2003

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, 2003.

OR

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

For the transition period from _____ to _____.

Commission File No. 000-24657

MANNATECH, INCORPORATED

(Exact Name of Registrant as Specified in its Charter)

Texas	**75-2508900**
(State or other Jurisdiction of Incorporation or Organization)	**(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 ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 30, 2003, the number of shares outstanding of the registrant's sole class of common stock, par value $0.0001 per share was 25,184,840.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	December 31, 2002	March 31, 2003
		(Unaudited)
ASSETS		
Cash and cash equivalents	$ 17,693	$ 17,366
Restricted cash	—	2,123
Accounts receivable	632	405
Income tax receivable	307	307
Current portion of notes receivable from shareholders, net of allowance of $31 in 2002 and 2003	143	143
Inventories	5,515	5,902
Prepaid expenses and other current assets	759	1,134
Deferred tax assets	1,013	1,015
Total current assets	**26,062**	**28,395**
Property and equipment, net	7,467	7,002
Notes receivable from shareholders, excluding current portion	247	198
Other assets	1,040	1,047
Total assets	**$ 34,816**	**$ 36,642**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of capital leases and notes payable	$ 136	$ 40
Accounts payable	1,846	1,273
Accrued expenses	13,739	14,817
Current portion of accrued severance related to former executives	810	565
Total current liabilities	**16,531**	**16,695**
Capital leases and notes payable, excluding current portion	8	7
Accrued severance, related to former executives, excluding current portion	150	75
Deferred tax liabilities	77	79
Other long-term liabilities	—	253
Total liabilities	**16,766**	**17,109**
Commitments and contingencies (Note 4)	—	—
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, 25,162,541 shares issued and 25,134,840 outstanding in 2002 and 2003, respectively	3	3
Additional paid-in capital	18,168	18,193
Retained earnings	481	1,900
Accumulated other comprehensive loss—foreign currency translation adjustment	(502)	(463)

	18,150	19,633
Less treasury stock, at cost, 27,701 shares in 2002 and 2003	(100)	(100)
Total shareholders' equity	**18,050**	**19,533**
Total liabilities and shareholders' equity	**$ 34,816**	**$ 36,642**

See accompanying notes to consolidated financial statements.

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MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2003
(in thousands, except per share information)

	Three months ended March 31,	
	2002	2003
Net sales	**$32,926**	**$40,470**
Cost of sales	5,903	6,697
Commissions and incentives	13,821	16,341
	19,724	23,038
Gross profit	**13,202**	**17,432**
Operating expenses:		
Selling and administrative expenses	7,502	9,830
Other operating costs	4,536	5,725
Total operating expenses	12,038	15,555
Income from operations	**1,164**	**1,877**
Interest income	74	76
Interest expense	(6)	(2)
Other income (expense), net	(17)	112
Income before income taxes	**1,215**	**2,063**
Income taxes	(619)	(644)
Net income	**$ 596**	**$ 1,419**
Earnings per common share:		
Basic	$ 0.02	$ 0.06
Diluted	$ 0.02	$ 0.06
Weighted-average common shares outstanding:		
Basic	25,135	25,135
Diluted	25,269	25,251

See accompanying notes to consolidated financial statements.

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MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2003
(in thousands)

	Three months ended March 31,

	2002	2003
Cash flows from operating activities:		
Net income	$ 596	$ 1,419
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	994	910
Loss on disposal of assets	21	5
Accounting charge related to stock options	(13)	25
Deferred income taxes	1	—
Changes in operating assets and liabilities:		
Accounts receivable	(935)	232
Inventories	2,445	(382)
Prepaid expenses and other current assets	(117)	(374)
Other assets	44	(4)
Accounts payable	(82)	(574)
Accrued expenses	903	1,067
Accrued severance to former executives	(436)	(320)
Net cash provided by operating activities	**3,421**	**2,004**
Cash flows from investing activities:		
Acquisition of property and equipment	(288)	(177)
Repayments by shareholders/related parties	50	49
Increase in restricted cash	(300)	(2,123)
Net cash used in investing activities	**(538)**	**(2,251)**
Cash flows from financing activities:		
Repayment of capital lease obligations	(14)	(1)
Repayment of notes payable	(18)	(96)
Net cash used in financing activities	**(32)**	**(97)**
Effect of exchange rate changes on cash and cash equivalents	(43)	17
Net increase (decrease) in cash and cash equivalents	**2,808**	**(327)**
Cash and cash equivalents:		
Beginning of the period	9,926	17,693
End of the period	$12,734	$17,366
Supplemental disclosure of cash flow information:		
Interest paid	$ 6	$ 2
Taxes paid	$ 1,200	$ 200
Summary of non-cash investing and financing activities follows:		
Assets acquired through notes payable and a capital lease	$ 33	$ —
Asset retirement obligations related to operating leases	$ —	$ 253

See accompanying notes to consolidated financial statements.

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MANNATECH, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mannatech, Incorporated (the "Company") was incorporated in the state of Texas on November 4, 1993 and is located in Coppell, Texas. The Company develops and sells high-quality, proprietary nutritional supplements, topical products, and weight-management products primarily through a network-marketing system operating in the United States, Canada, Australia, the United Kingdom, Japan, and New Zealand. Independent associates ("associates") purchase the Company's products at published wholesale prices for the primary purpose of personal consumption and selling to retail customers and members ("members") purchase the Company's products at a discount from published retail prices. Independent associates are eligible to earn commissions and incentives on their downline growth and sales volume. The Company has three wholly-owned subsidiaries operating throughout the world. The wholly-owned subsidiaries are as follows:

Wholly-owned subsidiary name	Date incorporated	Location of subsidiary	Date operations began
Mannatech Australia Pty Limited	April 1998	St. Leonards, Australia	October 1998
Mannatech Ltd.	November 1998	Aldermaston, Berkshire U.K.	November 1999

Mannatech Japan, Inc.	January 2000	Tokyo, Japan	June 2000

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q, and Rule 10-01 of Regulation S-X. Accordingly, the consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of Company's 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 consolidated financial information as of, and for, the periods presented. The consolidated results of operations of any interim period are not necessarily indicative of the consolidated results of operations to be expected for the fiscal year. For further information, refer to the Company's consolidated financial statements and accompanying footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 2002.

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.

Revenue Recognition

The Company's revenues are primarily derived from sales of products, sales of starter and renewal packs, and shipping fees. Substantially all product sales are sold to associates at published wholesale prices and to members at discounted published retail prices. The Company also records a sales return reserve related to expected sales refunds based on historical experience.

The Company defers all of its revenues until its customers receives their shipments. The Company also defers a portion of the revenue received from the sale of its starter and renewal packs when the revenue exceeds the total average wholesale value of all of the individual items included in such packs and amortizes such deferrals over 12 months. Periodically, certain packs contain an event admission pass that allows an associate free admission to a corporate sponsored event. Beginning in September 2002, certain Company packs began to include a one-year subscription to the Company's monthly magazine. Revenue from these packs is allocated between products, event admission, and magazine subscription revenue, based on each of their proportionate average fair values. The event admission revenue and the magazine subscription revenue are amortized over 12 months. Total deferred revenue was $1.1 million and $1.8 million at December 31, 2002 and March 31, 2003, respectively.

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Shipping and Handling Costs

The Company records freight and shipping revenues collected from associates and members as revenue. The Company records in-bound freight and shipping costs as a part of cost of sales and records shipping and handling costs associated with shipping products to its associates and members as selling and administrative expenses. Total shipping and handling costs included in selling and administrative expenses were approximately $1.6 million and $2.2 million for the three months ended March 31, 2002 and 2003, respectively.

Accounting for Stock-Based Compensation

Periodically, the Company issues stock options to both employees and nonemployees. For stock-based compensation issued to nonemployees, the Company follows Statement of Financial Accounting Standard No. 123 ("SFAS 123") "Accounting for Stock-Based Compensation." Under SFAS 123, stock-based compensation to nonemployees is measured by the fair value at the date of grant. The Company grants stock options to nonemployees for terms no longer than ten years and the stock options generally vest over three years.

For stock-based compensation issued to employees and Board of Directors, the Company elected to continue to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and its related interpretations. Under the recognition and measurement principles of APB 25, no compensation expense is recognized unless the market price of the stock option exceeds the exercise price on the date of grant. Stock options granted to employees and Board of Directors are nontransferable and are granted for terms no longer than ten years at an exercise price that may not be less than 100% of the fair value of the Company's common stock on the date of grant. Stock options generally vest over three years for employees and vest immediately for Board of Directors.

For disclosure purposes only, the Company estimated the fair value for all stock options granted on the date of grant using the Black-Scholes option-pricing model and estimated the amount of expense that would have been recognized for each stock option granted over its vesting period. No stock options were granted in the first three months of 2002 and 2003. The following table illustrates the effect on the Company's net income and earnings per share, in thousands, except for per share information, if the Company had applied the fair value recognition provisions of SFAS 123 to all of its stock options:

	For the three-months ended March 31,	
	2002	2003
Consolidated net income, as reported	$ 596	$ 1,419
Add: Stock-based employee compensation expense included in reported net income, net of related tax effect	(8)	16
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effect	(299)	(219)
Pro forma net income	$ 289	$ 1,216
Basic Earnings Per Share:		
As reported	$ 0.02	$ 0.06
Pro forma	$ 0.01	$ 0.05
Diluted Earnings Per Share:		

As reported	$ 0.02	$ 0.06
Pro forma	$ 0.01	$ 0.05

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Earnings Per Share

Basic Earnings Per Share ("EPS") calculations are based on the weighted-average number of common shares outstanding during the period, while diluted EPS calculations are calculated using the weighted-average number of common shares and dilutive common share equivalents outstanding during each period.

The following data shows the amounts used in computing EPS and their effect on the weighted-average number of common shares and dilutive common share equivalents. At March 31, 2002, 2,898,833 common stock options and 100,000 warrants were excluded from the diluted EPS calculation and at March 31, 2003, 2,937,333 of the common stock options and 100,000 warrants were excluded from the diluted EPS calculation, as their effect was antidilutive. The amounts are rounded to the nearest thousand, except for per share amounts.

	2002			2003		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS:						
Net income available to common shareholders	$ 596	25,135	$ 0.02	$ 1,419	25,135	$ 0.06
Effect of dilutive securities:						
Stock options	—	121	—	—	110	—
Warrants	—	13	—	—	6	—
Diluted EPS:						
Net income available to common shareholders plus assumed conversions	$ 596	25,269	$ 0.02	$ 1,419	25,251	$ 0.06

NOTE 2 INVENTORIES

At December 31, 2002 and March 31, 2003, inventories consisted of the following:

	2002	2003
	(in thousands)	
Raw materials	$ 1,481	$ 1,400
Finished goods, less inventory reserves of $124 in 2002 and $158 in 2003	4,034	4,502
	$ 5,515	$ 5,902

NOTE 3 COMPREHENSIVE INCOME

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company's comprehensive income is as follows:

	Three months ended March 31,	
	2002	2003
	(in thousands)	
Net income	$ 596	$ 1,419
Foreign currency translation adjustments	(57)	39
Comprehensive income	$ 539	$ 1,458

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NOTE 4 COMMITMENTS AND CONTINGENCIES

Leases and line of credit

In January 2002, the Company began leasing approximately $250,000 of computer hardware under a noncancelable master-operating lease. The master-operating lease contains seven separate three-year operating leases that expire at various times through October 2005. In April 2002, this master-operating lease was increased to $300,000. The master-operating lease requires the Company to restrict cash of $345,000 as collateral for the life of the lease. In April 2003, the Company obtained another three year master-operating lease to begin leasing additional computer hardware in an amount up to $750,000.

In March 2003, the Company entered into a one-year $2.0 million line of credit with one of its primary banking institutions, J.P. Morgan Chase Bank. As of April 30, 2003, the Company had not drawn on its line of credit. The line of credit agreement does not contain any financial covenants or any commitment fees; however, the Company is required to restrict $2.1 million of its cash as collateral for the line of credit.

Purchase commitment

Since 1994, the Company has maintained a purchase commitment with one of its suppliers to purchase Manapol®, a raw material found in the majority of the Company's products. In May 2002, the Company modified its inventory purchase commitment to reduce the required monthly commitment and extend the terms of the agreement through August 2003. In February 2003, the Company entered into a side agreement related to this purchase agreement with its supplier to include raw material purchases from its manufacturers as part of the required monthly commitment. Under the terms of this amended inventory purchase commitment and the side agreement, the Company and its manufacturer are required to purchase a total of $1.5 million of raw materials through August 2003.

