

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 March 31, 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
(State or other Jurisdiction of
Incorporation or Organization)

75-2508900
(I.R.S. Employer
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 April 28, 2000, the number of shares outstanding of the registrant's
sole class of common stock, par value \$0.0001 per share was 24,979,993.

TABLE OF CONTENTS

Page

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements.....	1
Consolidated Balance Sheets.....	1
Consolidated Statements of Operations.....	2
Consolidated Statements of Cash Flows.....	3
Notes to Consolidated Financial Statements.....	4

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	6
Overview.....	6
Results of Operations.....	8
Three months ended March 31, 2000 compared with the three months ended March 31, 1999.....	8
Liquidity and Capital Resources.....	10
Year 2000.....	12
Recent Financial Accounting Standards Board Statements.....	12
Forward-looking Statements.....	12

Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	13
---	----

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.....	14
Item 2. Changes in Securities and Use of Proceeds.....	14
Item 3. Defaults Upon Senior Securities.....	15
Item 4. Submission of Matters to a Vote of Security Holders.....	15
Item 5. Other Information.....	15
Item 6. Exhibits and Reports on Form 8-K.....	15

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	December 31,	March 31, 2000
	1999	(Unaudited)
	-----	-----

ASSETS

Cash and cash equivalents.....	\$11,576	\$ 8,952
Short-term investments.....	1,388	948
Accounts receivable, less allowance for doubtful accounts of \$58.....	275	237
Current portion of notes receivable-shareholders.....	158	215
Inventories.....	13,318	14,283
Prepaid expenses and other current assets.....	728	1,102
Deferred tax assets.....	564	546
	-----	-----
Total current assets.....	28,007	26,283
Property and equipment, net.....	14,093	14,763
Notes receivable-shareholders, excluding current portion.....	543	384
Other assets.....	1,231	1,169
Long-term investments.....	905	710

Total assets.....	----- \$44,779 =====	----- \$43,309 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of capital leases and note payable.....	\$ 732	\$ 697
Accounts payable.....	1,890	1,813
Accrued expenses.....	13,722	12,573
	-----	-----
Total current liabilities.....	16,344	15,083
Capital leases and note payable, excluding current portion....	326	182
Deferred tax liabilities.....	817	817
	-----	-----
Total liabilities.....	17,487	16,082
	-----	-----
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 issued and 24,774,293 outstanding, in 1999 and 24,965,601 issued and 24,949,293 outstanding in 2000.....	2	2
Additional paid-in capital.....	17,348	17,786
Retained earnings.....	10,146	9,643
	-----	-----
Less treasury stock, at cost, 16,308 shares.....	27,496 (204)	27,431 (204)
	-----	-----
Total shareholders' equity.....	27,292	27,227
	-----	-----
Total liabilities and shareholders' equity.....	\$44,779 =====	\$43,309 =====

See accompanying notes to consolidated financial statements.

1

MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND 2000
(in thousands, except per share amounts)

	1999	2000
	-----	-----
Net sales.....	\$42,616	\$40,274
	-----	-----
Cost of sales.....	6,893	7,030
Commissions.....	17,316	16,745
	-----	-----
	24,209	23,775
	-----	-----
Gross profit.....	18,407	16,499
	-----	-----
Operating expenses:		
Selling and administrative expenses.....	8,472	9,947
Other operating costs.....	5,354	7,433
	-----	-----
Total operating expenses.....	13,826	17,380
	-----	-----
Income (loss) from operations.....	4,581	(881)
Interest income.....	89	243
Interest expense.....	(50)	(24)
Other expense, net.....	(17)	(112)
	-----	-----

Income (loss) before income taxes.....	4,603	(774)
Income tax (expense) benefit.....	(1,701)	271
	-----	-----
Net income (loss).....	\$ 2,902	\$ (503)
	=====	=====
Earnings (loss) per common share:		
Basic.....	\$ 0.13	\$ (0.02)
	=====	=====
Diluted.....	\$ 0.12	\$ (0.02)
	=====	=====
Weighted-average common shares outstanding:		
Basic.....	23,114	24,781
	=====	=====
Diluted.....	24,480	24,781
	=====	=====
Dividends declared per common share.....	\$ 0.06	\$ 0.00
	=====	=====

See accompanying notes to consolidated financial statements.

2

MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND 2000
(in thousands)

	1999	2000
	-----	-----
Cash flows from operating activities:		
Net income (loss).....	\$ 2,902	\$ (503)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization.....	733	834
Tax benefit of warrants and options exercised.....	2,005	195
Deferred income tax expense.....	--	18
Changes in operating assets and liabilities:		
Accounts receivable.....	20	38
Inventories.....	(1,125)	(964)
Prepaid expenses and other current assets.....	(191)	(375)
Other assets.....	36	61
Accounts payable.....	(3,784)	(78)
Accrued expenses.....	(3,909)	(1,148)
	-----	-----
Net cash used in operating activities.....	(3,313)	(1,922)
	-----	-----
Cash flows from investing activities:		
Acquisition of property and equipment and construction in progress.....	(411)	(1,504)
Purchases of investments.....	(101)	(31)
Maturities of investments.....	--	667
Repayment of shareholders/related party receivables, net.....	974	102
	-----	-----
Net cash provided by (used in) investing activities.....	462	(766)
	-----	-----
Cash flows from financing activities:		
Payment of dividends.....	(1,326)	--
Repayment of capital lease obligations.....	(175)	(133)
Proceeds from the initial public offering.....	12,000	--
Proceeds from warrants and options exercises.....	641	243
Repayment of note payable.....	(57)	(46)
Deferred offering costs.....	(615)	--
	-----	-----
Net cash provided by financing activities.....	10,468	64
	-----	-----

Net increase (decrease) in cash and cash equivalents.....	7,617	(2,624)
Cash and cash equivalents:		
Beginning of period.....	763	11,576
	-----	-----
End of period.....	\$ 8,380	\$ 8,952
	=====	=====
Supplemental disclosure of cash flow information:		
Income taxes paid.....	\$ 3,464	\$ -
	=====	=====
Interest paid.....	\$ 53	\$ 24
	=====	=====

See accompanying notes to consolidated financial statements.

