than in connection with an adjustment under Section 11 of the Plan;

(b) Effect of Amendment or Termination. Any such amendment or termination

of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if the Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Option Committee, which agreement must be in writing and signed by the Optionee and the Company.

14. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to -----

the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, applicable state securities laws, and the requirements of the Nasdaq National Market upon which the Shares are listed, and shall be further subject to the approval of general in-house counsel for the Company with respect to such compliance.

(a) As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of general in-house counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

15. Reservation of Shares. The Company, during the term of this Plan, will at -----

all times reserve and keep available 2,000,000 Shares as shall be sufficient to satisfy the requirements of the Plan.

(a) Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's general in-house counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

16. Option Agreement. Options shall be evidenced by written option agreements -----

in such form, as the Option Committee shall approve.

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17. Shareholder Approval. Continuance of the Plan shall be subject to approval -----

by the shareholders of the Company within twelve months before or after the date, the Plan is adopted. If such shareholder approval is obtained at a duly held shareholders meeting, it may be obtained by the affirmative vote of the holders of a majority of the outstanding shares of the Company, such holders being present or represented and entitled to vote thereon.

18. Information to Optionees. The Company shall provide to each Optionee, -----

during the period for which such Optionee has one or more Options outstanding, copies of all annual reports and other information which are provided to all shareholders of the Company. The Company shall not be required to provide such information if the issuance of Options under the Plan is limited to key employees whose duties in connection with the Company assure their access to equivalent information.

19. CHOICE OF LAW. THE CORPORATE LAW OF THE STATE OF TEXAS WILL GOVERN ALL -----

QUESTIONS CONCERNING THE RELATIVE RIGHTS OF THE COMPANY AND ITS SHAREHOLDERS. ALL OTHER QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY AND INTERPRETATION OF THIS PLAN AND THE INSTRUMENTS EVIDENCING OPTIONS WILL BE GOVERNED BY THE INTERNAL LAW, AND NOT THE LAW OF CONFLICTS, OF THE STATE OF TEXAS.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Plan effective as of the 28th day of April, 2000.

By: /s/ Robert M. Henry

Name: Robert M. Henry

Title: Chief Executive Officer

AGREEMENT

This Agreement (the "Agreement"), dated as of August 8, 2000 is made by and between Charles E. Fioretti ("Seller") and Mannatech, Incorporated, a Texas corporation ("Company").

WHEREAS, Seller is the holder of 4,989,549 shares of Company common stock, \$.0001 par value per share (the "Common Stock").

WHEREAS, Company has agreed to loan Seller an amount of \$500,000, subject to the terms and conditions of this Agreement.

WHEREAS, Seller desires to sell certain shares of Common Stock to Company and Company desires to purchase such shares of Common Stock from Seller, subject to the terms and conditions of this Agreement.

WHEREAS, Company holds a Renewal and Extension Promissory Note dated February 17, 1999 made by Seller in the principal amount of \$199,896.10 (the "Agritech Note") and Seller hereby desires to grant Company the right to require Seller to purchase the Agritech Note.

WHEREAS, Seller has agreed to certain restrictions on sale of shares of Common Stock, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

STATEMENT OF AGREEMENT

1. Loan to Seller. As of the date of this Agreement, and upon the terms and

subject to the conditions of this Agreement, Company agrees to make a loan to Seller in the amount of \$500,000 in exchange for Seller's execution and delivery of a promissory note (the "Note") in the form attached hereto as Exhibit A.

2. Provisions Applicable to the Note.

- (a) Repayment of the Note. The outstanding balance of the Note shall

be payable in (6) successive monthly installments of 26,455 [\$83,333.33 divided by the product of the (agreed price of stock on August 8, 2000 at 3.50 times 0.90)] shares of Common Stock (each a "Loan Payment") commencing on September 3, 2000 and continuing on the third day of each successive month thereafter, through and including February 3, 2001; at which time the outstanding balance under the Note shall be due and payable in full.

(1)

- (b) Delivery of Stock. On each payment date set forth in Section 2(a)

above, Seller shall transfer and deliver to Company the Loan Payment in a certificate or certificates representing the shares of Common Stock then due and owing (the "Loan Shares"), together with a stock power in the form of Exhibit B hereto (the "Stock Power"), attached thereto and duly executed in blank, in proper form for transfer.