Subsequent event

The Company's employment agreement with Robert M. Henry would have expired in December 2004. However, on April 15, 2003, Mr. Henry resigned from the Company, as its Chief Executive Officer and as a Board Director, and the Company entered into a Separation Agreement with Mr. Henry. Under the terms of the Separation Agreement and as a result of the termination of Mr. Henry's employment agreement, the Company is required to pay Mr. Henry approximately $1.3 million of which approximately $0.5 million will be paid in 2003, $0.4 million in 2004, and $0.4 million in 2005. The payments primarily relate to the Company's contractual obligations related to Mr. Henry's employment agreement, outplacement fees, attorney fees, relocation fees, health insurance, and title to his leased vehicle. In addition, the Company extended the term of Mr. Henry's 266,667 vested stock options to the earlier of ten years from the original date of grant or one year after Mr. Henry's death. Mr. Henry agreed to provide certain consulting services to the Company through December 31, 2005 and is prohibited from being affiliated with another dietary supplement network-marketing company that specializes in products that are glyconutritional or aloe-based for a specified period.

NOTE 5 RECENT ACCOUNTING PRONOUNCEMENTS

SFAS 143. In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 143 ("SFAS 143") "Accounting for Asset Retirement Obligations." SFAS 143 is effective for fiscal years beginning after June 15, 2002. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be determined. In addition, SFAS 143 requires the related asset retirement costs to be capitalized as part of the carrying amount of the long-lived asset and amortized over the life of the lease. On January 1, 2003, the Company adopted SFAS 143, which resulted in an increase in its leasehold improvements and long-term liabilities of $253,000 for the estimated restoration costs of its Japanese leased facilities. The cumulative affect of this adjustment was insignificant.

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FIN 45. In November 2002, FASB issued Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 is applicable to guarantees issued or modified after December 31, 2002. FIN 45 expands the existing disclosure required for most guarantees, including loan guarantees such as standby letters of credit. FIN 45 also requires a company to recognize an initial liability for the fair market value of the obligations it assumes under that guarantee upon issuance and disclosure of certain information about the guarantee in its interim and annual financial statements. The adoption of this interpretation did not have a significant impact on the Company's financial condition, results of operations, or cash flows.

FIN 46. In January 2003, FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 is effective for variable interest entities created after January 31, 2003. FIN 46 is an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The adoption of this interpretation did not have an impact on the Company's financial condition, results of operations, or cash flows.

SFAS 149. In April 2003, FASB issued Statement of Financial Accounting Standard No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends SFAS 133 "Accounting for Derivatives Instruments and Hedging Activities" and the related implementation guidance and is effective for contracts entered into or modified after June 30, 2003, except for hedging relationships designated after June 30, 2003. SFAS 149 clarifies the definition of a derivative and amends the financial accounting and reporting required for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. In addition, SFAS 149 improves the financial reporting requirements by requiring a more consistent reporting of contracts as either derivatives or hybrid instruments. The adoption of this standard is not expected to have a significant impact on the Company's financial condition, results of operations, or cash flows.

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 its results of operations for the three months ended March 31, 2003 compared to the same period in 2002. The Consolidated Financial Statements and related notes should be referred to in conjunction with this discussion. Unless stated 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 Critical Accounting Policies and Estimates

For nearly a decade, Mannatech has developed innovative, high-quality, proprietary nutritional supplements, topical products, and weight-management products that are sold through a global network-marketing system throughout the United States, Canada, Australia, the United Kingdom, Japan, and New Zealand. New Zealand began operations on June 10, 2002 and is serviced by Mannatech's Australian subsidiary. Mannatech operates as a single segment and primarily sells its products through a network of approximately 212,000 independent associates and members who have purchased Mannatech's products within the last 12 months.

For a complete review of Mannatech's critical accounting policies and new accounting pronouncements that may impact Mannatech's operations, refer to Mannatech's Annual Report on Form 10-K for the year ended December 31, 2002. In response to SEC Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," Mannatech identified certain policies that are important to the portrayal of its consolidated financial condition and consolidated results of operations. These policies require the application of significant judgment by Mannatech's management. Mannatech periodically analyzes the need for certain estimates, including the need for inventory reserves, impairment of long-lived assets, tax valuation allowances, provisions for doubtful accounts, sales returns, contingencies and litigation, and bases any estimates needed on Mannatech's historical experience, industry standards, and various other assumptions that may be reasonable under the circumstances. Mannatech cautions its readers that actual results could differ from its estimates under

different assumptions or conditions. If circumstances alter the various assumptions or conditions used in such estimates or assumptions an adverse effect on Mannatech's consolidated financial condition, changes in financial condition, and results of operations could occur. Mannatech's critical accounting policies include the following:

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- Inventory value is reviewed and compared to the market value of inventory and any inventory value in excess of fair market value is written down. In addition, Mannatech reviews its inventory for obsolescence and any inventory identified as obsolete is written off. Mannatech's determination of obsolescence is based on assumptions about demand for its products, estimated future sales, and management's future plans. If actual sales or management plans are less favorable than those originally projected by management, additional inventory reserves or write-downs may be required. Inventory value at March 31, 2003 was $5.9 million and includes an inventory reserve of $158,000.
- Property and equipment value is reviewed for impairment whenever an event or change in circumstances indicates that the net book value of an asset or group of assets may be unrecoverable. Mannatech's impairment review includes a comparison of future projected cash flows generated by the asset or group of assets with its associated carrying value. Mannatech believes the expected future cash flows approximates or exceeds its net book value; however, if circumstances change and the net book value of the asset or group of assets exceeds expected cash flows (undiscounted and without interest charges), an impairment loss would have to be recognized to the extent the net book value of an asset exceeds its fair value. At March 31, 2003, the net book value of Mannatech's property and equipment was $7.0 million.
- Mannatech evaluates the probability of realizing the future benefits of any of its deferred tax assets and records a valuation allowance when it believes a portion or all of its deferred tax assets may not be realized. If Mannatech is unable to realize the expected future benefits of its deferred tax assets, it would be required to provide an additional valuation allowance. As of March 31, 2003, Mannatech recorded deferred tax assets of $1.0 million, which includes a valuation allowance of $2.8 million.
- Mannatech defers all of its revenue until its customers receive their shipments. Mannatech also defers a portion of its revenue from the sale of its starter and renewal packs when the revenue exceeds the total average wholesale value of all individual items included in such packs. Mannatech amortizes such deferrals over 12 months. Periodically, certain packs may contain an event admission pass that allows an associate free admission to one of Mannatech's corporate-sponsored events. Beginning in September 2002, certain of Mannatech's packs began to include a one-year subscription to its monthly magazine. Revenue from these packs is allocated between products, event admission, and magazine subscription revenue, based on each of their proportionate average fair value. The event admission revenue and the magazine subscription revenue are amortized over 12 months. In the future, Mannatech may change the contents of its packs or its shipping methods, and as a result may have to defer additional revenue and/or recognize the deferred revenue over an extended period of time.
- Mannatech capitalizes qualifying costs related to the development of its internally-developed software applications including: *GlycoScience.com,* a scientific web database; *Enterprise System,* a sales and commission database; and *Success Tracker™,* a web-based training and marketing tool for its independent associates. Mannatech amortizes such qualifying costs over the estimated useful life of the software application, which is either three or five years. If accounting standards change or if the capitalized software becomes obsolete, Mannatech may be required to write off its capitalized software or accelerate its amortization period. As of March 31, 2003, Mannatech's capitalized software had a remaining net book value of $0.6 million.

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General Summary

Mannatech primarily derives its revenues from sales of its products, sales of its starter and renewal packs, and from shipping fees. Substantially all product sales are sold to independent associates at published wholesale prices or sold to members at discounted published retail prices. Mannatech periodically changes its starter and renewal packs to meet the current market demands. Each starter and renewal pack includes some combination of Mannatech's latest products and promotional materials. Mannatech tries to offer comparable packs in each country in which it does business; however, because each country has different regulatory guidelines, not all of Mannatech's packs can be offered in all countries. Mannatech defers the recognition of its revenue for product sales until its customers receive their shipments. The net sales by country as a percentage of consolidated net sales and in dollars are as follows:

Three months ended March 31,	United States	Canada	Australia	United Kingdom	Japan	New Zealand	Total
2003	69.1%	9.6%	6.4%	1.5%	9.9%	3.5%	100.00%
2002	77.5%	12.8%	3.6%	0.9%	5.2%	— %	100.00%

Three months ended March 31, (in millions)	United States	Canada	Australia	United Kingdom	Japan	New Zealand	Total
2003	$28.0	$ 3.9	$ 2.6	$ 0.6	$ 4.0	$ 1.4	$ 40.5
2002	$25.5	$ 4.2	$ 1.2	$ 0.3	$ 1.7	$ —	$ 32.9

Mannatech believes the increase in its consolidated net sales of $7.6 million or 23.1% is largely attributable to the increase in pack sales during 2002 and 2003, launching its global associate career and compensation plan, expanding the products lines offered in its international operations, and initiating effective personnel changes in its international operations. For the three months ended March 31, 2003, Mannatech's foreign operations accounted for 30.9% of consolidated net sales, whereas in the same period in 2002, Mannatech's foreign operations accounted for only 22.5% of consolidated net sales.

For the first quarter of 2003, quarterly pack sales were $8.2 million as compared to $6.8 million for the first quarter of 2002. For the first quarter of 2003, Mannatech signed up 28,000 additional new independent associates and members, which brought the total new associates and members who have signed up within the last twelve months to 92,000. For the first quarter of 2002, Mannatech signed up 19,000 additional new independent associates and members, which brought the total new associates and members who had signed up within the twelve months ended March 31, 2002 to 68,000. Mannatech believes this increase in pack sales and new associates is primarily attributed to the launching of its new global associate career and compensation plan. The number of new independent

associates and members and the number of independent associates and members who have purchased Mannatech's products within the last 12 months are as follows:

Associates and Members	For the twelve months ended December 31, 2002		For the twelve months ended March 31, 2002		2003	
New	83,000	41.5%	68,000	36.4%	92,000	43.4%
Continuing	117,000	58.5%	119,000	63.6%	120,000	56.6%
Total	200,000	100.0%	187,000	100.0%	212,000	100.0%

For the remainder of 2003, Mannatech plans to continue to concentrate on increasing net sales. Mannatech believes increasing net sales is primarily dependant upon the following factors:

- continuing its product development strategy;
- continuing to monitor and refine its new global associate career and compensation plan; and
- increasing its base of independent associates and members who routinely purchase products.

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Mannatech's product development strategy is divided into three primary areas of focus. The areas of focus are as follows:

- working to ensure a majority of its products is available in all countries in which Mannatech does business;
- continuing to develop new products that either complement its existing products or create a new demand for its products; and
- continuing to monitor and modify its existing product formulas to ensure high quality and economies of scale.

Cost of sales primarily consists of products purchased from third-party manufacturers, costs of promotional materials sold to Mannatech's independent associates, and occasional write-offs of inventories. The product mix of products sold directly affects cost of sales and gross profit, as each product and promotional material has a different gross margin. The product mix is influenced by changes in Mannatech's commission and incentive programs, introduction or discontinuation of certain promotional activities, changes in consumer demand, changes in competitors' products, changes in economic conditions, and announcements of new scientific studies and breakthroughs.

Commissions and incentives paid to Mannatech's independent associates are considered Mannatech's most important and most significant expense. Mannatech designs its commissions and incentives to motivate its independent associates and financially reward them for their efforts. Mannatech's commission and incentive program is designed to pay commissions and incentives to independent associates for their global downline activities. The program allows existing and new independent associates to build their individual global networks by expanding their existing downlines into newly-formed international markets rather than requiring independent associates to establish new downlines to qualify for commissions and incentives within each new country. Periodically, Mannatech offers new travel incentives, which are designed to stimulate both pack and product sales. In the first quarter of 2003, Mannatech launched a new travel incentive for its independent associates. The travel incentive allows independent associates achieving certain sales levels to qualify for a trip for two to Cancun, Mexico, plus a chance to win $5,000 in cash for additional achievements. The 2003 travel incentive is estimated to cost approximately $1.8 million.

After two years of research and development, Mannatech launched its new global associate career and compensation plan in September 2002. Overall, the plan eliminated the binary commission structure paid only in the United States and Canada and changed certain qualifying measurements for certain existing commission types in order to pay new associates faster. The plan also increased the payouts of most commissions paid and introduced certain new commission and incentive payments, which further concentrates commission and incentive payments on pack and product sales, as well as help to rejuvenate network development. Mannatech generally pays commission and incentives to its independent associates based on the following:

- an associate's placement and position within the overall global plan;
- the volume of an associate's direct and indirect commissionable sales; and
- an associate's achievement of certain sales levels to qualify for various incentives/compensation programs.

