AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 21, 1998

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MANNATECH, INCORPORATED

(Exact Name of Registrant as Specified in Its Charter)

TEXAS	2833	75-2508900
(State or other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

600 S. ROYAL LANE, SUITE 200
COPPELL, TEXAS 75019
(972) 471-7400

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

CHARLES E. FIORETTI
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER
MANNATECH, INCORPORATED
600 S. ROYAL LANE, SUITE 200
COPPELL, TEXAS 75019
(972) 471-7400

(Name, and address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

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Dallas, Texas 75201	Boston, Massachusetts 02109
(214) 969-2800	(617) 526-6000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF

THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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SUBJECT TO COMPLETION, DATED MAY 21, 1998

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

8,000,000 SHARES

[LOGO]

COMMON STOCK

Of the 8,000,000 shares of Common Stock offered hereby, 6,000,000 shares are being sold by the Company and 2,000,000 shares are being sold by the Selling Shareholders. See "Principal and Selling Shareholders." The Company will not receive any of the proceeds from the sale of the shares by the Selling Shareholders.

Prior to this offering, there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price will be between $10.00 and $12.00 per share. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The Common Stock has been approved for quotation and trading, subject to official notice of issuance, on the Nasdaq National Market under the symbol "MTEX."

SEE "RISK FACTORS" COMMENCING ON PAGE 8 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS (1)	PROCEEDS TO COMPANY (2)	PROCEEDS TO SELLING SHAREHOLDERS (2)
Per Share.....	$	$	$	$
Total (3).....	$	$	$	$

(1) The Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(2) Before deducting expenses payable by the Company estimated at $1,100,000.

(3) The Company and certain Selling Shareholders have granted to the Underwriters a 30-day option to purchase up to an additional 1,200,000 shares of Common Stock solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions, Proceeds to Company and Proceeds to Selling Shareholders will be $, $, $ and $, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to receipt and acceptance by them and to their right to reject any order in whole or in part. It is expected that delivery of the shares of Common Stock will be made at the offices of Adams, Harkness & Hill, Inc., Boston, Massachusetts, on or about , 1998.

Adams, Harkness & Hill, Inc.

NationsBanc Montgomery Securities LLC

Piper Jaffray Inc.

The date of this Prospectus is , 1998.

[Pictures of the Company's products and events.]

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING OVER-ALLOTMENT, STABILIZING AND SHORT-COVERING TRANSACTIONS IN THESE SECURITIES OR THE IMPOSITION OF PENALTY BIDS IN CONNECTION WITH THE OFFERING. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND THE FINANCIAL STATEMENTS AND NOTES THERETO APPEARING ELSEWHERE IN THIS PROSPECTUS. INVESTORS SHOULD CAREFULLY CONSIDER THE RISK FACTORS RELATED TO THE PURCHASE OF COMMON STOCK OF THE COMPANY. UNLESS OTHERWISE INDICATED, ALL INFORMATION IN THIS PROSPECTUS REFLECTS A 1,000-FOR-1 SPLIT OF THE COMPANY'S OUTSTANDING COMMON STOCK EFFECTED IN 1997 (THE "STOCK SPLIT"). SEE "RISK FACTORS."

THE COMPANY

Mannatech develops and sells proprietary nutritional supplements and topical products through a network marketing system. The Company sells its products in the United States and Canada, through a network consisting of approximately 221,000 active Associates (an "active" Associate has purchased products from the Company within the last 12 months) as of April 30, 1998, and is currently planning to expand into Australia, while continuing to assess the potential of other foreign markets. Since commencing operations in November 1993, the Company's sales have grown from approximately $8.5 million in 1994 to approximately $150.9 million in 1997.

The Company pursues a two-fold business strategy: (i) to develop a proprietary line of nutritional supplements having both health benefits and mass appeal to a general population demanding non-toxic healthcare alternatives, and (ii) to provide an appealing framework for persons interested in the products to establish a direct sales business. To date, the Company has focused its development efforts primarily in the area of carbohydrate technology, creating a proprietary ingredient, Ambrotose-TM- Complex, which combines the naturally occurring sugars required to support optimal cell-to-cell communication. Additional Company efforts have been focused on developing products based on scientific advances in the emerging field of phytochemistry, which has identified certain naturally occurring components of various plants, known as "phytochemicals," which, while not essential to sustain life, are fundamental to optimal health.