- (c) Pledge of Shares. Seller hereby assigns, pledges and grants a

security interest in 174,570 shares of Common Stock owned of record and beneficially owned by Seller (the "Pledged Shares"), all certificates representing the Pledged Shares, and all options and other rights, contractual or otherwise, arising in connection with, or related to the Pledged Shares, provided, however, so long as there exists no default by Seller under this Agreement, Seller may exercise all shareholder voting rights of the Pledged Shares. This security interest secures the full and punctual payment and

performance of all indebtedness and obligations now or hereafter owed under the Note.

(d) Release of Pledged Shares. Upon the termination of the Initial

Lock-Up Period (as defined below) and the Extended Lock-Up Period, if applicable (as defined below) and provided that all indebtedness and obligations secured hereunder have been paid in full or cancelled, the Pledged Shares shall be released from pledge and returned to Seller no later than three days after the provisions specified in this Section 2(d) are satisfied.

3. Purchase and Sale of Common Stock. On each Purchase Date (as defined

below) and upon the terms and subject to the conditions of this Agreement, Seller shall sell, transfer and deliver to Company and Company shall purchase from Seller, all of Seller's right, title and interest in and to that whole number of shares of Common Stock (the "Sale Shares") that is obtained by dividing \$83,333.33 by the Purchase Price (as defined below). On each such Purchase Date, Seller shall deliver to Company a certificate or certificates representing the Sale Shares, together with a Stock Power, attached thereto and duly executed in blank, in proper form for transfer. On each such Purchase Date, in exchange for the Shares, Company shall pay to Seller the amount of \$83,333.33.

For purposes of this Section 3, the term "Purchase Date" shall mean March 3, 2001 and the third day of every month thereafter, ending with March 3, 2002; provided, however, that in the event a Purchase Date is on a day that the United States securities markets are not open for trading, the Purchase Date shall be extended to the next succeeding trading day; and the term "Purchase Price" shall mean a per share amount equal to the product obtained by multiplying (A) the last reported sale price of the Common Stock on the Purchase Date, times (B) 0.9.

4. Representations and Warranties of Seller. Seller hereby represents and

warrants to Company as follows:

(2)

(a) Ownership. All of the shares of Common Stock held by Seller

(collectively, the "Shares") are owned of record and beneficially by Seller, and Seller has, and the transfer by Seller of the Loan Shares, Sale Shares, Put Shares and Option Shares hereunder will pass to Company, good and marketable title to the Common Stock, free and clear of any claims, liens, encumbrances, pledges, security interests or other arrangements or restrictions whatsoever, except for such legend and related transfer restrictions as are required under the Securities Act of 1933, as amended. There are no other outstanding subscriptions, options, warrants, rights, contracts, understandings or agreements to purchase or otherwise acquire any shares of Common Stock.

(b) Legal Capacity. Seller has full legal capacity to enter into this

Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Seller and constitutes a valid and binding obligation of Seller, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally.

5. Representations and Warranties of Company. Company hereby represents and

warrants to Seller as follows:

(a) Corporate Status and Power. Company is a corporation existing

under the laws of the State of Texas. Company has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

(b) Authority. This Agreement has been duly executed and delivered by

Company and constitutes a valid and binding obligation of Company, enforceable in accordance with its terms, except as enforceability may be limited by

bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally.

6. Lock-Up Agreement.

(a) Initial Lock-Up. Except as contemplated by this Agreement, Seller

hereby agrees that for a period of eighteen months from the date hereof (the "Initial Lock-Up Period") he will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of Common Stock or securities convertible into or exchangeable or exercisable for any shares of Common Stock, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such aforementioned transaction is to be settled by delivery of the Common Stock or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Company. Any securities received upon exercise of options granted to Seller will also be subject to the provisions set forth in this Section 6. Seller agrees and consents to the entry and stop transfer instructions with Company's transfer agent against any transfer of shares

(3)

of Common Stock held directly or indirectly by Seller not in compliance with this Agreement. Notwithstanding the foregoing, Seller may sell, contract to sell, pledge or otherwise dispose of shares of Common Stock to Jett, provided that Seller receives prior written approval by the Board of Directors of Company and such sale is at a purchase price in excess of \$2.00 per share.