Operating expenses consist primarily of selling and administrative expenses and other operating costs. Selling and administrative expenses are a combination of both fixed and variable expenses and include salaries and benefits, contract labor, shipping and freight, and marketing-related expenses, such as hosting Mannatech's corporate-sponsored events. Other operating costs include utilities, depreciation, travel, consulting fees, professional fees, office expenses, printing-related expenses, and miscellaneous operating expenses.

Income taxes include both domestic and foreign taxes. In 2002, Mannatech's United States federal statutory tax rate was 34% and is expected to remain the same for 2003. Mannatech expects to pay taxes in Australia and in the United Kingdom at a statutory rate of approximately 30%. Mannatech also expects to pay taxes in Japan at a statutory tax rate ranging between 42% and 48%. A portion of Mannatech's income from its international operations is subject to taxation in the countries in which it operates. Although Mannatech may receive foreign tax credits that would reduce the amount of United States taxes owed, Mannatech may not be able to use all of its foreign tax credits in the United States. Mannatech may also incur net operating losses that may not be fully realizable. Mannatech records a valuation allowance for any expected net operating losses that are not likely to be fully realizable in the future.

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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,

	2002	2003
Net sales	100.0%	100.0%
Cost of sales	17.9	16.6
Commissions and incentives	42.0	40.3
Gross profit	**40.1**	**43.1**
Operating expenses:		
Selling and administrative expenses	22.8	24.3
Other operating costs	13.7	14.2
Income from operations	**3.6**	**4.6**
Interest income	0.2	0.2
Interest expense	0.0	0.0
Other income (expense), net	(0.1)	0.3
Income before income taxes	**3.7**	**5.1**
Income taxes	(1.9)	(1.6)
Net income	**1.8%**	**3.5%**

Three months ended March 31, 2003 compared with the three months ended March 31, 2002

Net sales. Net sales increased 23.1% to $40.5 million for the three months ended March 31, 2003 from $32.9 million for the comparable period in 2002. Net sales primarily consist of both product sales and pack sales. The increase in net sales primarily related to the following:

- a $1.4 million increase in pack sales, which primarily related to the launching of its new global associate career and compensation plan;
- a $6.2 million increase in product sales, which primarily related to an overall increase of 25,000 additional independent associates who routinely purchase Mannatech's products as compared to the comparable period in 2002; and
- the timing of Mannafest, Mannatech's largest annual corporate-sponsored event, which moved from April of 2002 to March of 2003.

Cost of sales. Cost of sales increased 13.6% to $6.7 million for the three months ended March 31, 2003 from $5.9 million for the comparable period in 2002. As a percentage of net sales, cost of sales decreased to 16.6% for the three months ended March 31, 2003 from 17.9% for the comparable period in 2002. The percentage decrease in cost of sales as a percentage of net sales was primarily due to the change in product mix sold.

Commissions and incentives. Commissions and incentives increased 18.1% to $16.3 million for the three months ended March 31, 2003 from $13.8 million for the comparable period in 2002. As a percentage of net sales, commissions decreased to 40.3% for the three months ended March 31, 2003 from 42.0% for the comparable period in 2002. The decrease as a percentage of net sales was the result of a decrease in commissionable sales in relation to total net sales.

Gross profit. Gross profit increased 31.8% to $17.4 million for the three months ended March 31, 2003 from $13.2 million for the comparable period in 2002. As a percentage of net sales, gross profit increased to 43.1% for the three months ended March 31, 2003 from 40.1% for the comparable period in 2002. The dollar increase was the result of an increase in net sales. The percent changes were primarily attributable to the change in product mix sold.

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Selling and administrative expenses. Selling and administrative expenses increased 30.7% to $9.8 million for the three months ended March 31, 2003 from $7.5 million for the comparable period in 2002. As a percentage of net sales, selling and administrative expenses increased to 24.3% for the three months ended March 31, 2003 from 22.8% for the comparable period in 2002. The increase was primarily due to the following:

- a $1.2 million increase in marketing expenses related to hosting Mannafest in March of 2003 as compared to hosting Mannafest in April of 2002;
- a $0.5 million increase in payroll and payroll related expenses related to hiring additional personnel, including hiring Sam Caster in March 2002 and canceling his consulting agreement; and
- a $0.6 million increase in freight costs related to the increase in net sales.

Other operating costs. Other operating costs increased 26.7% to $5.7 million for the three months ended March 31, 2003 from $4.5 million for the comparable period in 2002. As a percentage of net sales, other operating costs increased to 14.2% for the three months ended March 31, 2003 from 13.7% for the comparable period in 2002. The dollar increase was primarily due to the following:

- a $0.5 million increase in travel expenses primarily related to hosting Mannafest in March of 2003 rather than in April of 2002;
- a $0.1 million increase in accounting, legal, and consulting services primarily related to the recently enacted regulations, partially offset by a decrease in consulting fees, which related to the canceling of the consulting agreement with Sam Caster in March 2002; and
- the remaining $0.6 million increase in various expenses, including offsite storage, credit card fees, postage, and telephone expenses, all related to the increase in net sales.

Interest income. Interest income increased 2.7% to $76,000 for the three months ended March 31, 2003 from $74,000 for the comparable period in 2002. The dollar increase was primarily due to maintaining a higher average cash balance.

Interest expense. Interest expense decreased (66.7%) to $2,000 for the three months ended March 31, 2003 from $6,000 for the comparable period in 2002. The dollar decrease was primarily due to the repayment of existing capital leases and notes payable.

Other income (expense), net. Other income (expense), net consists primarily of foreign currency translation adjustments related to Mannatech's foreign operations. Other income (expense), net increased to $112,000 for the three months ended March 31, 2003 from ($17,000) for the comparable period in 2002. The change in other income (expense), net primarily consisted of currency translation exchange gains and losses.

Income taxes. Income taxes increased to $644,000 for the three months ended March 31, 2003 from $619,000 for the comparable period in 2002. Mannatech's effective tax rate decreased to 31.2% for the three months ended March 31, 2003 from 50.9% for the comparable period in 2002. Mannatech's effective tax rate decreased as a result of the expected income mix between its domestic and its foreign operations and decreasing the valuation allowance related to the expected income from its Japanese subsidiary.

Net income. Net income increased 133.3% to $1.4 million for the three months ended March 31, 2003 from $0.6 million for the comparable period in 2002. The dollar increase was primarily the result of the increase in net sales and controlling operating expenses. As a percentage of net sales, net income increased to 3.5% for the three months ended March 31, 2003 from 1.8% for the comparable period in 2002. Earnings per share for the three-months ended March 31, 2003 was $0.06 as compared to $0.02 for the comparable period in 2002. The increase in earnings per share is primarily the result of an increase in net sales and controlling operating expenses.

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Liquidity and Capital Resources

Mannatech's principal use of funds is to pay for operating expenses, including commissions and incentives, capital expenditures, and inventory purchases. Historically, Mannatech has generally funded its business objectives, working capital, and operations primarily through reliance on its cash flows from operations rather than incurring long-term debt. Mannatech plans to continue to fund its business objectives, working capital, and operations primarily through its cash flows from operations; however, Mannatech has opened a $2.0 million line of credit and a $0.8 million master-operating lease to help fund any unexpected shortfalls in its cash flows.

Cash and cash equivalents. Mannatech's cash and cash equivalents decreased to $17.4 million at March 31, 2003 from $17.7 million at December 31, 2002 primarily as a result of restricting cash of $2.1 million as collateral related to its new $2.0 million line of credit facility, which was opened in March 2003. This decrease was partially offset by an increase in operating profits.

Working Capital. Mannatech's working capital increased to $11.7 million at March 31, 2003 from $9.5 million at December 31, 2002. The $2.2 million increase in working capital was primarily attributable to an increase in its current assets. Current assets included an increase in restricted cash of $2.1 million related to the opening of a one year line of credit with a bank and an increase in inventory of $0.4 million due to the timing of placing inventory orders.

Mannatech's cash flows consist of the following:

	For the three months ended March 31,	
Provided by (used in):	**2002**	**2003**
Operating activities	$ 3.4 million	$ 2.0 million
Investing activities	($ 0.5 million)	($ 2.3 million)
Financing activities	($ 32,000)	($ 97,000)

Operating activities. For the three months ended March 31, 2003, operating activities primarily consisted of $2.3 million in earnings before depreciation and amortization, a $0.2 million decrease in accounts receivable, and a $0.2 million increase in accrued expenses, partially offset by a ($0.8 million) increase in inventory and prepaid expenses. Mannatech minimizes its inventory levels while keeping costs relatively constant, which resulted in the improvement of its inventory turnover ratio to 4.69 for the three months ended March 31, 2003 from 3.30 for the comparable period in 2002.

For the three months ended March 31, 2002, operating activities primarily consisted of $1.6 million in earnings before depreciation and amortization and an increase of $1.8 million from the net change in working capital. The net change in working capital was primarily the result of a $2.4 million decrease in inventory.

Investing activities. For the three months ended March 31, 2003, investing activities primarily consisted of restricting cash of $2.1 million as collateral for its line of credit with a bank and acquiring $0.2 million of new computer hardware. Mannatech estimates it will purchase approximately $1.7 million in additional computer hardware and software for the remainder of 2003. The additional purchases relate to upgrading existing hardware and software to increase functionality and further enhance reporting and processing, including its financial reporting system.

For the three months ended March 31, 2002, investing activities primarily consisted of computer hardware and software purchases of $0.3 million and restricting $0.3 million in cash as collateral for its master-operating lease.

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At March 31, 2003, related party notes receivable, net of an allowance of $31,000, totaled $0.3 million. The notes receivable are composed of five separate notes due from former officers and shareholders. Two of the five notes were due from Gary Watson and William C. Fioretti, whose loan balances at March 31, 2003 were $31,000 and $141,000, respectively. As of April 30, 2003, Mr. Fioretti had paid $136,000 of his note receivable. As of April 30, 2003, Mr. Watson had not made his annual scheduled payments for the last two years and has not made his third annual scheduled payment due February 17, 2003. As a result, in late 2002, Mannatech established a provision for doubtful accounts of approximately $31,000 related to Mr. Watson's note.

Financing activities. For each of the three months ended March 31, 2003 and the three months ended March 31, 2002, financing activities consisted of repayments of capital leases and notes payable.

In January 2002, Mannatech entered into a three-year capital lease for warehouse equipment valued at $32,500. In 2002, Mannatech entered into two financing agreements to finance certain annual insurance premiums totaling $0.6 million. The notes require 25% down payment, accrue interest at an average rate of 8% and are due in eight monthly installments through April 2003. In March 2003, Mannatech entered into a one year $2.0 million line of credit with a bank. As of April 30, 2003, Mannatech had not utilized the line of credit.

General liquidity and cash flows. Mannatech generates positive cash flows from its operations and believes that its existing liquidity and cash flows from operations, including current cash-on-hand of $17.4 million, its access to a $2.0 million unused line of credit, and certain operating leases should be adequate to fund its business operations and commitments for the next 12 months. Mannatech believes most of its expenses are primarily variable in nature and, as a result, a reduction in its revenues would result in a reduction of future cash flow needs. However, if Mannatech's existing capital resources or cash flows become insufficient to meet its current business plans and existing capital requirements, Mannatech would be required to raise additional funds, which may not be available on favorable terms, if at all.

Mannatech's Board of Directors periodically reviews its dividend practices and plans to do so in 2003.

Existing commitments and contractual obligations include the following:

- funding the remaining $0.6 million in payments related to the prior year resignations of former executives and funding $1.3 million of payments related to Robert M. Henry's resignation in April 2003;
- funding the remaining payments relating to the renewal of its annual premiums for its general and product liability insurance policies that are due in monthly installments;
- funding the remaining non-compete payments to a former medical director of $75,000, payable in monthly installments of $25,000;
- contingently having to fund an inventory purchase commitment with its supplier of Manapol®, which requires Mannatech and its manufacturer to collectively purchase $1.5 million of Manapol® through August 2003; and
- funding various operating leases for building and equipment rental of $4.7 million through 2008.

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In addition to Mannatech's accounts payable and accrued expenses, Mannatech's approximate future maturities of its existing contractual obligations and commitments are as follows:

	For the nine months ended December 31, 2003	For the year ended December 31,				
		2004	2005	2006	2007	2008
		(in thousands)				
Severance payments to former executives	$ 900	$ 563	$ 463	$ —	$ —	$ —
Financing insurance premiums	33	—	—	—	—	—
Non-compete payments to a former medical director	75	—	—	—	—	—
Inventory purchase commitment	1,531	—	—	—	—	—
Minimum rental commitment related to noncancelable operating leases	1,177	1,120	916	792	303	350
Totals	$ 3,716	$1,683	$1,379	$792	$303	$350

Mannatech has no present commitments or agreements with respect to acquisitions or purchases of any manufacturing facilities. Mannatech believes any unanticipated future changes in its operations could force it to consume available capital resources faster than anticipated. Mannatech also believes that its existing capital requirements depend on its ability to continue to distribute high-quality, proprietary products that attract and retain independent associates and members.