Ambrotose-TM- Complex is the cornerstone of the Company's product lines. These products are designed to support various systems and functions of the human body, including (i) the cell-to-cell communication system, (ii) the immune system, (iii) the endocrine system, (iv) the intestinal system and (v) the dermal system. The Company also markets products designed to aid in sports performance and nutritional support. The Company's products, Man-Aloe-Registered Trademark-, Ambrotose-TM- and Bulk Ambrotose-TM-, are designed to support cell-to-cell communication. For immune system support, the Company offers Phyt-Aloe-Registered Trademark-, for adults, and Phyto-Bears-Registered Trademark-, a chewable gummi-bear nutritional supplement product marketed to children but popular with adults. Other products include MVP-TM- and Plus for endocrine system support, MannaCleanse-TM- for intestinal system support and Emprizone-Registered Trademark-, Firm and Naturalizer for dermal care. The Company offers several products designed to aid sports performance by enhancing the body's natural recovery process and supporting lean tissue development, including Em-Pact-TM-, Bulk Em-Pact-TM- and Sport with Ambrotose-TM-. The Company also markets Profile 1, Profile 2 and Profile 3, which support the body's nutritional needs.

In March 1998, the Company introduced MannaBAR-TM-, a nutritional supplement bar in two versions that contains the equivalent of the Company's recommended minimum daily supply of Ambrotose-TM- Complex, Phyt-Aloe-Registered Trademark- and Plus. In addition to MannaBAR-TM-, the Company plans to release at least one new product in 1998 and additional products as new nutritional compounds or areas of consumer demand are identified by the Company. All new products are expected to contain proprietary components.

The Company's products are marketed exclusively through a network marketing system. The Company believes that its network marketing system is well-suited to its products, which emphasize health and nutrition, because network marketing allows in-person product education not available through traditional marketing techniques. The Company's network marketing system appeals to a broad cross-

section of people, particularly those seeking to supplement family income, start a home-based business or pursue employment opportunities other than conventional, full-time employment.

In 1997, the Company made a substantial investment in infrastructure, including investments in its new headquarters building, new distribution center, information technology systems and new research and development laboratory. The Company believes it will be able to continue its sustained and profitable growth by capitalizing on its operating strengths, including its (i) proprietary product offerings, (ii) superior research and development capability, (iii) strong Associate support philosophy, (iv) flexible operating strategy and (v) experienced management team.

Prior to June 1, 1997, certain of the Company's intellectual property rights and marketing rights were held by limited partnerships controlled by certain of the Company's shareholders. On June 1, 1997, in order to simplify the Company's ownership structure and consolidate all operating activities, the Company entered into agreements to effect a reorganization through merging with the corporate general partners of the limited partnerships in which the Company was the surviving corporation and exchanging shares of Common Stock for the entire ownership interests of the limited partnerships (the "Reorganization"). Pursuant to the Reorganization, the Company issued an aggregate of 10,000,000 shares of Common Stock to the holders of the general partnership and the limited partnership interests. In addition, during May and June 1997 the Company issued 2,027,571 shares of Common Stock in consideration for the cancellation of incentive compensation agreements with two shareholder-employees and four other employees of the Company, including 626,971 shares issued to cancel incentive compensation agreements that had been provided in lieu of ownership interests in the limited partnerships. See Note 9 to the Financial Statements. The net effect of the foregoing transactions was to increase the number of shares of Common Stock outstanding by 12,027,571, while retaining substantially the same relative ownership of the Company among the Company's original shareholders. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Certain Transactions-Partnership Transactions" and "-Incentive Compensation Agreements."

The Company was incorporated in Texas in 1993 under the name Emprise International, Inc. and changed its name to Mannatech, Incorporated in 1995. The principal executive offices of the Company are located at 600 S. Royal Lane, Suite 200, Coppell, Texas 75019, and the Company's telephone number is (972) 471-7400.