3

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 and the United Kingdom. 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.

On April 22, 1998, the Company formed a wholly-owned subsidiary, Mannatech Australia Pty Limited for the purpose of conducting business in Australia. The Australian subsidiary, located in St. Leonards, began operations on October 1, 1998.

On December 1, 1998, the Company formed a wholly-owned subsidiary, Mannatech Limited, for the purpose of conducting business in the Republic of Ireland. This subsidiary is dormant pending the start-up of operations in the Republic of Ireland.

In April 1999, the Company formed a wholly-owned subsidiary, Mannatech Ltd., for the purpose of conducting business in the United Kingdom as a limited service provider. The United Kingdom subsidiary is located in Basingstoke, Hampshire and began operations on November 15, 1999.

On May 1, 1999, the Company formed a wholly-owned subsidiary, Mannatech Foreign Sales Corporation, under the laws of Barbados to act as a "foreign sales corporation" as defined in the United States Internal Revenue Code.

On May 7, 1999, the Company formed a wholly-owned subsidiary, Internet Health Group, Inc., a Texas corporation, for marketing its proprietary products, specially developed nutritional supplements and sports nutrition products over the Internet. Internet Health Group, Inc. operates through its website, www.clickwell.com, which began operations on December 20, 1999.

On January 21, 2000, the Company formed a wholly-owned subsidiary, Mannatech Japan, Inc. for the purpose of conducting business in Japan. The Japan subsidiary, located in Tokyo, Japan, is planned to begin operations in the summer of 2000.

On February 14, 2000, the Company formed a wholly-owned subsidiary, Mannatech Limited, for the purpose of conducting business in New Zealand. This subsidiary is dormant pending the start-up of operations in New Zealand.

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 as of March 31, 1999 and 2000 and for the three months ended March 31, 1999 and March 31, 2000. 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.

Use of Estimates

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make certain estimates and assumptions that may affect the reported amounts of assets, liabilities, revenues and expenses during the reporting periods. Actual results may differ from such estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three-months or less to be cash equivalents.

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.

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 on the weighted-average number of common shares and dilutive common share equivalents outstanding during each period. At March 31, 2000, 2,074,000, which were all of our 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 March 31, 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 common shareholders	\$ 2,902	23,114	\$0.13	\$(503)	24,871	(\$0.02)
Effect of dilutive securities:						
Stock options	--	1,366		--	--	
Diluted EPS:						
Net income (loss) available to common shareholders plus assumed conversions	\$ 2,902	24,480	\$0.12	\$(503)	24,871	(\$0.02)

NOTE 2 INVENTORIES

At December 31, 1999 and March 31, 2000 inventory, rounded to the nearest thousands, consist of the following:

	1999	2000
	-----	-----
Raw materials.....	\$ 5,788	\$ 6,073
Finished goods.....	7,530	8,210
	-----	-----
	\$13,318	\$14,283
	=====	=====

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 three months ended March 31, 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 and Outlook

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 and the United Kingdom, through a network of approximately 268,000 active associates as of April 28, 2000, compared to approximately 244,000 active associates as of April 30, 1999. For the three months ended March 31, 2000 international net sales were 23.1% of consolidated net sales.

In the future, as we expand into additional international markets, we expect international operations may account for an increasing percentage of our consolidated net sales. We believe that once we open our Japanese operations, it will increase our consolidated sales. Our Japanese operation is scheduled to open in June or July of 2000. Our international growth would be attributable to (A) our introduction of new products; (B) growth in the number of associates; and (C) expansion into new international markets. In the first quarter of 2000, the growth rate of Australian net sales increased and in November 1999, we opened our United Kingdom operation. However, in 1999, which marked the beginning of our expansion internationally, our growth rate in net sales generated in the United States and Canada began to shrink as compared to prior periods. In addition, in the first quarter of 2000, United States and Canadian net sales actually decreased in both volume and in total dollars sold as compared to the same period in 1999. We believe this decrease is primarily due to our associates in the United States and Canada concentrating their efforts on the development of their presence in the United Kingdom and Japan as opposed to concentrating their efforts on domestic sales. We believe the decline in our United States and Canada net sales may continue in 2000, as we incur additional startup costs in our efforts of opening our Japan operations.

Our basic earnings (loss) per share was (\$0.02) for the three-months ended March 31, 2000 compared to \$0.13 per share for the three-months ended March 31, 1999. This was primarily due to a decrease in sales of \$2.3 million and \$2.1 million in start up expenses relating to our continued international expansion into Japan, some additional expenses incurred with the opening of the United Kingdom in November 1999 and significant operating costs for the opening of our website subsidiary, Internet Health Group, Inc., which sells nutritional supplements over the Internet. We expect the net loss in the second quarter of 2000 as we continue to incur significant start up costs associated with launching our Japanese operations; however, we have begun measures to reduce unnecessary selling, administration and operating costs.

Our revenues are primarily 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 upon shipment of products or promotional materials. 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 are 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 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 \$800,000, \$700,000 and \$900,000 at December 31, 1999, March 31, 1999 and 2000, respectively.

Associates are compensated by commissions, which are our most significant expense. 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.

In October 1998, we revised portions of our compensation plan to perfect our global seamless downline compensation concept and ensure compliance with common international standards for paying commissions. The commission pool, as a whole, remains unchanged and we do not intend for commissions, under our revised compensation plan, to materially exceed 42% of commissionable net sales.