Off –Balance Sheet Arrangements. Mannatech does not utilize off-balance sheet financing arrangements and had no such arrangements as of March 31, 2003. Mannatech does finance the use of certain facilities and equipment under various operating lease agreements. As of March 31, 2003, the total future minimum lease payments under such arrangements totaled $4.7 million and are properly not reflected in our consolidated balance sheets.

Recent Accounting Pronouncements

SFAS 143. In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 143 ("SFAS 143") "Accounting for Asset Retirement Obligations." SFAS 143 is effective for fiscal years beginning after June 15, 2002. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be determined. In addition, SFAS 143 requires the related asset retirement costs to be capitalized as part of the carrying amount of the long-lived asset and amortized over the life of the lease. On January 1, 2003, Mannatech adopted SFAS 143, which resulted in an increase in its leasehold improvements and long-term liabilities of $253,000 for the estimated restoration costs of its Japanese leased facilities. The cumulative affect of this adjustment was insignificant.

FIN 45. In November 2002, FASB issued Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 is applicable to guarantees issued or modified after December 31, 2002. FIN 45 expands the existing disclosure required for most guarantees, including loan guarantees such as standby letter of credit. FIN 45 also requires a company to recognize an initial liability for the fair market value of the obligations it assumes under that guarantee upon issuance and disclosure of certain information about the guarantee in its interim and annual financial statements. The adoption of this interpretation did not have a significant impact on Mannatech's financial condition, results of operations, or cash flows.

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FIN 46. In January 2003, FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 is effective for variable interest entities created after January 31, 2003. FIN 46 is an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN 46

requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The adoption of this interpretation did not have an impact on Mannatech's financial condition, results of operations, or cash flows.

SFAS 149. In April 2003, FASB issued Statement of Financial Accounting Standard No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends SFAS 133 "Accounting for Derivatives Instruments and Hedging Activities" and the related implementation guidance and is effective for contracts entered into or modified after June 30, 2003, except for hedging relationships designated after June 30, 2003. SFAS 149 clarifies the definition of a derivative and amends the financial accounting and reporting required for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. In addition, SFAS 149 improves the financial reporting requirements by requiring a more consistent reporting of contracts as either derivatives or hybrid instruments. The adoption of this standard is not expected to have a significant impact on Mannatech's financial condition, results of operations, or cash flows.

Outlook

Mannatech believes it is well positioned for the remainder of 2003 and believes its renewed growth and increase in net pack sales for the three months ended March 31, 2003 as compared to the comparable period in 2002, is a promising indication of its future product sales potential. In the second quarter of 2003, Mannatech will record a severance charge of approximately $1.3 million related to the resignation of Robert M. Henry, its former Chief Executive Officer. In addition, Mannatech expects to record an additional $0.9 million in the second quarter of 2003 and $0.6 million in the third quarter that related to its recently announced travel incentive program for it associates.

Forward-Looking Statements

Certain disclosure and analysis included under "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures about Market Risk," "Other Information," "Notes to Consolidated Financial Statements", and elsewhere in this report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995, and are subject to various risks and uncertainties. Opinions, forecasts, projections, guidance, or other statements, other than statements of historical fact, are considered forward-looking statements and reflect the current view of Mannatech about future events and its financial performance. These forward-looking statements are subject to certain events, risks, and uncertainties that may be outside Mannatech's control. Some of these forward-looking statements include statements regarding:

- existing capital resources, cash flows, and the line of credit being adequate to fund Mannatech's future cash needs;
- management's plans and objectives for Mannatech's future operations;
- the realization of deferred tax assets;
- the expected future cash flows of Mannatech's assets exceeding the net book value of such assets;
- the impact of market changes due to Mannatech's exposure to foreign currency translations;
- the future impact of Mannatech's international operations accounting for an increasing percentage of its consolidated net sales;
- the impact of Mannatech's product development strategy;
- Mannatech's ability to offer innovative incentives in the future;
- Mannatech's new global career and compensation plan rewarding its associates more quickly;
- no significant impact on Mannatech's financial condition, changes in financial conditions, results of operations or cash flows by recent accounting pronouncements;
- the outcome of regulatory and litigation matters; and
- the establishment of certain policies, procedures, and internal processes to combat exposure to market risk.

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Actual results and developments could materially differ from those expressed in, or implied by, such statements due to a number of factors, including:

- those described in the context of such forward-looking statements;
- future manufacturing costs remaining unchanged;
- the impact of any existing or future changes to Mannatech's global career and compensation plan;
- the retention and expansion of Mannatech's independent associate and member base;
- timely development and acceptance of new products or refinements of existing products;
- the markets for Mannatech's domestic and international operations;
- the global statutory tax rates remaining unchanged;
- the impact of new competition and competitive products and pricing;
- the political, social and economic climate in which Mannatech conducts its operations; and
- the risk factors described 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," "hopes," "intends," "anticipates," "believes," "estimates," "approximates," "predicts," "potential," "projects," "in the future," or "continue" or the negative of such terms and other comparable terminology. Readers are cautioned when considering these forward-looking statements to keep in mind these risks and uncertainties and any other cautionary statements in this report as all of the forward-looking statements contained herein speak only as of the date of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Mannatech does not engage in trading market risk sensitive instruments and does not purchase investments as hedges or for purposes "other than trading" that are likely to expose it to certain types of market risk, including interest rate, commodity price or equity price risk. Although Mannatech has some short-term investments, there has been no material change in its exposure to interest rate risk. Mannatech has not issued any debt instruments, entered into any forward or futures contracts, purchased any options, or entered into any swaps.

Mannatech is 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 may affect Mannatech's financial results. Changes in exchange rates could positively or negatively affect its financial results, as expressed in United States dollars. When the United States dollar strengthens against currencies in which products are sold or weakens against currencies in which Mannatech incurs costs, net sales or costs could be adversely affected.

Mannatech has established policies, procedures, and internal processes that it believes help monitor any significant market risk. Mannatech currently does not use any financial instruments to manage its exposure to such risks. The sensitivity of earnings and cash flows to variability in currency exchange rates is assessed by applying an appropriate range of potential rate fluctuations to Mannatech's assets, obligations, and projected transactions denominated in foreign currencies. Mannatech cautions that it cannot predict with any certainty its future exposure to such currency exchange rate fluctuations or the impact, if any, such fluctuations may have on its future business, product pricing, consolidated financial condition, results of operations, or cash flows. However, to combat such risk, Mannatech closely monitors current fluctuations for exposure to such market risk. The foreign currencies in which Mannatech currently has exposure to foreign currency exchange rate risk include the currencies of Canada, Australia, the United Kingdom, Japan, and New Zealand. The low and high currency exchange rates to the United States dollar, for each of these countries, for the three months ended March 31, 2003 are as follows:

Country/Currency	Low	High
Australia/Dollar	$ 0.56150	$ 0.61680
Canadian/Dollar	$ 0.63370	$ 0.68390
Japan/Yen	$ 0.00823	$ 0.00856
New Zealand/Dollar	$ 0.52290	$ 0.56730
United Kingdom/British Pound	$ 1.56290	$ 1.65430

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Item 4. Controls and Procedures

Mannatech's chief executive officer and its chief financial officer (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of a date within 90 days prior to the date of the filing of this report on Form 10-Q, that Mannatech's disclosure controls and procedures are effective to ensure that information required to be disclosed by Mannatech in the report filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by Mannatech in such reports is accumulated and communicated to its management, including Mannatech's chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

There were no significant changes in Mannatech's internal controls or in other factors that could significantly affect these controls subsequent to the date of such evaluation.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

In February 2003, the Australian Therapeutic Goods Administration, or the TGA, notified Mannatech that it was the subject of an investigation. In March 2003, Mannatech was further notified that the allegations by the TGA related to four separate incidents over the period from November 2002 through March 2003. The notification by the TGA alleged that Mannatech and/or its independent associates made certain claims or representations in Australia relating to Mannatech's products that either breached the Therapeutic Goods Advertising Code or resulted in violations of the Therapeutic Goods Act 1989. As a result, Mannatech has taken certain corrective actions, including initiating investigative compliance complaint procedures against certain of its independent associates alleged to have breached Mannatech's associates' policies and procedures. Although the TGA has not taken any formal enforcement action against Mannatech, the TGA could initiate certain enforcement actions including prosecution of Mannatech and/or its independent associates and/or canceling the listing of some or all of Mannatech's products that are currently listed under the Australia Register of Therapeutic Goods. If the TGA prosecutes Mannatech or cancels the listing of some or all of its products in Australia it could have an adverse effect on Mannatech's business, financial condition, results of operations, and liquidity.

There have been no other material changes in, or additions to, the legal proceedings previously reported in Mannatech's Annual Report on Form 10-K (File No. 000-24657) for 2002 as filed with the Securities and Exchange Commission on March 31, 2003.

Item 2. Changes in Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

None.

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Item 5. Other Information

On April 28, 2003, Mannatech promoted Jeffrey Bourgoyne from Vice President of Operations to Senior Vice President of Supply Chain and Associate Care. Mr. Bourgoyne will oversee the majority of the day-to-day operations excluding accounting, legal, information technology, sales, and marketing.

On May 6, 2003, Mannatech hired Steven Lemme as its new Senior Vice President of Sales. Mr. Lemme has vast experience in international sales, manufacturing, distribution and finance and earned a Bachelor of Arts degree in biology/chemistry from Lawrence University in Appleton, Wisconsin and a Master of Business Administration from Keller Graduate School of Management in Chicago, Illinois. Mr. Lemme has been an independent associate since 1996 and periodically speaks at Mannatech's corporate-sponsored events.

Since its initial public offering, Mannatech's common stock has traded on the NASDAQ National Market under the symbol "MTEX." Corporate filings can be viewed on Mannatech's corporate website at www.mannatech.com, or by contacting investors' relations at IR@mannatech.com or calling 972-471-6512.

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 May 19, 1998, incorporated herein by reference to Exhibit 3.1 in Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.
3.2	Fourth Amended and Restated Bylaws of Mannatech dated August 8, 2001, incorporated herein by reference to Exhibit 99.1 in Mannatech's Form 8-K (File No. 000-24657) filed with the Commission on August 22, 2001.
4.1	Specimen Certificate representing Mannatech's common stock, par value $0.0001 per share, incorporated herein by reference to Exhibit 4.1 in Mannatech's Amendment No. 1 to Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.
10.1	Agreement dated April 15, 2003, entered into between Mannatech and Mr. Robert M. Henry, incorporated herein by reference to Exhibit 99.1 in Mannatech's Form 8-K (File No. 00024657) filed with the Commission on April 17, 2003.
10.2*	Revolving Promissory Note and Security Agreement – Pledge dated March 15, 2003, entered into between Mannatech and JP Morgan Chase Bank.
99.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer of Mannatech.
99.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer of Mannatech.

* filed herein

(b) Reports on Form 8-K.

On April 17, 2003, Mannatech filed a Form 8-K (File No. 000-24657) disclosing that Samuel L. Caster was appointed as its new Chief Executive and Officer and that Robert M. Henry resigned from Mannatech as its Chief Executive Officer and as a Board Director. As a result of his resignation, Mannatech entered into a Separation Agreement with Mr. Henry.

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SIGNATURES

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

MANNATECH, INCORPORATED

May 15, 2003 /S/ SAMUEL L. CASTER

Samuel L. Caster
Chief Executive Officer and Chairman of the Board
(principal executive officer)

May 15, 2003 /S/ STEPHEN D. FENSTERMACHER

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

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Certification of
Chief Executive Officer
of Mannatech, Incorporated

This certification is provided pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, and accompanies the quarterly report on Form 10-Q (the ***"Form 10-Q"***) for the quarter ended March 31, 2003 of Mannatech, Incorporated, (the "Registrant").

I, Samuel L. Caster, the Chief Executive Officer of the Registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mannatech, Incorporated;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material

respects the financial condition, results of operations, and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a – 14 and 15d – 14) for the Registrant and we have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and its audit committee of the Registrant's Board of Directors (or persons performing the equivalent function):
   a) all significant deficiencies in the design or operation of internal controls, which could adversely affect the Registrant's ability to record, process, summarize, and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 15, 2003

/s/ Samuel L. Caster
Samuel L. Caster
Chief Executive Officer

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Certification of
Chief Financial Officer
of Mannatech, Incorporated

This certification is provided pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, and accompanies the quarterly report on Form 10-Q (the ***"Form 10-Q"***) for the quarter ended March 31, 2003 of Mannatech, Incorporated, (the "Registrant").