(b) Extended Lock-Up. The restrictions and obligations of Seller

under Section 6(a) shall be extended without any further action (the "Extended

Lock-Up Period") if Company notifies Seller of its intention to exercise its Option as set forth in Section 8 below. The Lock-up shall be extended only so

long as Mannatech continues to purchase Option Shares pursuant to the Option set forth in Section 8, below. The Extended Lock-Up shall terminate if the Seller shall receive a good faith bona fide offer from a third party to purchase all of his shares, provided that the Company shall have both the right of first refusal and the right to match such offer of the third party, which remain unexercised under the terms set forth below. The Seller shall notify the Company in writing of any such offer, and allow it a 20-day period in which to make a competing offer, he shall notify the Company in writing of the same, allowing it a 20-day period in which to match such third-party offer and proceed to Closing. If the Company has no good faith interest in pursuing the purchase of all of the Seller's shares it may notify the Seller of the same and allow him to proceed immediately to closing by waiving the effect of this Section.

7. Put Right.

(a) Exercise of Put Right. Mannatech shall have the option at any time

during the term of this Agreement to cause Seller to repurchase the Agritech Note by delivering written notice of such election to Seller, which specifies the date of such repurchase, which shall be at least three business days after the date of such written notice (the "Put Date"). Repurchase of the Agritech Note shall be a condition precedent to the operation of Section 8, hereof "Option to Purchase Common Stock."

(b) Payment of Exercise of Put Right. On the Put Date, Seller shall

pay to Company that certain whole number of shares of Common Stock (the "Put Shares") obtained by dividing (i) the amount outstanding on the Agritech Note as of the Put Date, including accrued and unpaid interest by (ii) the Per Share Put Price (as defined). For purposes of this Agreement, the "Per Share Put Price" shall mean a per share amount equal to the product obtained by multiplying (A) the last reported sale price of the Common Stock on the Put Date, times (B) 0.8. On the Put Date, Seller shall transfer and deliver to Company a certificate or

certificates representing the Put Shares, together with a Stock Power attached thereto and duly executed in blank, in proper form for transfer.

8. Option to Purchase Common Stock.

(a) Exercise of Option. At the option of the Company, provided that

Mannatech shall have repurchased the Agritech Note, in accordance with Sections 7(a) and (b) hereof, commencing on March 3, 2002 and on the third day of each month thereafter (each an "Option Purchase Date"), the Company may purchase from Seller not less than 50,000 shares of Mannatech stock at the Option Price, as herein defined, so long as it has adequate cash flow, in the good faith opinion of the Chief Financial Officer of the Company to effect such a transaction with adequate reserves and cash on hand to properly operate the business. In months in which the Chief Financial Officer of Mannatech is of the opinion that the Company has inadequate reserves and/or cash on hand to effect such a purchase of 50,000 Option Shares, then the Company may purchase not less than \$100,000 in value of shares at the Option price (the "Option"), thereby keeping the Lockup, as extended in full force and effect. Any shares purchased pursuant to this Section shall be "Option Shares." For purposes of this Agreement, the "Option Price" shall mean a per share amount equal to the product obtained by multiplying (A) the last reported sale price of the Common Stock on the Option Purchase Date, times (B) 0.9, but in no event less than \$2.00 per share.

(b) Payment of Option. On each Option Purchase Date, Company shall pay

to Seller \$100,000 for the Option Shares and Seller shall deliver to Company a certificate or

(4)

certificates representing the Option Shares, together with a Stock Power attached thereto and duly executed in blank, in proper form for transfer.

9. Miscellaneous.

(a) Survival of Representations and Warranties. All representations

and warranties contained herein shall survive the execution and delivery of this Agreement and the delivery of the Shares, regardless of any investigation at any time made by or on behalf of any party hereto.