THE OFFERING

Common Stock offered by:	
The Company	6,000,000 shares
The Selling Shareholders	2,000,000 shares
Common Stock to be outstanding after this offering	28,151,738 shares(1)
Use of proceeds	For international expansion, capital investments, working capital and other general corporate purposes. See "Use of Proceeds."
Nasdaq National Market symbol	MTEX

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(1) Includes 50,000 shares of Common Stock to be sold in the offering upon exercise of an outstanding warrant (the "Exercised Warrant Shares"). Does not include (i) 2,500,000 shares of Common Stock reserved for issuance under the Company's 1997 Stock Option Plan and 1998 Incentive Stock Option Plan, of which 1,600,000 shares were subject to outstanding options as of April 30, 1998 at a weighted average exercise price of $1.45 per share, (ii) 100,000 shares of Common Stock reserved for issuance subject to another option outstanding as of April 30, 1998 at an exercise price of $2.00 per share, and (iii) 425,015 shares (which number does not include the Exercised Warrant Shares) of Common Stock reserved for issuance subject to a warrant outstanding as of April 30, 1998 at an exercise price of $1.35 per share.

	YEAR ENDED DECEMBER 31,				THREE MONTHS ENDED MARCH 31,	
	1994(1)	1995	1996	1997	1997	1998
					(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)					
STATEMENT OF INCOME DATA:						
Net sales	$ 8,540	$ 32,234	$ 86,574	$ 150,857	$ 33,544	$ 41,059
Cost of sales	1,499	4,880	13,406	24,735	5,501	6,060
Commissions	3,256	12,339	35,155	61,677	13,685	16,883
Gross profit	3,785	15,015	38,013	64,445	14,358	18,116
Operating expenses:						
Selling and administrative expenses	2,063	7,012	17,764	27,846	5,827	7,684
Other operating costs	2,115	5,253	11,746	19,402	3,744	4,696
Cancellation of incentive compensation agreements	-	-	-	2,192(2)	-	-
Total operating expenses	4,178	12,265	29,510	49,440	9,571	12,380
Income (loss) from operations	(393)	2,750	8,503	15,005	4,787	5,736
Other (income) expense, net	21	181	(116)	(43)	139	(62)
Income (loss) before income taxes	(414)	2,569	8,619	15,048	4,648	5,798
Income tax (benefit) expense	(131)	130	1,295	4,249	1,322	2,198
Net income (loss)	$ (283)	$ 2,439	$ 7,324	$ 10,799	$ 3,326	$ 3,600
Earnings (loss) per common share:(3)						
Basic	$ (0.01)	$ 0.12	$ 0.36	$ 0.50	$ 0.16	$ 0.16
Diluted	$ (0.01)	$ 0.12	$ 0.36	$ 0.48	$ 0.16	$ 0.15
Weighted average common and common equivalent shares outstanding:(3)						
Basic	20,627	20,627	20,627	21,449	20,627	22,051
Diluted	20,627	20,627	20,627	22,400	20,627	23,647
PRO FORMA INFORMATION:(4)						
Income (loss) before income taxes, as reported	$ (414)	$ 2,569	$ 8,619	$ 15,048	$ 4,648	
Pro forma provision for income tax (benefit) expense	(155)	964	3,232	5,793	1,789	
Pro forma net income (loss)	$ (259)	$ 1,605	$ 5,387	$ 9,255	$ 2,859	
PRO FORMA EARNINGS (LOSS) PER COMMON SHARE:(3)						
Basic	$ (0.01)	$ 0.08	$ 0.26	$ 0.43	$ 0.14	
Diluted	$ (0.01)	$ 0.08	$ 0.26	$ 0.41	$ 0.14	
OTHER FINANCIAL DATA:						
Depreciation and amortization	$ 4	$ 75	$ 414	$ 1,189	$ 129	$ 399
Capital expenditures(5)	$ 72	$ 769	$ 2,660	$ 9,135	$ 3,720	$ 1,813
Dividends declared per common share	$ 1.00(6)	$ 1.00(6)	$ 10.00(6)	$ 0.37	$ -	$ 0.12