I, Stephen D. Fenstermacher, the Chief Financial Officer of the Registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mannatech, Incorporated;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a – 14 and 15d – 14) for the Registrant and we have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and its audit committee of the Registrant's Board of Directors (or persons performing the equivalent function):
   a) all significant deficiencies in the design or operation of internal controls, which could adversely affect the Registrant's ability to record, process, summarize, and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 15, 2003

/s/ Stephen D. Fenstermacher
Stephen D. Fenstermacher
Chief Financial Officer

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INDEX TO EXHIBITS

3.1	Amended and Restated Articles of Incorporation of Mannatech dated May 19, 1998, incorporated herein by reference to Exhibit 3.1 in Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.
3.2	Fourth Amended and Restated Bylaws of Mannatech dated August 8, 2001, incorporated herein by reference to Exhibit 99.1 in Mannatech's Form 8-K (File No. 000-24657) filed with the Commission on August 22, 2001.
4.1	Specimen Certificate representing Mannatech's common stock, par value $0.0001 per share, incorporated herein by reference to Exhibit 4.1 in Mannatech's Amendment No. 1 to Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.
10.1	Agreement dated April 15, 2003, entered into between Mannatech and Mr. Robert M. Henry, incorporated herein by reference to Exhibit 99.1 in Mannatech's Form 8-K (File No. 00024657) filed with the Commission on April 17, 2003.
10.2*	Revolving Promissory Note and Security Agreement – Pledge dated March 15, 2003, entered into between Mannatech and JP Morgan Chase Bank.
99.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer of Mannatech.
99.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer of Mannatech.

* filed herein

REVOLVING PROMISSORY NOTE
(FLOATING RATE)
(this "Note")

NAME(S) AND ADDRESS(ES) OF BORROWER(S) ("Borrower")

MANNATECH INCORPORATED
600 SOUTH ROYAL LANE SUITE 200
COPPELL, TEXAS 75019

U.S. $2,000,000.00 — MARCH 15, 2003 (the "Date")

ACCOUNT NUMBER/NOTE NUMBER	TRANSACTION CODE	PREPARED BY	OFFICER
4008/0080260836	N	CVR	156199

FOR VALUE RECEIVED, Borrower (jointly and severally if more than one), promises to pay to the order of JPMorgan Chase Bank ("Bank") on or before MARCH 15, 2004, at its office at 712 Main Street, Houston, Harris County, Texas 77002, or at such other location as Bank may designate, in immediately available funds, TWO MILLION AND NO/100 UNITED STATES DOLLARS (U.S. $2,000,000.00) (the "Maximum Amount of Note") or the aggregate unpaid amount of all advances hereunder, whichever is less. Borrower will also pay interest on the unpaid principal balance outstanding from time to time at a rate per annum equal to the lesser of (i) the sum of the Prime Rate (as hereinafter defined) from time to time in effect MINUS ONE percent (1.00%), (the "Stated Rate") or (ii) the maximum nonusurious rate of interest from time to time permitted by applicable law, (the "Highest Lawful Rate"). If the Stated Rate at any time exceeds the Highest Lawful Rate, the actual rate of interest to accrue on the unpaid principal amount of this Note will be limited to the Highest Lawful Rate, but any subsequent reductions in the Stated Rate due to reductions in the Prime Rate will not reduce the interest rate payable upon the unpaid principal amount of this Note below the Highest Lawful Rate until the total amount of interest accrued on this Note equals the amount of interest which would have accrued if the Stated Rate had at all times been in effect.

"Prime Rate" means the rate determined from time to time by Bank as its prime rate. The Prime Rate will change automatically from time to time without notice to Borrower or any other person. THE PRIME RATE IS A REFERENCE RATE AND MAY NOT BE BANK'S LOWEST RATE.

To the extent that Texas law determines the Highest Lawful Rate, the Highest Lawful Rate is the weekly rate ceiling as defined in the Texas Finance Code Chapter 303. Bank may from time to time, as to current and future balances, elect and implement any other ceiling under such Code and/or revise the index, formula or provisions of law used to compute the rate on this open-end account by notice to Borrower, if and to the extent permitted by, and in the manner provided in such Code.

Each advance must be at least N/A UNITED STATES DOLLARS (U.S.N/A) unless the amount available for borrowing under this Note is less.

Accrued and unpaid interest is due and payable MONTHLY, beginning on APRIL 15, 2003, and continuing on the 15TH day of each MONTH thereafter and at maturity when all unpaid principal and accrued and unpaid interest is finally due and payable.

Interest will be computed on the basis of the actual number of days elapsed and a year comprised of: ☒ 365 (or 366 as the case may be) days ☐ 360 days, unless such calculation would result in a usurious interest rate, in which case such interest will be calculated on the basis of a 365 or 366 day year, as the case may be.

All past-due principal and interest on this Note will, at Bank's option, bear interest at the Highest Lawful Rate, or if applicable law does not provide for a maximum nonusurious rate of interest, at a rate per annum equal to 18%.

In addition to all principal and accrued interest on this Note, Borrower agrees to pay: (a) all reasonable costs and expenses incurred by Bank and all owners and holders of this Note in collecting this Note through probate, reorganization, bankruptcy or any other proceeding; and (b) reasonable attorneys' fees if and when this Note is placed in the hands of attorneys for collection.

Borrower and Bank intend to conform strictly to applicable usury laws. Therefore, the total amount of interest (as defined under applicable law) contracted for, charged or collected under this Note will never exceed the Highest Lawful Rate. If Bank contracts for, charges or receives any excess interest, it will be deemed a mistake. Bank will automatically reform the contract or charge to conform to applicable law, and if excess interest has been received, Bank will either refund the excess to Borrower or credit the excess on the unpaid principal amount of this Note. All amounts constituting interest will be spread throughout the full term of this Note in determining whether interest exceeds lawful amounts.

The unpaid principal balance of this Note at any time will be the total amounts advanced by Bank, less the amount of all payments or prepayments of principal. Absent manifest error, the records of Bank will be conclusive as to amounts owed. Subject to the terms and conditions of this Note and the Loan Documents, Borrower may use all or any part of the credit provided for herein at any time before the maturity of this Note and may borrow, repay and reborrow. There is no limitation on the number of advances made so long as the total unpaid principal amount at any time outstanding does not exceed the Maximum Amount of Note.

Borrower may at any time pay the full amount or any part of this Note without the payment of any premium or fee. Any partial prepayment will be in the amount of N/A (US$ N/A), or an integral multiple thereof. All payments may, at Bank's sole option, be applied to accrued interest, to principal, or to both.

"Loan Document" means this Note and any document or instrument evidencing, securing, guaranteeing or given in connection with this Note. "Obligations" means all principal, interest and other amounts which are or become owing under this Note or any other Loan Document. "Obligor" means Borrower and any guarantor, surety, co-signer, general partner or other person who may now or hereafter be obligated to pay all or any part of the Obligations. Where appropriate the neuter gender includes the feminine and the masculine and the singular number includes the plural number.

Each of the following events or conditions is an "Event of Default:" (1) any Obligor fails to pay any of the Obligations when due; (2) any warranty, representation or statement now or hereafter contained in or made in connection with any Loan Document was false or misleading in any respect when made; (3) any Obligor violates any covenant, condition or agreement contained in any Loan Document; (4) any Obligor fails or refuses to submit financial information requested by Bank or to permit Bank to inspect its books and records on request; (5) any event of default occurs under any other Loan Document; (6) any individual Obligor dies, or any Obligor that is an entity dissolves; (7) a receiver, conservator or similar official is appointed for any Obligor or any Obligor's assets; (8) any petition is filed by or against any Obligor under any bankruptcy, insolvency or similar law; (9) any Obligor makes an assignment for the benefit of creditors; (10) a final judgment is entered against any Obligor and remains unsatisfied for 30 days after entry, or any property of any Obligor is attached,

garnished or otherwise made subject to legal process; (11) any material adverse change occurs in the business, assets, affairs or financial condition of any Obligor, or (12) Borrower is in default of any other obligation to or any other agreement with Bank.

If any Event of Default occurs, then Bank may do any or all of the following: (i) cease making advances hereunder; (ii) declare the Obligations to be immediately due and payable, without notice of acceleration or of intention to accelerate, presentment and demand or protest or notice of any kind, all of which are hereby expressly waived; (iii) set off, in any order, against the Obligations any debt owing by Bank to any Obligor, including, but not limited to, any deposit account, which right is hereby granted by each Obligor to Bank; and (iv) exercise any and all other rights under any Loan Document, at law, in equity or otherwise.

No waiver of any default is waiver of any other default. Bank's delay in exercising any right or power under any Loan Document is not a waiver of such right or power.

Each Obligor severally waives notice, demand, presentment for payment, notice of nonpayment, notice of intent to accelerate, notice of acceleration, protest, notice of protest, and the filing of suit and diligence in collecting this Note and all other demands and notices, and consents and agrees that its liabilities and obligations will not be released or discharged by any or all of the following, whether with or without notice to it or any other Obligor, and whether before or after the stated maturity hereof: (i) extensions of the time of payment; (ii) renewals; (iii) acceptances of partial payments; (iv) releases or substitutions of any collateral or any Obligor; or (v) failure, if any, to perfect or maintain perfection of any security interest or lien in any collateral. Each Obligor agrees that acceptance of any partial payment will not constitute a waiver and that waiver of any default will not constitute waiver of any prior or

subsequent default. Nothing in this Note is intended to waive or vary the duties of Bank or the rights of any Obligor in violation of Section 9.602 of the Texas Business and Commerce Code.

Borrower represents and agrees that: all advances evidenced by this Note are and will be for business, commercial, investment, agricultural or other similar purpose and not primarily for personal, family, or household use.

Borrower represents and warrants that the following statement is true unless the box preceding that statement is checked and initialed by Borrower and Bank: ☐_____ _____No advances will be used for the purpose of purchasing or carrying any margin stock as that term is defined in Regulation U of the Board of Governors of the Federal Reserve System (the "Board").

Notwithstanding anything contained herein or in any other Loan Document, if this is a consumer credit obligation (as defined or described in 12 C.F.R. 227, Regulation AA, promulgated by the Board), the security for this credit obligation will not extend to any non-possessory security interest in household goods (as defined in Regulation AA) other than a purchase money security interest, and no waiver of any notice contained herein or therein will extend to any waiver of notice prohibited by Regulation AA.

Texas Finance Code Chapter 346 shall not apply to this Note or to any advance evidenced by this Note.

This Note is governed by Texas law. If any provision of this Note is illegal or unenforceable, that illegality or unenforceability will not affect the remaining provisions of this Note. BORROWER(S) AND BANK AGREE THAT THIS NOTE WILL BE PERFORMED IN THE COUNTY IN WHICH BANK'S PRINCIPAL OFFICE IN TEXAS IS LOCATED, AND THAT SUCH COUNTY IS PROPER VENUE FOR ANY ACTION OR PROCEEDING BROUGHT BY BORROWER(S) OR BANK, WHETHER IN CONTRACT, TORT, OR OTHERWISE. ANY ACTION OR PROCEEDING AGAINST BORROWER(S) MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT IN SUCH COUNTY TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER(S) HEREBY IRREVOCABLY (A) SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURTS, AND (B) WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT OR THAT ANY SUCH COURT IS AN INCONVENIENT FORUM. BORROWER(S) AGREES THAT SERVICE OF PROCESS UPON IT MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS SPECIFIED BELOW. BANK MAY SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW AND MAY BRING ANY ACTION OR PROCEEDING AGAINST BORROWER(S) OR WITH RESPECT TO ANY OF ITS PROPERTY IN COURTS IN OTHER PROPER JURISDICTIONS OR VENUES.

For purposes of this Note, any assignee or subsequent holder of this Note will be considered "Bank," and each successor to Borrower will be considered "Borrower."

Each Borrower and cosigner represents that if it is not a natural person, it is duly organized and validly existing and in good standing under the laws of the state of its incorporation or organization; has full power to own its properties and to carry on its business as now conducted; is duly qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it makes such qualification desirable; and has not commenced any dissolution proceedings. Each Borrower and cosigner that is subject to the Texas Revised Partnership Act ("TRPA") agrees that Bank is not required to comply with Section 3.05(d) of the TRPA and agrees that Bank may proceed directly against one or more partners or their property without first seeking satisfaction from partnership property. Each Borrower and cosigner represents that if it conducts business under an assumed business or professional name it has properly filed Assumed Name Certificate(s) in the office(s) required by Chapter 36 of the Texas Business and Commerce Code. Each of the persons signing below as Borrower or cosigner represents that he/she has full requisite power and authority to execute and deliver this Note to Bank on behalf of the party for whom he/she signs and to bind such party to the terms and conditions of this Note and that this Note is enforceable against such party.