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 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 our 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 many of the countries that we may expand into during 2000 and beyond have maximum statutory tax rates higher than the United States tax rate, we could 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 March 31,	
	----- 1999 -----	2000 -----
Net sales.....	100.0%	100.0%

Cost of sales.....	16.2	17.4
Commissions.....	40.6	41.6
	-----	-----
Gross profit.....	43.2	41.0
Operating expenses:		
Selling and administrative expenses.....	19.8	24.7
Other operating costs.....	12.6	18.5
	-----	-----
Income (loss) from operations.....	10.8	(2.2)
Interest income.....	0.2	0.6
Interest expense.....	(0.1)	0.0
Other expense, net.....	(0.1)	(0.3)
	-----	-----
Income (loss) before income taxes.....	10.8	(1.9)
Income tax (expense) benefit.....	(4.0)	0.7
	-----	-----
Net income (loss).....	6.8%	(1.2)%
	=====	=====
Number of starter packs sold.....	32,530	32,438
Number of renewal packs sold.....	14,604	18,337
	-----	-----
Total number of packs sold.....	47,134	50,775
	=====	=====
Total associates canceling associate status.....	1,448	2,496
	=====	=====

Three months ended March 31, 2000 compared with the three months ended March 31, 1999.

Net Sales. Net sales decreased (5.4%) to \$40.3 million for the three months ended March 31, 2000 from \$42.6 million for the comparable period in 1999. Net sales for United States and Canada decreased \$3.0 million as compared to the same period in 1999. We believe this decrease was primarily the result of associates concentrating their efforts on developing a presence in Japan and the United Kingdom rather than growing their business domestically. The overall decrease, in net sales, was primarily composed of the following:

- . A \$4.1 million increase from the sale of several new products introduced during the first three months of 2000 and the last nine months of 1999.
- . A (\$6.4) million decrease in existing product sales resulting from a decrease of approximately 30% of the volume of products sold in the United States and Canada offset by the increase in Australian and the United Kingdom existing product sales of approximately \$680,000.
- . Associate pack sales remained the same for the three months ended March 31, 2000 compared to the same period in 1999. The number of new associates purchasing packs remained the same; however, the dollar sales of the new associate packs sold decreased by approximately (\$100,000). This decrease was the result of the mix of associate packs sold as the average price per pack decreased to \$124 for the three months ended March 31, 2000 from \$128 for the comparable period in 1999. The number of associates renewing their associate status by purchasing a renewal pack increased by 25.5% which was primarily the result of hiring a marketing firm to increase annual renewals by associates; however, the dollar sales of associate renewal packs sold only increased by approximately \$100,000. The slight increase was the result of the mix of associate renewal packs sold as the average price per pack decreased to \$159 for the three months ended March 31, 2000 from \$194 for the comparable period in 1999.

Cost of Sales. Cost of sales increased 1.4% to \$7.0 million for the three months ended March 31, 2000 from \$6.9 million for the comparable period in 1999. As a percentage of net sales, cost of sales increased to 17.4% for the three months ended March 31, 2000 from 16.2% for the comparable period in 1999. The increase in cost of sales as a percentage of net sales was primarily due to \$200,000 of write-offs relating to the discontinuance of various promotional materials sold and \$208,000 of finished goods used in our quality control

sampling and given away as samples and charitable contributions. The dollar increase in cost of sales was primarily the result of the decrease in volume of finished goods which was offset by the \$200,000 of write-offs of finished goods and \$208,000 finished goods used in our quality control sampling.

Commissions. Commissions consist of payments to associates for sales activity and downline growth. Commissions decreased (3.5%) to \$16.7 million for the three months ended March 31, 2000 from \$17.3 million for the comparable period in 1999. As a percentage of net sales, commissions increased to 41.6% for the three months ended March 31, 2000 from 40.6% for the comparable period in 1999. The percentage increase was the direct result of the following:

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

Gross Profit. Gross profit decreased (10.3%) to \$16.5 million for the three months ended March 31, 2000 from \$18.4 million for the comparable period in 1999. As a percentage of net sales, gross profit decreased to 41.0% for the three months ended March 31, 2000 from 43.2% 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 and marketing expenses, including associate events and are a mixture of both fixed and variable expenses. Selling and administrative expenses increased 16.5% to \$9.9 million for the three months ended March 31, 2000 from \$8.5 million for the comparable period in 1999. As a percentage of net sales, selling and administrative expenses increased to 24.7% for the three months ended March 31, 2000 from 19.8% for the comparable period in 1999. The dollar amount of the increase was due primarily to an increase of \$1.1 million relating to advertising for our Internet Health Group, Inc. subsidiary, hosting our corporate events and a \$350,000 increase in wages and benefits primarily due to international expansion. The increase in corporate events was a result of hosting events in Australia, United Kingdom and Japan and an increase in the attendance of our annual national event.

Other Operating Costs. Other operating costs include utilities, depreciation, travel, office supplies and printing expenses. Other operating costs increased 37.0% to \$7.4 million for the three months ended March 31, 2000 from \$5.4 million for the comparable period in 1999. As a percentage of net sales, other operating costs increased to 18.5% for the three months ended March 31, 2000 from 12.6% for the comparable period in 1999. The dollar amount increase was primarily due to the following:

- . an increase in our start up cost related to our international expansion consisting of approximately \$671,000 for consulting services and \$408,000 for various travel expenses.
- . an increase of approximately \$654,000 related to various operating expenses for international expansion such as building rent for our overseas offices, insurance, depreciation, postage and telephone; and
- . approximately \$300,000 increase in fees charged by a third party processor for our Australia and United Kingdom operations.