	MARCH 31, 1998	
	ACTUAL	AS ADJUSTED(7)
	(IN THOUSANDS)	
BALANCE SHEET DATA:		
Cash and cash equivalents	$ 952	$ 61,300
Working capital	(8,469)	51,879
Total assets	23,119	83,049
Total liabilities	19,489	19,489
Redeemable warrants	300	300
Total shareholders' equity	3,330	63,260

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(1) Statement of Income Data for the year ended December 31, 1994 includes the period from November 4, 1993 (inception) through December 31, 1994. For the two months of operations ended December 31, 1993, the Company's financial data consisted of net sales of $0, selling and administrative expenses of $43,049, other operating costs of $68,683 and a net loss of ($112,733). The balance sheet reflects a total shareholders' deficit of ($111,733).

(2) In June 1997 and December 1997, the Company recorded one-time charges to operations for the issuance of stock in exchange for the cancellation of certain incentive compensation agreements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Certain Transactions."

(3) Computed on the basis described in Note 1 in the Notes to Financial Statements.

(4) The pro forma information shows the Company's net income and earnings per share as if all income earned by the Company and the limited partnerships was taxable at federal and state statutory rates.

(5) Capital expenditures include assets acquired through capital lease obligations of $397,402 in 1997.

(6) Dividends were calculated based upon shares outstanding prior to the Stock Split and the Reorganization (10,000 shares), each of which took place in 1997. Aggregate dividends declared amounted to $10,000, $10,000 and $100,000 in 1994, 1995 and 1996, respectively.

(7) Adjusted to give effect to the sale of 6,000,000 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $11.00 per share and the application of the estimated net proceeds therefrom. See "Use of Proceeds" and "Capitalization."

TRADEMARKS

The tradename Mannatech and the Company's logo is a Texas trademark of the Company. Product names used in this Prospectus are, in certain cases, trademarks and are also the property of the Company, including; Ambrotose-TM-; Bulk Ambrotose-TM-; Man-Aloe-Registered Trademark-; MannaBAR-TM- (carbohydrate formula); MannaBAR-TM- (protein formula); MVP-TM- Phyt-Aloe-Registered Trademark-; Phyto-Bears-Registered Trademark-; MannaCleanse-TM-; and Emprizone-Registered Trademark-. Manapol-Registered Trademark- is a registered trademark of Carrington Laboratories, Inc. All other tradenames and trademarks appearing in this Prospectus are the property of their respective owners.

RISK FACTORS

THE FOLLOWING RISK FACTORS SHOULD BE CONSIDERED CAREFULLY IN ADDITION TO THE OTHER INFORMATION IN THIS PROSPECTUS BEFORE PURCHASING THE COMMON STOCK OFFERED BY THIS PROSPECTUS. EXCEPT FOR THE HISTORICAL INFORMATION CONTAINED HEREIN, THE DISCUSSION IN THIS PROSPECTUS CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. WHEN USED IN THIS PROSPECTUS, THE WORDS "BELIEVES," "EXPECTS," "ANTICIPATES," "INTENDS," "ESTIMATES," "SHOULD," "WILL LIKELY," "PLANS TO" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. THE CAUTIONARY STATEMENTS MADE IN THIS PROSPECTUS SHOULD BE READ AS BEING APPLICABLE TO ALL RELATED FORWARD-LOOKING STATEMENTS WHEREVER THEY APPEAR IN THIS PROSPECTUS. THE COMPANY'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE DISCUSSED HEREIN. IMPORTANT FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE THOSE DISCUSSED BELOW, AS WELL AS THOSE DISCUSSED ELSEWHERE HEREIN.