JURY TRIAL WAIVER. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW, BORROWER AND BANK HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY THAT BORROWER OR BANK MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS NOTE OR THE OBLIGATIONS. BORROWER REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF BANK HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT BANK WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS RIGHT TO JURY TRIAL WAIVER. BORROWER ACKNOWLEDGES THAT BANK HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS WAIVER.

NO COURSE OF DEALING BETWEEN BORROWER AND BANK, NO COURSE OF PERFORMANCE, NO TRADE PRACTICES, AND NO EXTRINSIC EVIDENCE OF ANY NATURE MAY BE USED TO CONTRADICT OR MODIFY ANY TERM OF THIS NOTE OR ANY OTHER LOAN DOCUMENT.

THIS NOTE AND THE OTHER WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, Borrower has executed this Note effective as of MARCH 15, 2003.

BORROWER(S):

MANNATECH INCORPORATION

By: /s/ STEPHEN D. FENSTERMACHER

Name: **S. Fenstermacher**

Title: **CFO**

(Bank's signature is provided as its acknowledgement of the above as the final written agreement between the parties and as its agreement with each Borrower subject to TRPA that Bank is not required to comply with Section 3.05(d) of TRPA and its agreement with the Jury Trial Waiver.)

BANK: JPMorgan Chase Bank

By: /s/ LAURA F. SIMMONS Title: **Vice President**

Typed Name: **Laura F. Simmons**

SECURITY AGREEMENT—PLEDGE
(this "Agreement")

MANNATECH INCORPORATED
600 SOUTH ROYAL LANE SUITE 200
COPPELL, TEXAS 75019

(whether one or more, "**Debtor**"), jointly and severally if more than one, each of whose address pursuant to Section 3.(d) is set forth below under Debtor's name if different than the address above, and JPMORGAN CHASE BANK, whose principal office in Texas is located at 712 Main Street, P. O. Box 2558, Houston, Harris County, Texas 77252-2558 (together with its successors and assigns, "**Secured Party**"), agree as follows:

SECTION 1. DEFINITIONS. (a) "**Acts**" means the Securities Act of 1933 and the Securities Exchange Act of 1934, each as amended from time to time and any regulations promulgated pursuant thereto or any successor statute. (b) "**Collateral**" means all Pledged Securities, all Securities Accounts and all Proceeds. Notwithstanding the description of "Collateral", the Security Interest shall exclude any common trust funds of Secured Party in which Secured Party is prohibited by applicable law from taking a security interest. (c) "**Control Agreement**" means any control agreement among Debtor, Secured Party and a Securities Intermediary relating to Collateral. Debtor consents to Secured Party entering into any master control agreement with any of its affiliates acting as Securities Intermediary. (d) "**Loan Value**" means the value assigned by Secured Party from time to time, in its sole discretion, to each item of Collateral. (e) "**Highest Lawful Rate**" means the maximum nonusurious rate of interest permitted to be charged by applicable Federal or state law governing this Agreement (whichever permits the higher lawful rate) from time to time in effect. To the extent that Texas law determines the Highest Lawful Rate, the Highest Lawful Rate is the "weekly" rate ceiling as defined in the Texas Finance Code Chapter 303. (f) "**Lien**" means any mortgage, pledge, charge, encumbrance, security interest, collateral assignment or other lien or restriction of any kind, whether based on common law, constitutional provision, statute or contract. (g) "**Obligations**" means all debts, obligations and liabilities of every kind and character of Debtor, whether joint or several, contingent or otherwise, now or hereafter existing in favor of Secured Party, including without limitation, all liabilities arising under or from any note, open account, overdraft, letter of credit application, endorsement, surety agreement, guaranty, interest rate swap or other derivative product, acceptance, foreign exchange contract or depository service contract, whether payable to Secured Party or to a third party and subsequently acquired by Secured Party. Debtor and Secured Party specifically contemplate that Obligations include indebtedness hereafter incurred by any Debtor to Secured Party. (h) "**Past Due Rate**" means the Highest Lawful Rate or if applicable law does not provide for a maximum nonusurious rate, then 18%. (i) "**Pledged Securities**" means all securities, financial assets and other property described on Schedule I and all other securities, financial assets and other property that Debtor now or later delivers or causes to be delivered to Secured Party or to any other person on Secured Party's behalf intending such securities, financial assets and other property to be pledged to Secured Party, and any additional securities, financial assets and other property, or financial assets delivered or transferred to Secured Party in replacement of or substitution for any Pledged Securities, without the need for any additional documentation. Pledged Securities include (1) the intangible interest represented by any security, (2) the physical certificates, if any, and (3) all securities entitlements. If any Securities Account is listed on Schedule 1, Pledged Securities includes all securities and financial assets in which Debtor has securities entitlements through the Securities Account. Debtor and Secured Party expressly agree that all property held in the Securities Account are financial assets under the UCC. (j) "**Proceeds**" means all products and proceeds, in cash or otherwise, of all Collateral, including, but not limited to, all interest, dividends (in cash or otherwise), rights to receive dividends, subscription rights, voting rights, cash, instruments and other property now or hereafter received, receivable or otherwise distributed in connection with the sale, lease, license, exchange or other disposition of any Collateral and all other rights, payments or distributions. Proceeds of Pledged Securities include free credit balances and securities entitlements in any securities account in which Pledged Securities are held, to the extent the free credit balances or securities entitlements would otherwise be Proceeds. The inclusion of Proceeds does not authorize Debtor to sell, dispose of or otherwise use Collateral in any manner not specifically authorized herein. (k) "**Proper Form**" means in form and substance satisfactory to Secured Party. (l) "**Securities Account**" means all securities accounts of Debtor held by a Securities Intermediary and listed on Schedule 1 or hereafter subject to the terms of this Agreement, including all securities entitlements, free credit balances and other financial assets held in or through the Securities Account. (m) "**Securities Laws**" means the Acts and any other federal, state, local or foreign laws or regulations relating to the Collateral. (n) "**Securities Intermediary**" means any securities intermediary together with each of their successors and assigns or any affiliate of Secured Party acting in such capacity holding Collateral listed on Schedule 1 or hereafter subject to the terms of this Agreement. (o) "**Security Interest**" means the Liens created by this Agreement. (p) "**UCC**" means the Texas Uniform Commercial Code as amended from time to time if this Agreement is governed by Texas law or the New York Uniform Commercial Code as amended from time to time if this Agreement is governed by New York law. All terms defined in the UCC and used in this Agreement shall have the same definitions herein as specified therein unless otherwise defined in this Agreement.

SECTION 2. CREATION OF SECURITY INTEREST. To secure the payment and performance of the Obligations, Debtor grants to Secured Party a security interest in, pledges and assigns to Secured Party all Collateral owned by Debtor or in which Debtor has rights or the power to transfer rights, and all Collateral in which Debtor later acquires ownership, other rights or the power to transfer rights.

SECTION 3. DEBTOR'S REPRESENTATIONS. Debtor represents and warrants to Secured Party the following: (a) Debtor is the sole and lawful owner of the Collateral, free and clear of all Liens and adverse claims, and has the right and power to assign and transfer the Collateral to Secured Party and to assign, pledge and grant to Secured Party the Security Interest. No financing statement or similar record covering the Collateral, other than in favor of Secured Party, is on file in

any public office. The Security Interest does not violate the rights of any person. There are no restrictions on transfer, assignment or pledge of the Collateral except as created by this Agreement. Debtor has obtained any consents necessary to execute, deliver and perform Debtor's obligations under this Agreement and for Secured Party to enforce the Security Interest. (b) This Agreement constitutes the legal, valid and binding obligation of Debtor, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency and other similar laws affecting creditors' rights generally. (c) The Collateral and Debtor's use thereof comply with all applicable laws, rules and regulations. Debtor has complied and will comply with the Securities Laws in connection with Debtor's ownership of Collateral. (d) The address set forth in this Agreement is: (i) Debtor's principal residence, if Debtor is an individual; (ii) Debtor's chief executive office, if Debtor is not an individual and has more than one place of business; or (iii) Debtor's place of business if Debtor is not an individual and has only one place of business. (e) If Debtor is a registered organization, it is organized under the laws of the state or foreign jurisdiction set forth under Debtor's certification below. (f) If Debtor is an individual, Debtor's correct name is set forth above in this Agreement. If Debtor is a registered organization, Debtor's name as set forth above in this Agreement is its correct name as indicated on, the public record of Debtor's jurisdiction of organization which shows Debtor to have been organized. If Debtor is neither a registered organization nor an individual, the name of Debtor set forth in this Agreement satisfies the requirements of the UCC for providing the name of Debtor in any financing statement related hereto, including by example only, if a Debtor is a trust, the name of Debtor is the name specified for the trust in Debtor's organic document and if Debtor is an organization other than a registered organization, a trust or a decedent's estate and Debtor has a name, the name of Debtor is the organizational name of Debtor. If Debtor uses any trade or assumed names, Debtor has properly filed of record in the appropriate filing office all those trade names and has delivered to Bank a list of all of Debtor's assumed or trade names. (g) Each Securities Account is a valid and legally binding obligation of the Securities Intermediary, the securities entitlements credited to the Securities Accounts are valid and genuine and Debtor has provided Secured Party with a complete and accurate statement of the financial assets and the money credited to the Securities Account as of the date of this Agreement. (h) All Pledged Securities are genuine, free from any restriction on transfer unless the restriction is accurately noted on any physical certificate (it being understood that neither the terms of this representation nor Secured Party's taking delivery of any legended certificate evidences Secured Party's agreement that Collateral subject to any restriction is acceptable as security for any Obligations and, if any restriction exists, Debtor has completed and signed Schedule 2, Transfer Restrictions Schedule). (i) All Pledged Securities are duly and validly authorized and issued, fully paid and nonassessable as of the date of this Agreement and if any of the Collateral is evidenced by a physical certificate with an earlier issue date, as of that date. No Pledged Securities were issued in violation of the preemptive rights of any person or of any agreement by which Debtor or the issuer is bound. To the best of Debtor's knowledge, unless previously disclosed to Secured Party in writing, no issuer of Pledged Securities (other than securities of a class which are publicly traded) has granted any outstanding rights entitling any person to receive newly

issued capital stock of the issuer. (j) No Collateral is held by a bailee except as specified in an attached schedule. (k) Upon the taking of all actions necessary to perfect the Security Interest, this Agreement will create a valid and perfected first priority Lien in the Collateral securing the Obligations.