(b) Further Assurances. From time to time, and without additional

consideration, Seller and Company, as the case may be, shall execute and deliver, or cause to be executed and delivered, such additional or further transfers, assignments, endorsements, consents and other instruments as Company or Seller, as the case may be, may reasonably request for the purpose of effectively carrying out the transactions contemplated by this Agreement.

(c) Successors and Assigns. This Agreement will be binding upon, inure

to the benefit of, and be enforceable by the parties hereto and their respective successors and assigns.

(d) Amendments. This Agreement may not be amended, supplemented or

modified except by an instrument in writing signed by each of the parties hereto.

(e) Interpretation. The headings contained in this Agreement are for

reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) Counterparts. This Agreement may be executed in multiple

counterparts, each of which shall be deemed to be an original and which taken together shall constitute one and the same agreement.

(g) Entire Agreement. This Agreement (i) constitutes the entire

agreement and supersedes all prior agreements and understandings, both written

and oral, among the parties with respect to the subject matter hereof and (ii) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

(h) Taxes. Seller shall pay all stamp and other taxes, if any, that

may be payable in respect of the sale and delivery to Company of any shares of Common Stock pursuant to this Agreement.

(i) Notice. All notices and other communications required or permitted

hereunder shall be in writing and shall be hand delivered, mailed by certified mail (return receipt requested) or sent by overnight delivery service to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(5)

If to Seller: Charles E. Fioretti
600 South Royal Lane, Suite 500
Coppell, TX 75019

If to Company: Mannatech, Incorporated
600 South Royal Lane, Suite 200
Coppell, Texas 75019
Attn: Deanne Varner, General Counsel

(j) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED

IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS RULES THEREOF. EACH PARTY HERETO AGREES THAT IT SHALL BRING ANY ACTION OR PROCEEDING IN RESPECT OF ANY CLAIM ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTAINED IN OR CONTEMPLATED HEREBY, WHETHER IN TORT OR CONTRACT OR AT LAW OR IN EQUITY, EXCLUSIVELY IN THE STATE COURTS OF TEXAS OR THE FEDERAL COURTS OF THE NORTHERN DISTRICT OF TEXAS (THE "CHOSEN COURTS") AND (i) IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE CHOSEN COURTS, (ii) WAIVES ANY OBJECTION TO LAYING VENUE IN ANY SUCH ACTION OR PROCEEDING IN THE CHOSEN COURTS AND (iii) WAIVES ANY OBJECTION THAT THE CHOSEN COURTS ARE AN INCONVENIENT FORUM OR DO NOT HAVE JURISDICTION OVER ANY PARTY HERETO.

(6)

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

SELLER: By: /s/ CHARLES E. FIORETTI

Name: Charles E. Fioretti

COMPANY: MANNATECH, INCORPORATED,
a Texas corporation

By: /s/ ROBERT M. HENRY

Name: Robert M. Henry

Title: Chief Executive Officer

(7)

EXHIBIT A

PROMISSORY NOTE

\$500,000

Dallas, Texas

August 8, 2000

FOR VALUE RECEIVED, the undersigned, Charles E. Fioretti, an individual residing in the State of Texas ("Maker"), promises to pay to the order of Mannatech, Incorporated, a Texas corporation ("Payee"), the sum of Five Hundred Thousand Dollars (\$500,000). This Note is executed in connection with that certain Note and Stock Purchase Agreement, dated of even date herewith, by and between Maker and Payee (the "Purchase Agreement") and is subject to the terms of such Purchase Agreement.

Reference is hereby made to the Purchase Agreement for provisions affecting this Note regarding payment, and such provisions are hereby incorporated in this Note by reference. All payments made by Maker hereunder shall be made at such location as is directed by Payee without set-off, deduction or counterclaim. All payments shall be applied first to payment of costs and expenses (including reasonable attorneys' fees) incurred by Payee in enforcing this Note, including all costs of collection, next to payment of accrued and unpaid interest and then to the reduction principal.

All past due principal and accrued interest on this Note shall bear interest from maturity until paid at the rate of the lesser of (i) eighteen percent (18%) per annum or (ii) the maximum rate of interest permitted under applicable law. A per annum rate of interest of 6.9% shall be imputed but not charged.