RELIANCE UPON ASSOCIATES. The Company distributes its products exclusively through its Associates, and the Company's success depends in significant part upon its ability to attract, maintain and motivate a large base of Associates, who, in turn, recruit additional Associates to purchase and sell the Company's products. Significant turnover among Associates from year to year, which the Company believes is typical of direct selling, requires the sponsoring of new Associates by existing Associates in order to maintain or increase the overall Associate force. Efforts by Associates to obtain new Associates are affected by the level of Associate motivation, which in turn can be positively or negatively affected by certain factors, including general economic conditions, modifications in the amount of commission and training fees paid, and public perception of the quality of the Company's products. The Company's ability to attract and retain new Associates could be negatively affected by adverse publicity relating to the Company or its services or its operations, including its network marketing system. Because of the number of factors that impact the recruiting of Associates, the Company cannot predict when or to what extent increases or decreases in the level of Associate retention will occur. In addition, the number of Associates as a percentage of the population may reach levels that become difficult to exceed due to the finite number of persons inclined to pursue direct selling as a business. There can be no assurance that the number or productivity of Associates will be sustained at current levels or will increase in the future. The failure of the Company to attract and retain Associates in sufficient numbers would have a material adverse effect on the Company's business, results of operations and financial condition. Furthermore, the Company's business, results of operations and financial condition could be materially adversely affected if the Company finds it necessary to terminate a significant number of Associates or certain Associates who play a key role in the Company's distribution system. See "Business-Growth Strategy" and "- Product Distribution System."

REGULATION AND MANAGEMENT OF ASSOCIATES. Associates are independent contractors, not employees of the Company, and are not subject to the same level of direction and oversight as Company employees. While the Company has policies and rules in place governing the conduct of Associates, as well as a systematic method of discipline, and periodically reviews the sales methods of Associates, it is difficult to enforce such policies and rules. The Company's efforts to manage its Associates can result in litigation from time to time between the Company and its Associates and an adverse outcome in such litigation could adversely affect the Company's business, results of operations and financial condition. See "Business-Legal Proceedings." Violations of these policies and rules reflect negatively on the Company and could also lead to formal or informal complaints by various federal, state or foreign regulatory authorities. In addition, formal and informal complaints regarding Associate conduct issues are filed from time to time with state attorney general offices. These offices have, from time-to-time, contacted the Company and, in two instances, have met with representatives of the Company to review the activities of the Company and its Associates in their respective jurisdictions. Complaints by federal, state or foreign regulatory authorities may occur in the future and could have a material adverse effect on the Company's business, results of operations and financial condition. If the Company enters new international markets, the challenge of coordinating existing Associate requirements, policies and procedures with the overlay

of international legal requirements will provide the potential for increased risk to the Company. See "Business-Product Distribution System-Management of Associates."

The Company's network marketing system is or may be subject to or affected by extensive government regulation, including, without limitation, federal and state regulation of the offer and sale of business franchises, business opportunities and securities. Various governmental agencies monitor direct selling activities, and the Company has occasionally been requested to supply information regarding its marketing plan to certain of such agencies. Although the Company believes that its network marketing system is currently in compliance with the laws and regulations relating to direct selling activities, there is no assurance that legislation and regulations adopted in particular jurisdictions in the future will not adversely affect the Company's business, results of operations and financial condition. The Company also could be found to be in non-compliance with existing statutes or regulations as a result of, among other things, vicarious liability arising from allegations of misconduct and misconduct by Associates, who are independent contractors over whom the Company has limited control, the ambiguous nature of certain of the regulations, and the considerable interpretive and enforcement discretion statutorily granted to regulatory authorities. Any assertion or determination that the Company or the Associates are not in compliance with existing statutes or regulations could have a material adverse effect on the Company's business, results of operations and financial condition. Furthermore, an adverse determination by any one state could influence the decisions of regulatory authorities in other jurisdictions. See "Business-Product Distribution System-Management of Associates."

ABILITY TO MANAGE GROWTH. The Company's officers have had limited experience in managing companies as large as the Company. Further growth and expansion of the Company's business would place additional demands upon the Company's current management and other resources and would require additional production capacity, working capital, information systems, and management, operational and other financial resources. Further growth of the Company will depend on various factors, including, among others, its ability to attract and retain new Associates, the development of new products, competition and federal and state regulation of the nutritional supplements industry. Not all of the foregoing factors are within the control of the Company. No assurance can be given that the Company's business will grow in the future and that the Company will be able to effectively manage such growth. If the Company is unable to manage growth effectively, the Company's business, results of operations and financial condition would be materially adversely affected. See "Business-Growth Strategy," "-Product Distribution System-Associate Development," "-Product Distribution System-Management of Associates," "-Information Technology and Systems," "-Production and Distribution" and "Management."