SECTION 4. DEBTOR'S AGREEMENTS. (a) Debtor will warrant and defend its title in and to the Collateral and the Security Interest against any adverse claimant. (b) If any Collateral is subject to any transfer or sale restriction, neither Debtor nor any person with whom Debtor shall be deemed one "person" for purposes of Rule 144 of the Securities and Exchange Commission ("**Rule 144**") and any successor provision, will pledge, sell, donate or otherwise transfer any other securities of the same type, and in the event any transfer occurs (whether or not with Secured Party's express consent in its discretion), Debtor will furnish Secured Party with a copy of any Form 144 filed in respect of the transfer. (c) Notwithstanding the Security Interest in Proceeds, Secured Party has not authorized Debtor to, and Debtor agrees not to sell, transfer, assign or otherwise dispose of any interest in the Collateral, except as authorized in this Agreement or in writing by Secured Party. Debtor will keep the Collateral (including Proceeds) free from unpaid charges, including taxes and assessments, and from all Liens other than those in favor of Secured Party. Debtor understands that any sale, transfer, pledge, assignment or other disposition or encumbrance of the Collateral contrary to this Agreement would violate the rights of Secured Party under this Agreement. (d) If requested by Secured Party, Debtor will promptly execute and deliver to Secured Party any documents required (or which Secured Party reasonably believes to be required) under Regulation U of the Board of Governors of the Federal Reserve System ("**Regulation U**"). None of the Obligations will be a "purpose credit" under Regulation U unless Debtor discloses that fact in writing to Secured Party on a Regulation U Purpose Statement before the Obligation is created. (e) Secured Party may require at any time that Debtor (i) deposit all Proceeds in a special bank or securities account over which Secured Party alone has power of withdrawal and control, (ii) notify other persons holding Collateral of Secured Party's Security Interest and that payment is to be made directly to Secured Party or to any financial institution or Securities Intermediary designated by Secured Party. After the making of such a request or the giving of any such notification, Debtor shall hold any Proceeds of Collateral received by Debtor as trustee for Secured Party without commingling them with other funds of Debtor and shall turn them over to Secured Party in the identical form received, together with any necessary endorsements, assignments or agreements providing Secured Party with control, all in Proper Form. Secured Party shall apply the Proceeds and Collateral received by Secured Party to the Obligations, such proceeds to be credited after final payment in cash or other immediately available funds of the items giving rise to them, or to be held as Collateral for the Obligations. (f) Debtor will furnish Secured Party all records and other information Secured Party may reasonably request. (g) Debtor will notify Secured Party promptly of any event or condition that could have a significant effect on the aggregate value of the Collateral or on the Security Interest. (h) Debtor will not change Debtor's principal residence, chief executive office or any of its other business locations without providing Secured Party 60 days' prior written notice. Debtor will not change its legal identity, name, organizational structure or the jurisdiction in which it is organized without the prior written consent of Secured Party and shall notify Secured Party 60 days' prior to a request for consent of its intention or desire to so change. (i) Debtor will keep accurate books and other records regarding the Collateral and will allow Secured Party to inspect the Collateral and make test verifications of the Collateral and make copies (including electronic copies) of Debtor's books and records during regular business hours. (j) Debtor has the risk of loss of the Collateral. (k) Debtor will not deposit any Proceeds into a deposit account which is not maintained with Secured Party. (l) If any Collateral is located or maintained with any bailee or person other than Debtor, Debtor will immediately notify Secured Party and obtain the acknowledgement of the bailee or other person that the Collateral is held for the benefit of Secured Party and Debtor will, and will cause such bailee or other person to enter into a control agreement in Proper Form with Secured Party. (m) Debtor will take any action requested by Secured Party to establish and maintain control by Secured Party of any Collateral consisting of deposit accounts, letter of credit rights and investment property. (n) If any Collateral comes into Debtor's possession, then: (i) Debtor will keep the Collateral separate from other property of Debtor; (ii) Debtor will keep accurate records of all Collateral Debtor receives; and (iii) Debtor will promptly deliver the Collateral to Secured Party in whatever form received. (o) Debtor will not enter into any agreement purporting to prohibit or restrict the transfer of any Collateral unless the agreement is expressly subordinate to the rights of Secured Party, any purchaser at foreclosure sale, and any person claiming the Collateral through either of them. (p) Any indication on the books or internal records of a Securities Intermediary (including any Securities Intermediary which is an affiliate of Secured Party) that Pledged Securities or a Securities Account has been pledged to Secured Party will conclusively establish Secured Party's perfected Security Interest in and control over the Collateral. (q) Debtor will not attempt to modify or terminate any Control Agreement or the agreement between Debtor and any Securities Intermediary governing any Securities Account without Secured Party's written consent. Debtor will cause each Securities Intermediary to send to Secured Party a complete and accurate copy of every statement, confirmation, notice or other communication concerning the Securities Account that the Securities Intermediary sends to Debtor. Any confirmation or statement of account that Secured Party may (but need not) issue will conclusively establish delivery of Pledged Securities to Secured Party. (r) Debtor will comply with the Securities Laws with respect to Debtor's ownership of Collateral. Debtor will not commit any act which might render any Collateral not readily saleable under the Securities Laws. Debtor will notify Secured Party immediately of any development or occurrence which to Debtor's knowledge would render any Collateral not readily saleable under the Securities Laws.

SECTION 5. VOTING RIGHTS AND DIVIDENDS. Unless an Event of Default occurs, Debtor may exercise all voting and consensual powers and rights pertaining to any Collateral for all purposes not inconsistent with the terms of this Agreement and may receive and retain all dividends (other than stock or

liquidating dividends) on the Collateral. All dividends in stock or property representing stock, and all subscription rights, warrants or other rights or options, all liquidating dividends or distributions, and all securities or other property received as a result of a merger or consolidation, will be Collateral and must be delivered to Secured Party or as instructed by Secured Party.

SECTION 6. LOAN VALUE OF COLLATERAL. Debtor agrees that at all times the amount of the Obligations may not exceed the aggregate Loan Value of the Collateral. Debtor will, at Secured Party's option, either supplement the Collateral or make any payment under the Obligations to the extent necessary to ensure compliance with this provision or Secured Party may liquidate Collateral without notice to Debtor to the extent necessary to ensure compliance with this provision.

SECTION 7. FURTHER ASSURANCES. Secured Party may file this Agreement, or any financing statements or amendments thereto or other record wherever Secured Party believes necessary or appropriate to perfect the Security Interest, including but not limited to, any official filing office, or in any other recording or registration system. The financing statement or other record may (a) indicate the Collateral as being of an equal or lesser scope or with greater detail than set forth in this Agreement and (b) contain any other information required by the UCC or other law regarding the notification of a Lien or other right to direct disposition, for the sufficiency of the filing office's or other registrar's acceptance of any financing statement or amendments thereto or other record including, if Debtor is an organization, the type of organization and any organization identification number issued to Debtor. Debtor also ratifies its authorization for Secured Party's filing of any financing statements covering the Collateral in any jurisdiction prior to the date hereof. A photographic or other reproduction of this Agreement or any financing statement relating to this Agreement will be sufficient as a financing statement. Debtor will take such action as Secured Party may at any time require to create, attach, perfect, protect, assure the first priority of and to enforce the Security Interest.

SECTION 8. SECURED PARTY APPOINTED ATTORNEY-IN-FACT. Debtor authorizes and irrevocably appoints Secured Party as Debtor's attorney-in-fact to take any action and execute or otherwise authenticate any record or other documentation that Secured Party considers necessary or advisable to accomplish the purposes of this Agreement, including but not limited to, the following actions: (1) to endorse and collect all checks, drafts, other payment orders and instruments representing or included in the Collateral or representing any payment, dividend or distribution relating to any Collateral or to take any other action to enforce, collect or compromise any of the Collateral; (2) to transfer any Collateral into the name of Secured Party or its nominee or any broker-dealer which may be an affiliate of Secured Party (including converting physical certificates to book-entry holdings) and to execute any Control Agreement on Debtor's behalf and as attorney-in-fact for Debtor in order to perfect Secured Party's first priority and continuing Security Interest in the Collateral and in order to provide Secured Party with control of the Collateral, and Debtor's signature on this Agreement or other authentication of this Agreement shall constitute an irrevocable direction by Debtor to any bank, custodian, broker-dealer, any other Securities Intermediary or commodity intermediary holding any Collateral or any issuer of any letters of credit to comply with the instructions or entitlement orders, as applicable of Secured Party, without the further consent of Debtor or any other person; (3) to exchange any of the Pledged Securities upon any merger, consolidation or other reorganization; (4) to exercise any right, privilege or option pertaining to any Collateral, but Secured Party has no obligation to do so; (5) to file any claims, take any actions or institute any proceedings which Secured Party determines to be necessary or appropriate to collect or preserve the Collateral or to enforce Secured Party's rights with respect to the Collateral; (6) to execute in the name of or otherwise authenticate on behalf of Debtor any record reasonably believed necessary or appropriate by Secured Party for compliance with laws, rules or regulations applicable to any Collateral, or in connection with exercising Secured Party's rights under this Agreement; (7) to file any financing statement relating to this Agreement electronically, and Secured Party's transmission of Debtor's name as part of any filing relating to this Agreement will constitute Debtor's signature on and

authentication of the financing statement; (8) to do and take any and all actions with respect to the Collateral and to perform any of Debtor's obligations under this Agreement; and (9) to execute any documentation reasonably believed necessary by Secured Party for compliance with Rule 144 or any other restrictions, laws, rules or regulations applicable to any Collateral hereunder that constitutes restricted securities under the Securities Laws. This appointment is irrevocable and coupled with an interest and shall survive the death or disability of Debtor.

SECTION 9. PROTECTION OF COLLATERAL. Except for the safe custody of any Collateral in its possession and accounting for moneys actually received by it, Secured Party has no duty as to any Collateral. Specifically, Secured Party has no duty to do any of the following, and the failure to do the following things will not be a failure to exercise ordinary care: (a) to preserve rights against prior parties; (b) to determine the existence of any maturities, calls, conversions, exchanges, offers, tenders or similar matters relating to the Collateral or to inform Debtor of any such matters; (c) to exercise any right, privilege or option relating to the Collateral unless (i) Debtor makes written demand to Secured Party to do so, (ii) Debtor's written demand is received by Secured Party in sufficient time to permit Secured Party to do so in the ordinary course of business, and (iii) if the exercise of such right reasonably might be expected to reduce the value of the Collateral, Debtor provides additional Collateral, acceptable to Secured Party in its sole discretion; (d) to keep Debtor informed of changes or potential changes affecting the Collateral (including such matters as tender offers, mergers, consolidations and shareholder meetings); or (e) to sell any Collateral. If Debtor requests Secured Party to sell the Collateral and provides additional Collateral acceptable to Secured Party in its sole discretion, Secured Party may, but is not required to do so. If Debtor requests that Secured Party deliver any Collateral to a broker or other person, and Secured Party agrees to do so, Debtor will assume all risk of loss of the Collateral. Secured Party has no duty to determine, and no liability for any lack of, the authenticity or authority of any person purporting to be a messenger, employee or other agent of the broker or other person, or of any document or instructions delivered by any such person. Secured Party's sole responsibility is to deliver the Collateral to a person purporting to be a messenger, employee or other agent of the broker or other person, and doing so constitutes ordinary care.

SECTION 10. COSTS AND EXPENSES. To the maximum extent not prohibited by applicable law, Debtor will pay, or reimburse Secured Party for, all costs and expenses of every character incurred from time to time in connection with this Agreement and the Obligations, including costs and expenses incurred (a) for recording any record in connection with this Agreement, mortgage or recording taxes (b) to satisfy any obligation of Debtor under this Agreement or to protect or preserve the Collateral, (c) in connection with the evaluation, monitoring or administration of the Obligations or the Collateral (whether or not an Event of Default has occurred) including searches of any lien or organization records, and (d) in connection with the exercise of Secured Party's rights and remedies. Costs and expenses include reasonable fees and expenses of outside counsel and other outside professionals and charges imposed or allocated for the services of attorneys and other professionals employed by Secured Party or its affiliates, as well as bonds posted as surety for lost certificated securities and any costs of reregistration of certificates. Any amount owing under this Section will be due and payable on demand and will bear interest from the date of expenditure by Secured Party until paid at the Past Due Rate. If any part of the Obligations is governed by the Consumer Restrictions (as defined in Section 15), this Section is limited to the extent required by the Consumer Restrictions with respect to those Obligations.

SECTION 11. WAIVERS. Debtor waives all suretyship defenses that may lawfully be waived, including but not limited to, notice of acceptance of this Agreement, notice of the incurrence or acquisition of any Obligations, credit extended, collateral received or delivered or other action taken in reliance on this Agreement, notices and all other demands and notices of any description. With respect to both Obligations and the Collateral, Debtor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of or failure to perfect any Lien in any Collateral, to the addition or release of any person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as Secured Party may deem advisable. To the extent not prohibited by applicable law, Debtor further waives (i) diligence and promptness in preserving liability of any person on the Obligations, and in collecting or bringing suit to collect the Obligations; (ii) all rights, if any, of Debtor under Rule 31, Texas Rules of Civil Procedure, or Chapter 34 of the Texas Business and Commerce Code, or Section 17.001 of the Texas

Civil Practice and Remedies Code; (iii) to the extent Debtor is subject to the Texas Revised Partnership Act (**"TRPA"**), compliance by Secured Party with Section 3.05(d) of TRPA; (iv) notice of extensions, renewals, modifications, rearrangements and substitutions of the Obligations; (v) failure to pay any of the Obligations as they mature, any other default, adverse change in any obligor's or any Debtor's financial condition, release or substitution of Collateral, subordination of Secured Party's rights in any Collateral, and every other notice of every kind. Nothing in this Agreement is intended to waive or vary the duties of Secured Party or the rights of Debtor or any obligor in violation of Section 9.602 of the UCC.

SECTION 12. DEFAULT. Each of the following events or conditions is an **"Event of Default:"** (a) Debtor fails to pay when due (or within any contractually agreed grace period) any of the Obligations; (b) any event occurs that results in the automatic acceleration of any Obligations or gives Secured Party the immediate right to declare any of the Obligations due and payable in full prior to final maturity; (c) any warranty, representation or statement contained in this Agreement or made in connection with this Agreement or any of the Obligations was false or misleading in any respect when made; (d) Debtor violates any covenant, condition or agreement contained in this Agreement or any other documentation relating to any of the Obligations; (e) any Collateral is lost, stolen, substantially damaged, destroyed, abandoned, levied upon, seized or attached; (f) Debtor conceals or removes any part of the Collateral with intent to hinder, delay or defraud Secured Party; (g) Secured Party receives at any time a report indicating that the Security Interest is not prior to all other Liens or other interests in the Collateral reflected in such report; or (h) Debtor fails to comply with or become subject to any administrative or judicial proceeding under any federal, state or local hazardous waste or environmental law, asset forfeiture or similar law which may result in the forfeiture of property, or other law where non-compliance may have a significant effect on the Collateral or Debtor's ability to pay the Obligations. After an Event of Default occurs, Secured Party may, without notice to any person, declare the Obligations to be immediately due and payable. Debtor WAIVES demand, presentment and all notices, including without limitation notice of dishonor and default, notice of intent to accelerate and notice of acceleration.