The entire unpaid principal balance of, and all accrued interest on, this Note shall immediately be due and payable at the option of Payee (or with respect to clause (c) automatically without notice of any kind) upon the occurrence of (a) a failure by the undersigned to pay when due any installment of principal or interest under this Note or any other cost due hereunder, (b) any breach of any representation or warranty or any material breach of any covenant or agreement set forth in this Note or the Purchase Agreement on the part of Maker, (c) the commencement of a voluntary case under Title 11 of the United States Code, the filing of an answer or other pleading admitting or failing to deny the material allegations of a petition filed against Maker commencing an involuntary case under said Title 11 or the failure to controvert timely the material allegations of such petition (each such event, an "Event of Default").

No delay on the part of the holder of this Note in the exercise of any power or right under this Note or under any other instrument executed pursuant hereto shall operate as a waiver thereof, nor shall a single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right.

Except as expressly otherwise provided for herein, Maker and all endorsers of this Note waive demand, presentment, protest, notice of dishonor, notice of nonpayment, notice

of intention to accelerate, notice of protest and any and all lack of diligence or delay in collection or the filing of suit hereon which may occur, and agree to all extensions and partial payments, before or after maturity, without prejudice to the holder hereof.

In the event that one or more Events of Default shall occur, and in the event that thereafter this Note is placed in the hands of an attorney for collection, or in the event that this Note is collected in whole or in part through legal proceedings of any nature, then and in any such case, there shall be added to the unpaid principal balance hereof all reasonable costs of collection, including but not limited to reasonable attorneys' fees, on account of such collection, whether or not suit is filed.

THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

All agreements between Maker and the holder of this Note, whether now existing or hereafter arising and whether written or oral, are expressly limited so that in no contingency or event whatsoever, whether by acceleration of the maturity of this Note or otherwise, shall the amount paid, or agreed to be paid, to the holder hereof for the use, forbearance or detention of the money to be

loaned hereunder or otherwise, exceed the maximum amount permissible under applicable law. If from any circumstances whatsoever fulfillment of any provision of this Note or of any other document evidencing, securing or pertaining to the indebtedness evidenced hereby, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstances the holder of this Note shall ever receive as interest under this Note or any other document evidencing, securing or pertaining to the indebtedness evidenced hereby or otherwise an amount that would exceed the highest lawful rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing under this Note or on account of any other indebtedness of Maker to the holder hereof relating to this Note, and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of this Note and such other indebtedness, such excess shall be refunded to Maker. In determining whether or not the interest paid or payable with respect to any indebtedness of Maker to the holder hereof, under any specific contingency, exceeds the highest lawful rate, Maker and the holder hereof shall, to the maximum extent permitted by applicable law, (a) characterize any non-principal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, (c) amortize, prorate, allocate and spread the total amount of interest throughout the full term of such indebtedness so that the actual rate of interest on account of such indebtedness is uniform throughout the term thereof, and/or (d) allocate interest between portions of such indebtedness, to the end that no such portion shall bear interest at a rate greater than that permitted by law. The terms and provisions of this paragraph shall control and supersede every other conflicting provision of all agreements between Maker and the holder hereof.

All of the stipulations, promises and agreements in this Note contained by or on behalf of Maker and Payee shall bind the successors and assigns of Maker and Payee, whether so expressed or not, and inure to the benefit of the successors and assigns of Maker and Payee.

In the event any one or more of the provisions contained in this Note shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first above written.

/s/ CHARLES E. FIORETTI

Charles E. Fioretti

EXHIBIT B

STOCK POWER

FOR VALUE RECEIVED, _____ (the "Transferor") does hereby sell,
assign and transfer unto _____ (_____) shares of the Common Stock,
\$.01 par value, of Mannatech, Incorporated (the "Company") standing in the
Transferor's name on the books of the Company, represented by Certificate No.
_____ herewith, and does hereby irrevocably constitute and appoint

_____ attorney to transfer the said stock on the books of the Company
with full power of substitution in the premises.

Dated _____, 2000.

By: /s/ CHARLES E. FIORETTI

In presence of

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT JUNE 30, 2000 AND THE CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

</LEGEND>

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