COMPETITION. The nutritional supplements market is large and intensely competitive. The Company competes directly with companies that manufacture and market nutritional products in each of the Company's product lines, including General Nutrition Companies, Inc., Solgar Vitamin and Herb Company, Inc., Twinlab Corporation and Weider Nutrition International, Inc. Many of the Company's competitors in the nutritional supplements market have longer operating histories and greater name recognition and financial resources than the Company. In addition, nutritional supplements can be purchased in a wide variety of channels of distribution. While the Company believes that consumers appreciate the convenience of ordering products from home through a sales person, the buying habits of many consumers accustomed to purchasing products through traditional retail channels are difficult to change. The Company's product offerings in each product category are also relatively small compared to the wide variety of products offered by many other nutritional supplement companies. There can be no assurance that the Company's business, results of operations and financial condition will not be adversely affected by market conditions and competition in the future.

The Company also competes in the nutritional supplements market and for new Associates with other direct selling organizations, many of which have longer operating histories and greater name recognition and financial resources than the Company, including Amway Corporation, Nu Skin

Enterprises, Inc., Body Wise International, Inc., ENVION International, Herbalife International, Inc., Enrich International, Rexall Showcase International, Forever Living Products, Inc. and Melaleuca, Inc. The Company competes for new Associates on the basis of its compensation plan and its proprietary and quality products. The Company believes that many more direct selling organizations will enter the marketplace as this channel of distribution expands over the next several years. The Company also competes for the commitment of its Associates. Given that the pool of individuals interested in direct selling tends to be limited in each market, the potential pool of Associates for the Company's products is reduced to the extent other network marketing companies successfully recruit these individuals into their businesses. There can be no assurance that other network marketing companies will not be able to recruit the Company's existing Associates or deplete the pool of potential Associates in a given market. The competition for Associates from such other companies could have a material adverse effect on the Company's business, results of operations and financial condition. See "Business-Competition."

POTENTIAL EFFECTS OF ADVERSE PUBLICITY. The Company's products contain vitamins, minerals, herbs and other ingredients that the Company regards as safe when taken as directed by the Company and that various scientific studies have suggested may offer health benefits. The Company conducts quality control testing on its products and, from time to time, conducts or sponsors scientific studies relating to the benefits of its products. The Company is highly dependent upon Associate perception of the overall integrity of its business, as well as the safety and quality of its products and similar products distributed by other companies which may not adhere to the same quality standards as the Company. The size of the Company's distribution force and results of operations can be particularly affected by adverse publicity regarding the Company, or its competitors, including publicity regarding the legality of network marketing, the quality of the Company's products and product ingredients or those of its competitors, regulatory investigations of the Company or the Company's competitors and their products, Associate actions, the Company's management of its Associates and the public's perception of the Company's Associates and direct selling businesses generally. See "-Limited Availability of Conclusive Clinical Studies," "Business-Products" and "-Product Distribution System."

RELIANCE ON CERTAIN ASSOCIATES. The Company's compensation plan allows Associates to sponsor new Associates. The sponsoring of new Associates creates multiple Associate levels in the network marketing structure. Sponsored Associates are referred to as "downline" Associates within the sponsoring Associates' "downline network." If downline Associates also sponsor new Associates, additional levels of downline Associates are created, with the new downline Associates also becoming part of the original sponsor's "downline network." As a result of this network marketing distribution system, Associates develop relationships with other Associates. The Company believes that its revenue is generated from thousands of Associate networks. The loss of a high-level sponsoring Associate or another key Associate together with a group of leading Associates in such Associate's downline network, or the loss of a significant number of Associates for any reason, could adversely affect sales of the Company's products and impair the Company's ability to attract new Associates, which would have a material adverse effect on the Company's business, results of operations and financial condition. As of April 30, 1998, only one of the Company's Associates had executed a non-competition agreement. See "Business-Product Distribution System-Associate Development."