Interest Income. Interest income increased 173.0% to \$243,000 for the three months ended March 31, 2000 from \$89,000 for the comparable period in 1999. As a percentage of net sales, interest income increased 0.6% for the

three months ended March 31, 2000 from 0.2% for the comparable period in 1999. The increase was primarily due to the receipt of the initial public offering net proceeds, in February 1999, which we invested in interest bearing accounts and certain investments.

Interest Expense. Interest expense decreased (52.0%) to \$24,000 for the three months ended March 31, 2000 from \$50,000 for the comparable period in 1999. As a percentage of net sales, interest expense decreased to 0.0% for the

three months ending March 31, 2000 from 0.1% for the comparable period in 1999. The decrease was due primarily to the reduction of the principal of our two capital leases.

Other Expense, Net. Other expense consists of tax penalties, miscellaneous income and nonoperating items. Other expense increased 558.8% to \$112,000 for the three months ended March 31, 2000 from \$17,000 for the comparable period in 1999. As a percentage of net sales, other expense increased 0.3% for the three months ended March 31, 2000 from 0.1% for the comparable period in 1999. For the three months ended March 31, 2000, other expense consisted of approximately \$36,000 in certain tax penalties and approximately \$63,000 in currency exchange losses due to translation fluctuations. For the three months ended March 31, 1999, other expense consisted primarily of miscellaneous expense of \$11,000 and \$3,000 of currency exchange losses due to translation fluctuations.

Income Tax (Expense) Benefit. Income tax (expense) benefit was \$271,000 for the three months ended March 31, 2000 and (\$1.7 million) for the comparable period in 1999. The effective tax rate decreased to 35.0% for the three months ended March 31, 2000 from 36.9% for the comparable period in 1999.

Net income (loss). For the three months ending March 31, 2000 we had a net loss of (\$503,000) compared to net income of \$2.9 million for the comparable period in 1999. As a percentage of net sales, (1.2%) for the three months ended March 31, 2000 compared to 6.8% in 1999. The dollar amount of the decrease was due to net sales decreasing by (5.4%), expenses incurred related to our international expansion and corporate events.

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, some of our existing shareholders sold 1,556,016 shares and we sold 1,500,000 shares of our common stock, at \$8.00 per share. We planned to use 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 approximately \$5.1 million on these items as of March 31, 2000. The remaining \$2.9 million was used 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. In the first quarter of 2000, we received approximately \$243,000 from the exercise of 175,000 stock options at a price per share ranging from \$1.35 to \$2.00 per share.

Our primary capital requirement is to fund working capital to support our international growth. In the past, we financed our operations and capital requirements through cash flows from operating activities. We had working capital of \$11.7 million as of December 31, 1999 compared to working capital of \$11.2 million at March 31, 2000. For the first three months of 1999, we invested approximately \$411,000 in property and equipment including the expansion into Australia. During the first three months of 2000 we invested approximately \$1.5 million in property and equipment including expansion into the United Kingdom and Japan.

We paid approximately \$1.3 million in dividends to our shareholders in the first three months of 1999. Additionally, current liabilities are increasing due to an increase in payables and inventory purchases relating to our expansion into United Kingdom and Japan. We believe our existing facilities are sufficient to support our 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.

Operating Activities. Net cash used in operating activities was (\$3.3) million for the three months ended March 31, 1999 compared to (\$1.9) million for the three months ended March 31, 2000. During 1999, an increase in net income

were partially offset by increases in inventory and other expenses related to our international expansion and a decrease in income tax payable of approximately \$2.0 million from the tax benefit related to the exercise of warrants. During the first three months ended March 31, 2000, we recorded a net loss and an increase in inventory and payables related to our international expansion. During the first three months of 2000, we have spent approximately \$700,000 and expect to spend up to an additional \$3.0 million for start up expenses and between \$1.0 and \$2.0 million for initial inventory for expansion into Japan.

Investing Activities. Net cash provided by (used in) investing activities was \$462,000 for the three months ended March 31, 1999 compared to (\$766,000) for the three months ended March 31, 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 our facilities and current software program should be sufficient for our current operations. However, the remainder of 2000, we intend to spend up to an additional \$3.8 million for translation of our software into other languages, additional purchases of equipment and build-out of leased facilities for our planned international expansion into Japan. In the first three months of 2000, these activities consisted of purchases of computer hardware and software, build out of our Japan facility, investments earnings and redemption of some investments.

Financing Activities. Net cash provided by financing activities totaled \$10.5 million and \$64,000 for the three months ended March 31, 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 offering proceeds of approximately \$12.0 million were received. In the first three months of 2000, we received approximately \$243,000 related to the exercise of 175,000 stock options at a price per share ranging from \$1.35 to \$2.00.

Our existing capital resources, including working capital and bank borrowings together with the proceeds from the initial public offering, suspension of dividend payments to shareholders, and expected cash provided by operating activities 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. Changes could 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, together with the net proceeds of the initial public offering, 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 indicate 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 is 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 still may 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 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.

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," "Other Information" and the Notes to Consolidated Financial Statements and elsewhere in this report 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 economic performance, international expansion;
- . our capital budget and future capital requirements;
- . meeting our future capital needs;
- . the level of future expenditures;
- . reduction of unnecessary selling, administrative and operating expenses;
- . expected sales from our operations in Japan and the exposure to foreign currency risks;
- . expected future net losses;
- . expected tax rates;
- . use of proceeds;
- . management's expectations; and
- . the outcome of litigation matters, and the assumptions described in this report underlying such forward-looking statements.

Actual results and developments could 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.

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. 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, as hedges, or for purposes "other than trading," instruments that are likely to expose us to certain types of market risk, including interest rate, commodity price or equity price risk. We do have investments but there has been no material change in our exposure to interest rate risk on 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 March 31, 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 expand into Japan, scheduled for the summer of 2000, 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 quarter 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

On February 24, 2000, Ms. Caroline Rivers filed a class action complaint in District Court, County of Boulder, State of Colorado; naming Mannatech and three other companies as co-defendants. The other defendants named in the complaint were International Benefits Association, an unincorporated association, U.S.