SECTION 13. SECURED PARTY'S RIGHTS AND REMEDIES. After an Event of Default occurs, Secured Party will have all rights and remedies of a secured party after default under the UCC and other applicable law, including without limitation, the right to take possession of the Collateral, and for that purpose Secured Party may, so far as Debtor can give authority therefor, enter upon any premises on which any Collateral may be situated and lawfully remove any Collateral. Secured Party may require Debtor to assemble the Collateral and make it available at a reasonably convenient place Secured Party designates. Secured Party may provide a copy of this Agreement to any Securities Intermediary or other person having possession of, liable on or having any interest in any Collateral. Secured Party may provide a copy of this Agreement to any person having any interest in any Collateral. Secured Party is not required to take possession of any Collateral prior to any sale, or to have any Collateral present at any sale. In addition to public or private sale, Secured Party may sell any Collateral on any exchange or through any broker, in one lot or several parcels as Secured Party determines. Secured Party may sell part of the Collateral without waiving its right to proceed against the remaining Collateral. If any sale is not completed or is defective in the opinion of Secured Party, Secured Party may make a subsequent sale of the same Collateral. Any bill of sale or other record evidencing any foreclosure sale will be prima facie evidence of the factual matters recorded therein. If a sale of Collateral is conducted in conformity with customary practices of banks disposing of similar property, the sale will be deemed commercially reasonable, but Secured Party will have no obligation to advertise or to sell Collateral on credit. However, if Secured Party sells any of the Collateral upon credit, Debtor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser with respect to the sale. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Debtor shall be credited with the proceeds of the sale. In addition, Debtor waives any and all rights that Debtor may have to a judicial hearing in advance of the enforcement of any of Secured Party's rights hereunder, including without limitation, its rights following an Event of Default to take immediate possession of the Collateral and to exercise its rights with respect thereto. By exercising its rights, Secured Party will not become liable for, and Debtor will not be released from, any of Debtor's duties or obligations under the Collateral. All remedies in this Agreement are cumulative of any and all other legal, equitable or contractual remedies available to Secured Party and any such remedies may be exercised simultaneously or in any order as determined by Secured Party. Debtor WAIVES any rights to a marshaling of assets or sale in inverse order of alienation, and any rights to notice except as required by the UCC. Secured Party may by notice to Debtor immediately terminate all of Debtor's voting rights and dividend rights under Section 5. If the Collateral includes any Securities Account, Secured Party may (i) deliver a notice of exclusive control or otherwise revoke trading and other rights, if any, of Debtor under the Control Agreement; (ii) cause the Securities Account to be re-registered in Secured Party's name only or transfer the Securities Account to another broker/dealer in Secured Party's name only; and (iii) remove any Collateral from the Securities Account and register such collateral in Secured Party's name or in the name of its broker/dealer, agent or nominee or any of their nominees. Secured Party may exercise any voting, conversion,

registration, purchase or other rights of a holder of any of the Collateral after an Event of Default occurs and any reasonable expense of such exercise will be an expense of Debtor preserving the value of Collateral. Debtor agrees that Secured Party's ability to effect a sale of Collateral may be materially restricted by applicable Securities Laws, or other laws, rules, regulations or agreements applicable to the Collateral delivered by Debtor. Secured Party may sell Collateral subject to any restriction that Secured Party reasonably believes to be necessary or advisable under applicable Securities Laws or other laws, rules, regulations or agreements, and the sale (whether public or private) will not be rendered commercially unreasonable by compliance with any such restrictions and/or laws, rules, regulations and other provisions reasonably believed by Secured Party to be relevant to the sale, whether or not other manner(s) of sale may have been available. Debtor specifically acknowledges and agrees that a commercially reasonable sale of restricted securities typically does not yield net sales proceeds equal to the sale proceeds expected from sale of the same issue of securities if unrestricted. Secured Party will have no obligation to delay a sale of any of the Collateral in order to permit Debtor to register Collateral under any Securities Laws, even if Debtor would agree to do so. Debtor represents and warrants that Debtor's holding period (as defined and provided for in Rule 144) for each item of Collateral represented by a physical certificate is at least as long as evidenced by the issue date on the certificate. Debtor will indemnify and hold harmless Secured Party and any "controlling persons" of Secured Party (within the meaning of the Acts) from and against any loss, cost or expense (including counsel fees and disbursements) in connection with the Collateral, or any registration of the Collateral, arising out of or based on any untrue or misleading statement or omission or alleged untrue or misleading statement or omission of a material fact contained in any registration statement or otherwise. Debtor specifically acknowledges that Secured Party's exercise of rights and remedies under this Section 13 and otherwise may affect Debtor's tax liability, and agrees that Secured Party shall have no duty whatsoever to take into consideration any such tax liability.

SECTION 14. STANDARDS FOR EXERCISING REMEDIES. To the extent that applicable law imposes duties on Secured Party to exercise remedies in a commercially reasonable manner, Debtor acknowledges and agrees that it is not commercially unreasonable for Secured Party, (a) to fail to incur expenses reasonably deemed significant by Secured Party to prepare any Collateral for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against other persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (d) to exercise collection remedies against other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not Collateral is of a specialized nature, (f) to contact other persons, whether or not in the same business as Debtor, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not Collateral is of a specialized nature, (h) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties, (k) to purchase insurance or credit enhancements to insure Secured Party against risks of loss, collection or disposition of Collateral or to provide Secured Party a guaranteed return from the collection or disposition of Collateral, (l) to the extent deemed appropriate by Secured Party, to obtain the services of brokers, investment bankers, consultants and other professionals (including Secured Party and its affiliates) to assist Secured Party in the collection or disposition of any Collateral, (m) to

comply with any applicable state or federal law requirement in connection with the disposition or collection of any Collateral; or (n) to not take into consideration Debtor's tax liability in connection with the sale of any Collateral. Debtor acknowledges that this Section is intended to provide non-exhaustive indications of what actions or omissions by Secured Party would not be commercially unreasonable in Secured Party's exercise of remedies against the Collateral and that other actions or omissions by Secured Party shall not be deemed commercially unreasonable solely by not being included in this Section. Without limitation upon the foregoing, nothing contained in this Section shall be construed to grant any rights to Debtor or to impose any duties upon Secured Party that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

SECTION 15. ADDITIONAL AGREEMENTS. (a) For so long as any Obligations exist, or Secured Party has any commitment to provide financing to any Debtor, or Secured Party makes available a line of credit to any Debtor whether or not extensions of credit under the line are at Secured Party's sole discretion, or Secured Party has any obligation to purchase from or guarantee to any affiliate any extension of credit to any Debtor, or Secured Party provides any banking services to any Debtor and until Secured Party executes and delivers to Debtor an authenticated termination statement, this Agreement will remain in effect. (b) No modification or waiver of the terms of this Agreement will be effective unless in writing and signed by Secured Party. Secured Party may waive any default without waiving any other prior or subsequent default. Secured Party's failure to exercise or delay in exercising any right under this Agreement will not operate as a waiver of such right. No single or partial exercise of any right under this Agreement will preclude any other or further exercise of that right or any other right. (c) Any notice required or permitted under this Agreement will be given in a record by United States mail, by hand delivery or delivery service, by telegraphic, telex, telecopy or cable communication, or electronic message via the Internet sent to the intended addressee at the address shown in this Agreement, or to such different address as the addressee designates by 10 days' prior notice to be the address for this Agreement. Notice by United States mail will be effective when mailed. All other notices will be effective when received. Written confirmation or electronic notification of receipt will be conclusive. (d) If any provision of this Agreement is unenforceable or invalid, that provision will not affect the enforceability or validity of any other provision. If the application of any provision of this Agreement to any person or circumstance is illegal or unenforceable, that application will not affect the legality or enforceability of the provision as to any other person or circumstance. (e) If more than one person executes this Agreement as Debtor, their obligations under this Agreement are joint and several, and the term Collateral includes any property described in Section 1 that is owned by any Debtor individually or jointly with any other Debtor, and the term "Obligations" includes both several and joint obligations of each Debtor. (f) The section headings in this Agreement are for convenience only and shall not be considered in construing this Agreement. (g) This Agreement may be executed or authenticated in any number of counterparts and by different parties in separate counterparts, each of which will constitute one and the same agreement. (h) This Agreement benefits Secured Party and its successors and assigns and is binding on Debtor and Debtor's heirs, legal representatives, successors and assigns and shall bind all who become bound as a debtor to this Agreement. Secured Party may assign its rights and interests under this Agreement. Debtor shall render performance under this Agreement to any subsequent assignee. Debtor waives and will not assert against any assignee any claims, defenses or set-off which Debtor could assert against Secured Party except those which cannot legally be waived. (i) If any of the Obligations is subject to Chapters 342 or 346 of the Texas Finance Code or Regulation AA of the Board of Governors of the Federal Reserve System (collectively, the **"Consumer Restrictions"**) or is a consumer transaction, (1) nothing in this Agreement waives any rights which cannot be legally waived under the Consumer Restrictions or the UCC, and (2) Collateral securing Obligations subject to the Consumer Restrictions does not include any assignment of wages or any non-possessory, non-purchase money security interest in household goods. (j) This Agreement is governed by the laws of the State of ☒ Texas, ☐ New York. (k) Secured Party is executing this Agreement for the purpose of acknowledging and agreeing to the following Jury Trial Waiver, the notice given under §26.02 of the Texas Business and Commerce Code and to comply with the waiver requirement of TRPA, and Secured Party's failure to execute or authenticate this Agreement will not invalidate this Agreement.

JURY TRIAL WAIVER. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW, DEBTOR AND SECURED PARTY HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT TO TRIAL BY JURY DEBTOR OR SECURED PARTY MAY HAVE IN ANY ACTION OR PROCEEDING, IN LAW OR IN EQUITY, IN CONNECTION WITH THIS AGREEMENT OR THE OBLIGATIONS. DEBTOR REPRESENTS AND WARRANTS THAT NO REPRESENTATIVE OR AGENT OF SECURED PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SECURED PARTY WILL NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS RIGHT TO JURY TRIAL WAIVER. DEBTOR ACKNOWLEDGES THAT SECURED PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE PROVISIONS OF THIS WAIVER.

This written loan agreement represents the final agreement of the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

Executed effective as of March 15, 2003.

Debtor certification for all non-individuals: Debtor certifies that it is organized under the laws of the State of TEXAS if a U.S. Debtor, and if not a U.S. Debtor, the laws of _____.

DEBTOR: MANNATECH, INCORPORATED

600 SOUTH ROYAL LANE SUITE 200

COPPELL, TEXAS 75019

Section 3. (d) Address (if different from the address set forth above):_____

STEPHEN D. FENSTERMACHER

CFO

Debtor certification for all non-individuals: Debtor certifies that it is organized under the laws of the State of _____ if a US Debtor, and if not a US Debtor, the laws of _____ .

DEBTOR:_____

Section 3.(d) Address (if different from the address set forth above):_____

SECURED PARTY: JPMORGAN CHASE BANK
712 Main Street
P. O. Box 2558
Houston, Texas 77252-2558

By: /s/ LAURA F. SIMMONS

Name: **Laura F. Simmons** Title: **Vice President**

Exhibit 99.1

Certification of
Chief Executive Officer
of Mannatech, Incorporated

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, and accompanies the quarterly report on Form 10-Q (the "***Form 10-Q***") for the three months ended March 31, 2003 of Mannatech, Incorporated (the "***Issuer***").

I, Samuel L. Caster, the Chief Executive Officer of the Issuer certify that to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: May 15, 2003

/s/ Samuel L. Caster

Name: Samuel L. Caster

Subscribed and sworn to before me
this 15th day of May, 2003

/s/ Christina Meissner

Name: Christina Meissner
Title: Notary Public, State of Texas

My commission expires: March 19, 2006

Exhibit 99.2

Certification of
Chief Financial Officer
of Mannatech, Incorporated

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, and accompanies the quarterly report on Form 10-Q (the "***Form 10-Q***") for the three months ended March 31, 2003 of Mannatech, Incorporated (the "***Issuer***").

I, Stephen D. Fenstermacher, the Chief Financial Officer of the Issuer certify that to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: May 15, 2003.

/s/ Stephen D. Fenstermacher

Name: Stephen D. Fenstermacher

Subscribed and sworn to before me
this 15h day of May, 2003

/s/ Christina Meissner

Name: Chistina Meissner
Title: Notary Public, State of Texas

My commission expires: March 19, 2006