Alliance, a Maryland corporation and Alliance Administrators, a Maryland corporation. The other defendants were involved in certain health benefit programs offered to Mannatech's associates. Ms. Rivers is alleging breach of contract, negligence and that the defendants were marketing and selling illegal health insurance policies and failed to pay benefits under such policies, which caused economic loss to her and others. The complaint is in the beginning stages and no class has been certified; however, Mannatech will file a response to the complaint in May 2000 and seek to dismiss this matter as we believe we have valid defenses and that the allegations are completely without merit. Nevertheless, an adverse resolution to this matter could have a material adverse effect on our business, results of operations, financial condition and liquidity.

No other 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.

Item 2. Changes in Securities and Use of Proceeds

- (a) Not applicable.
- (b) Not applicable.
- (c) None.

(d) Uses 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, of \$12,448,128. The net proceeds 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 intend to use our net proceeds of \$9.2 million as follows:

- . \$6,265,858 of the net proceeds is intended to fund our international expansion. As of March 31, 2000, we had used \$5,136,390 of these proceeds to pay for our expansion to Australia, the United Kingdom, and our initiate expansion into Japan. We have \$1,129,468 of the net proceeds remaining for future international expansion.
- . \$2,975,100 of the net proceeds was used, as planned, 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

None.

Item 5. Other Information

On April 1, 2000, Mr. Samuel L. Caster resigned as President and became

Co-Chairman of the Board. Mr. Terry L. Persinger was appointed by the Board to replace Mr. Caster as President. On April 1, 2000, Mr. Charles E. Fiorett, also resigned as Chief Executive Officer and Mr. Robert M. Henry was hired as our new Chief Executive Officer. Mr. Henry, age 53, served as an Executive Partner for Gryphon Investors, a private investor equity group from February 1999 to March 2000. From 1995 until August 1998, Mr. Henry served as Chief Operating officer and Vice President of Operations and Systems for Hosiery Corp of America, who is a manufacturer and distributor of pantyhose and other women's intimate apparel. From 1990 to 1995, Mr. Henry served as Chief Operating Officer, Chief Financial Officer and Vice Chairman for McCaffrey and McCall partners, which is a full service advertising agency. Mr. Henry received a B.S. in Accounting from Hunter College in New York, New York and a J.D. from Brooklyn Law School. Mr. Henry has been a member of the New York State Bar since 1975. In addition, Mr. Henry is a director of Purity Products, Inc.

On May 5, 2000, the written resignation of Mr. Samuel L. Caster was accepted by our Board of Directors. Mr. Caster resignation stated he would resign due to the recent decisions to remove him as President and subsequent refusal to name him as the sole Chairman of the Board. Mr. Caster stated for these reasons, he felt he was no longer empowered to make a significant contribution to Mannatech. Mr. Robert M. Henry was appointed to replace Mr. Samuel L. Caster as a Class I director. Mannatech filed a Form 8-K, on May 12, 2000 disclosing the reasons for Mr. Caster's resignation and disagreements and Mannatech's response.

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.

15

- 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.
 - 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.
- 16
- 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.
 - 10.14 Letter of Agreement from Mannatech to Michael L. Finney of LAREX, Incorporated dated December 23, 1997, incorporated herein by reference to Exhibit 10.20 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
 - 10.15 Product Development and Distribution Agreement effective as of September 15, 1997 between New Era Nutrition Inc. and Mannatech, incorporated herein by reference to Exhibit 10.21 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
 - 10.16 Summary of Management Bonus Plan, incorporated herein by reference to Exhibit 10.23 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.

- 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.
- 10.23 Renewal and Extension Promissory Note dated February 17, 1999 in the amount of \$199,896.09 made by Charles E. Fioretti, incorporated herein by reference to Exhibit 10.27 to Mannatech's 1998 Form 10-K (File No. 000-24657) filed with the Commission on March 31, 1999.
- 10.24* Form of Employment Agreement entered into between Mannatech and Robert M. Henry.

27* Financial Data Schedule.

* Filed herewith.

17

(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 which 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; however, strongly disagrees with Mr. Caster's allegations. In addition, Mannatech also rejected his proposal letter, dated May 3, 2000.

18

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

May 15, 2000

/s/ ROBERT M. HENRY

Robert M. Henry
Chief Executive Officer and Director

May 15, 2000

/s/ STEPHEN D. FENSTERMACHER

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

19

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.
- 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.
- 10.14 Letter of Agreement from Mannatech to Michael L. Finney of LAREX, Incorporated dated December 23, 1997, incorporated herein by reference to Exhibit 10.20 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.15 Product Development and Distribution Agreement effective as of September 15, 1997 between New Era Nutrition Inc. and Mannatech, incorporated herein by reference to Exhibit 10.21 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 10.16 Summary of Management Bonus Plan, incorporated herein by reference to Exhibit 10.23 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on September 10, 1998.
- 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.

- 10.23 Renewal and Extension Promissory Note dated February 17, 1999 in the amount of \$199,896.09 made by Charles E. Fioretti, incorporated herein by reference to Exhibit 10.27 to Mannatech's 1998 Form 10-K (File No. 000-24657) filed with the Commission on March 31, 1999.

- 10.24* Form of Employment Agreement entered into between Mannatech and Robert M. Henry.

- 27* Financial Data Schedule.

* Filed herewith.

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is made and effective this 1st day of April, 2000, by and between Mannatech, Incorporated ("Employer"), a Texas corporation whose principal place of business is 600 S. Royal Lane, Suite 200, Coppell, Texas and Robert M. Henry ("Employee"), who resides at 21 Azalea Trail, Westfield, New Jersey 07090.

WITNESSETH:

WHEREAS, the Employer 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 the Employer has agreed to hire Employee as Chief Executive Officer under terms and conditions to be set forth herein; and

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

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

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

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

1

ARTICLE I.
DUTIES AND COMPENSATION

1. Employee is hired, commencing April 1, 2000 as Chief Executive Officer or other such comparable position as the parties shall agree. The term of this Agreement, unless otherwise modified in writing is for a three (3) year calendar period, ending on March 31, 2003. Unless this Agreement is terminated by written notice by either party at least ninety (90) days prior to March 31, 2003, this Agreement shall renew on April 1, 2003 for an additional one-year period, with like automatic renewals occurring at least ninety (90) days prior to each subsequent anniversary date of this Agreement unless or until written or other termination is effected.

2. Employee is engaged to serve as Chief Executive Officer at an annual salary of \$350,000 (Three Hundred Fifty Thousand Dollars). Employee, initially, shall report directly to the Board of Directors and be directly responsible for the ultimate responsibility, subject to the actions of the Board of Directors, for the following functional areas: Domestic Operations, North American Operations, Accounting, Legal and Regulatory Affairs.

3. Until December 31, 2000, the Employee shall be entitled to the reimbursement of all legitimate expenses incurred as an Employee of the Employer, which shall also specifically include, air fare to and from his home

in New Jersey and reasonable living expenses until such time as employee shall have moved his residence to the Dallas-Fort Worth, Texas Area. The Company shall also pay the reasonable costs of relocation by the Employee and his family to the Dallas-Fort Worth area, which shall include realtor's fees and reasonable related expenses in connection with the sale of his New Jersey home and customary reasonable fees and expenses payable by a buyer in connection with the acquisition of a Texas property in the Dallas-Fort Worth area. Further, any negative tax consequences accruing to the Employee, if any, resulting from payments under this provision shall be reimbursed by the Company.

4. Employee is eligible and shall participate in accordance with the usual rules of participation in all Company and officer benefits accorded and accruing to an employee of his rank. These include, but may not be limited to:

- a. Medical, dental, life, long and short-term disability insurance, commencing 31 days after the inception of employment; coverage under the Company's director and officer liability insurance policies;
- b. The executive company car program;
- c. Company stock option plans commencing in the year 2000 on a basis equivalent to all other persons of his corporate rank and title (it being specially agreed that if stock options are hereafter granted based on rank, that Employee shall receive not less than a grant of 150,000 options);

2

- d. The executive bonus plan (which participation will be pro-rated for calendar 2000, based upon your term of employment) on a basis equivalent to all other persons of his corporate rank and title; and
- e. The Company's 401-K Plan.

As additional benefits and programs of benefits are added for employees, generally, and employees of your rank, specifically, you will be entitled to participate in those benefits and programs of benefits as the same become offered.

5. Employee shall be entitled to twenty (20) days paid vacation for each full year of employment.

ARTICLE II.

DUTIES, NON-COMPETITION and NON-SOLICITATION

1. Employee agrees to serve in the position of Chief Executive officer, or such other position as the parties may hereafter agree during the term of this agreement, and to perform diligently and to the best of Employee's abilities the duties and services appertaining to such offices, as well as such additional duties and services appropriate to such office upon which the parties mutually may agree from time-to-time or as shall be designated by the Board of Directors. The Employee also agrees that his employment is subject to the current and future policies and procedures maintained and established by the Employer. The Employee shall devote the Employee's full productive time, best efforts, ability and attention to the business of the Employer and the performance of the Employee's duties.

2. Employee acknowledges and understands that from time to time the Employee's duties may require the Employee to work on-site at a non-company location. In such instance, the Employee agrees to comply with all of the policies, procedures and directives relevant to working at such non-company location.

3. Employee represents and admits that in the termination of the Employee's employment for any reason whatsoever, the Employee's experiences and capabilities are such that the Employee can obtain employment 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 the Employee from earning a livelihood.

4. Employee acknowledges that the Employee will receive special knowledge

and specialized training from the Employer, included in which is the CONFIDENTIAL INFORMATION identified in Article III below. The Employee further acknowledges that training provided by the Employer and the CONFIDENTIAL INFORMATION is valuable to the Employer and, therefore, the Employer's investment in the training and the protection and

3

maintenance of the CONFIDENTIAL INFORMATION constitutes a legitimate interest to be protected by the Employer by the covenant not to compete, set forth in Article II of this Agreement.

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

6. Non-Solicitation. The Employee further agrees that for a period of one (1) year after the Employee shall cease to be employed by the Employer for any reason, the Employee will not, either directly or indirectly, through any person, firm, association or corporation with which the Employee, customer and/or independent contractor sales associate ("Subject Person") is now or may hereafter become associated with, solicit, cause, influence or induce any present or future Subject Person of the Employer or its affiliates to leave the employ or business relationship with the Employer or its affiliates to accept employment or a business relationship with the Employee or with such person, firm, association, or corporation with whom the Employee may then be affiliated.

As set forth above, the Employee 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 Employment 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 the Employer, 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 the Employer, 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. Employee agrees that in the highly competitive business in which the Employer is engaged, personal contact is of primary importance in securing new and retaining present Associates and customers. The Employee also agrees that the Employer has a legitimate interest in maintaining its relationships with its Associates and customers and that it would be unfair for the Employee to solicit the business of the Employer's Associates and customers and exploit the personal relationships the Employee develops with the Employer's Associates and customers by virtue of the Employee's access to the Employer's customers as a result of the Employee's employment by the Employer.

4

8. 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 the Employee shall not be a defense for the Employee to claims arising from the Employer's enforcement of the provisions of this paragraph. Should the Employee 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 the Employee began such violation until the Employee permanently ceases such violation.

9. Irrespective of the term of employment under this Agreement, and in consideration of the promises specified in Article II of this Agreement, the Employer agrees as follows:

- a. To provide specialized training as specified herein; and
- b. To provide the Employee with access to the Employer's software and files, records, marketing procedures, processes, computer programs, compilations of information, records, Associate and client requirements, 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 of the Employer.

10. Employee 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.

11. Employee shall be bound by and abide by all employee and officer policies of the Company in effect during the term of his employment.

12. Employee acknowledges and agrees that he owes a fiduciary duty of loyalty, fidelity, and allegiance to act at all times in the best interests of Company. In keeping with these duties, Employee shall make full disclosure to Company of all business opportunities pertaining to Company's business and shall not appropriate for Employee's own benefit business opportunities concerning the subject matter of the fiduciary relationship.

13. 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.

5

ARTICLE III. CONFIDENTIAL INFORMATION

1. The Employer will provide or has provided the Employee with specialized information concerning the products and the business operations of the Employer. Irrespective of the term of employment, and in consideration of the Employee's promises specified in Article II of this Agreement, the Employer agrees to provide specialized training and instruction to the Employee for the job duties assigned to the Employee, and agrees to provide specialized training to the Employee for such additional job duties as the Employer may, in good faith, direct or as the interests, needs and business opportunities of the Employer shall require or make advisable.

2. During the course of the Employee's employment and training incident thereto the Employee will be or was given access to the Employer's CONFIDENTIAL INFORMATION concerning Products and the business operations of the Employer.

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

4. For purposes of this Agreement "CONFIDENTIAL INFORMATION" shall mean and include information disclosed to the Employee or known by the Employee through the Employee's employment with the Employer, not generally known in the Employer's industry, about the Employer'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, Associates), customer lists (including downline reports and similar reports of business activities and relevant information concerning persons who conduct the same), 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.

5. The Employee recognizes that the Employee's position with the Employer is one of the highest trust and confidence by reason of the Employee's access to

the CONFIDENTIAL INFORMATION and the Employee agrees to use the Employee's best efforts and will exercise utmost diligence to protect and safeguard the CONFIDENTIAL INFORMATION. In this respect, the Employee agrees that fulfilling the obligations of the Agreement is part of the Employee's job responsibilities with the Employer for which the Employee has been retained as an Employee and for which the Employee has received consideration therefor.

6. Except as may be required by the Employer in connection with and during the Employee's employment with the Employer, or with the express written permission of the

6

Employer, the Employee shall not, either during the Employee's work as an employee with the Employer or at any time thereafter, directly or indirectly, download, printout, copy, remove from the premises of the Employer, use for the Employee's own benefit or for the benefit of another, or disclose to another, any CONFIDENTIAL INFORMATION of the Employer, its customers, contractors or other with which the Employer has a business relationship.

7. Employee agrees that all files, memoranda, data, notes, records, drawings, charts, graphs, analyses, letters, reports, or other documents or similar items made or compiled by the Employee, made available to the Employee or otherwise coming into the Employee's possession while employed by the Employer concerning any process, apparatus or products manufactured, sold, used, developed, investigated or considered by the Employer concerning the CONFIDENTIAL INFORMATION or concerning any other business or activity of the Employer shall remain at all times the property of the Employer and shall be delivered to the Employer upon termination of the Employee's employment with the Employer or at any other time upon request.

8. The Employee agrees that, during the term of the Employee's employment with the Employer or upon termination thereof, and if requested by the Employer to do so, the Employee will sign an appropriate list of any and all CONFIDENTIAL INFORMATION of the Employer of which the Employee has knowledge or about which the Employee has acquired information.

9. This Article 9 shall survive the execution, performance and/or termination of this Agreement.

ARTICLE IV. ASSIGNMENT OF INVENTIONS

1. The Employee agrees to promptly disclose to the Employer and Employee hereby assigns to the Employer 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 the Employee during the course of the Employee's employment with the Employer, or using the Employer's time, data, facilities and/or materials, provided the subject matter of the Proprietary Information is within the scope of the duties and responsibilities of one in the Employee's position with the Employer or occurs as a result of the Employee's knowledge of a particular interest of the Employer.

2. The Employee agrees to assist the Employer at any time during the Employee's employment with the Employer, or after termination of the Employee's employment by the Employer with reimbursement by the Employer for all expenses incurred, in the preparation, execution, and delivery of any assignments, disclosures, patent applications, or papers within the

7

scope and intent of this Agreement 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 necessary to vest title to the Proprietary Information in the Employer, its assigns, successors, or legal representatives.

ARTICLE V. MISCELLANEOUS

1. Termination.

- a. Nothing contained in this Agreement shall be construed as

--

impairing the right of the Employer to terminate the Employee's employment with the Employer hereunder, provided that Employer shall be liable to compensate the Employee as follows:

- (i) By continuing to pay his base salary, set forth in Article

I, paragraph II through March 31, 2003 on the usual and customary pay dates of the Corporation, falling every other week; provided, however, should March 31, 2003 fall between pay periods, the amount due the Employee shall be paid to him on final Friday in March, 2003 as the final amount due under this provision and for one calendar year thereafter. In the sole discretion of the Employer, at the request of the Employee, a lump sum payment of the amounts that are to become due under the terms of this Article V, Paragraph 1.a. in the instance of termination of the Employee prior to the end of the term of this Agreement, may be paid in a lump sum, which sum shall be discounted by that percentage rate which is the then prevailing, and in effect, interest rate for a United States Treasury Security, having a maturity of three (3) years, publicly quoted during the week in which the termination, if any, occurred. Should such treasury security cease being sold, offered or quoted, the parties, in good faith, shall select an equivalent index or discount rate by which to make the discount computation;

- b. In the event the Company shall give notice to the effect that it will terminate this Agreement (or otherwise not allow an automatic renewal of this Agreement) at the end of the primary term, or at the end of any extended term, as provided in Article I., Paragraph 1. hereof, then the Company shall continue the base salary of the Employee for one calendar year from the date of the last salary payment otherwise due hereunder.
- c. "Termination," as that term is employed herein, shall additionally mean: A significant reduction in the nature, status or scope of the Employee's

8

duties, responsibilities or authorities without the effective consent of the Employee.

- d. This Agreement shall become null and void upon the following events:
- (i) Upon the death of the Employee;
- (ii) upon Employee becoming incapacitated by accident, sickness, or other circumstances that renders Employee mentally or physically incapable of performing the essential duties and services required of Employee hereunder, with or without reasonable accommodation, for a period of at least 120 consecutive calendar days;
- (ii) for Cause: "Cause" shall mean Employee has, in the reasonable opinion of Company, (i) engaged in gross negligence or willful misconduct in the performance of the duties required of Employee hereunder, (ii) been convicted of any felony or a misdemeanor involving moral turpitude, (iii) willfully refused without proper legal reason to perform the duties and responsibilities required of Employee hereunder, (iv) materially breached this Agreement or any corporate policy or code of conduct established by Company, or (v) willfully engaged in conduct that Employee knows or should know is materially injurious to Company or any of its Affiliates;

2. Obligations. The Employee's obligations under this Agreement shall continue, survive and remain enforceable during the lifetime of the Employee in accordance with the terms hereof, whether or not the Employee's employment with

the Employer shall be terminated voluntarily or involuntarily, with or without reason.

3. Future Agreement. Should this Agreement expire in accordance with its terms with the Employee within the employment of the Employer, the parties will renew this Agreement on terms and conditions similar to other employees of equal title and position within the Employer's organization.

4. 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

9

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.

5. Adequacy of Consideration; Separate Agreements. The Employee 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. The existence of any claim or cause of action of the Employee against the Employer, whether predicated on this agreement or otherwise, shall not constitute a defense to the enforcement by the Employer of the covenants and agreements of the Employee contained in the non-competition, nondisclosure or the non-solicitation agreements. 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 void, illegal or unenforceable shall be limited so that they shall remain in effect to the fullest extent permitted by law.

6. No Indirect Breach. The Employee will use his best efforts to ensure that no relative of his, nor any corporation or other entity or which he is a officer, principal, manager, director or shareholder or other affiliate, shall take any action that the Employee could not take without violating any provision of this Agreement.

7. Injunctive Relief. The Employee recognizes and acknowledges that damages in the event of his breach of certain provisions of this Employment Agreement would be inadequate, and the Employee agrees that the Employer, in addition to all other remedies it may have, shall have the right to injunctive relief via arbitration if there is a breach by the Employee of any one or more of the provisions contained in Article II hereof.

8. Arbitration. Arbitration, including the right to invoke injunctive relief and any emergency relief or measures provided for, shall be the exclusive remedy for any and all disputes, claims or controversies, whether statutory, contractual or otherwise, between the Employer and the Employee concerning the Employee's employment or the termination thereof. In the event either party provides a Notice of Arbitration of Dispute to the other party, the Employer and the Employee 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 of 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 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. 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 shall state the reasons therefor, including any computations of actual damages or offsets, if applicable.

9. 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.

10. 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.

11. 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.

12. 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 the Employer and the Employee agree that venue as to any action which might ensue after arbitration shall be proper, if permitted, within the state or federal courts in Dallas County, Texas to decide any matter relating to this Agreement or the related arbitration.

13. 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 the Employee, to:
Robert M. Henry
21 Azalea Trail
Westfield, New Jersey 07090

11

- (b) If to the Employer, 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.

14. Assignment. This Agreement shall insure to the benefit of and be binding upon the Employer and the Employee and their respective successors and assigns. The Employee shall not be entitled to assign any rights or obligations hereunder.

15. 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.

16. Employee Acknowledgement. The Employee affirms and attests by signing this Agreement that employee has read this Agreement before signing it and that

employee fully understands its purposes, terms, and provisions, which employee hereby expressly acknowledges to be reasonable in all respects. The Employee further acknowledges receipt of one (1) copy of this Agreement.

17. Approvals and Consents. This Agreement is subject to the approval of the Board of Directors and the Compensation Committee of Mannatech, Incorporated.

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

EMPLOYEE:

EMPLOYER:
MANNATECH, INCORPORATED
A Texas Corporation

/s/ Robert M. Henry

BY /s/ Charles E. Fioretti

Robert M. Henry

ITS: Co-Chairman of the Board

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT MARCH 31, 2000 AND THE CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

</LEGEND>

<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	DEC-31-2000
<PERIOD-END>	MAR-31-2000
<CASH>	8,952
<SECURITIES>	1,658
<RECEIVABLES>	894
<ALLOWANCES>	58
<INVENTORY>	14,283
<CURRENT-ASSETS>	26,283
<PP&E>	21,750
<DEPRECIATION>	6,987
<TOTAL-ASSETS>	43,309
<CURRENT-LIABILITIES>	15,083
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	2
<OTHER-SE>	27,225
<TOTAL-LIABILITY-AND-EQUITY>	43,309
<SALES>	40,274
<TOTAL-REVENUES>	40,274
<CGS>	7,030
<TOTAL-COSTS>	34,125
<OTHER-EXPENSES>	(131)
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	24
<INCOME-PRETAX>	(774)
<INCOME-TAX>	(271)
<INCOME-CONTINUING>	(503)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(503)
<EPS-BASIC>	(.02)
<EPS-DILUTED>	(.02)