RISKS ASSOCIATED WITH INTERNATIONAL EXPANSION. An element of the Company's growth strategy is to initiate the distribution and sale of the Company's products in international markets. The Company may experience difficulty entering new international markets due to greater regulatory barriers, the necessity of adapting to new regulatory systems and problems related to entering new markets with different cultural bases and political systems. The Company's planned international operations will be subject to political and economic uncertainties, including, among others, inflation, risk of renegotiation or modification of existing agreements or arrangements with governmental authorities, transportation, tariffs, export control, government regulation, trademark availability and registration issues, currency exchange rate fluctuations, foreign exchange restrictions which limit the repatriation of investments and

earnings therefrom, changes in taxation, hostilities or confiscation of property. Changes related to these matters could have a material adverse effect on the Company's business, results of operations and financial condition. No assurance can be given that the Company will be able to successfully reformulate its product lines in any of the Company's potential new markets to attract local consumers or to meet regulatory requirements. The failure to do so would have a material adverse effect on the Company's business, results of operations and financial condition. See "Business-Growth Strategy."

RELIANCE ON AND CONCENTRATION OF OUTSIDE MANUFACTURERS. All of the Company's products are manufactured by outside contractors. The Company's profit margins and its ability to deliver its existing products on a timely basis are dependent upon the ability of the outside manufacturers to continue to supply products that meet the Company's quality standards in a timely and cost-efficient manner. In response to the Company's growth, relationships were developed with three large manufacturers in 1997. Currently, substantially all of the Company's products are produced by these manufacturers. The Company's ability to enter new markets and sustain satisfactory levels of sales in each market will be dependent in part upon the ability of these or other suitable outside manufacturers to reformulate existing products, if necessary to comply with local regulations or market environments, for introduction into such markets. Finally, the development of additional new products in the future will likewise be dependent in part on the services of suitable outside manufacturers. The failure of any manufacturer to supply products as required by the Company could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company currently acquires ingredients solely from suppliers that are considered by the Company to be the superior suppliers of such ingredients. The Company believes it has developed dependable alternative sources for all of its ingredients except Manapol-Registered Trademark- and arabinogalactan, which are components of the Company's proprietary raw material. The Company believes that, in the event it is unable to source any ingredients from its current suppliers, such ingredients could be produced by the Company or replaced with substitute ingredients. However, any delay in replacing or substituting such ingredients would have a material adverse effect on the Company's business, results of operations and financial condition. See "Business-Production and Distribution."

DEPENDENCE ON PROPRIETARY INGREDIENT. Two ingredients are proprietary to the Company: (i) Ambrotose-TM- Complex, a glyconutritional dietary supplement consisting of a blend of plant polysaccharides, which is a component of each of the Company's products; and (ii) Dioscorea Complex, a blend of herbal extracts. The Company's success will depend in large part on its ability to protect and promote its proprietary rights to these products, in particular Ambrotose-TM-Complex. The Company has filed a composition and use of matter patent application for this compound, and has entered into confidentiality agreements with its manufacturers and suppliers to protect its proprietary rights. However, there can be no assurance that the Company will be granted a patent for its Ambrotose-TM- Complex compound or that any such patent granted to the Company will not be substantially narrower in scope than that sought in the Company's application or that other means employed by the Company to protect its proprietary rights will be adequate. Any failure of the Company to protect its proprietary rights would have a material adverse effect on the Company's business, results of operations and financial condition.

GOVERNMENT REGULATION OF PRODUCTS AND MARKETING; IMPORT RESTRICTIONS. In addition to regulation of its direct selling activities, the Company, in both its United States and foreign markets, is or will be subject to and affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints (as applicable, at the federal, state and local levels) including, among other things, regulations pertaining to (i) the formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of the Company's products, (ii) product claims and advertising (including direct claims and advertising by the Company as well as claims and advertising by Associates, for which the Company may be held responsible), (iii) the Company's network marketing system,

(iv) transfer pricing and similar regulations that affect the level of foreign taxable income and customs duties, and (v) taxation of Associates, which in some instances may impose an obligation on the Company to collect the taxes and maintain appropriate records. See "Business-Government Regulation."

The Company may experience complications regarding health and safety and food and drug regulations for nutritional products. Many products could require reformulation to comply with local requirements. In some foreign countries, certain nutritional products may be considered foods, while other countries may consider them drugs. New regulations could be adopted or any of the existing regulations could be changed at any time in a manner that could have a material adverse effect on the Company's business, results of operations and financial condition. Duties on imports are a component of national trade and economic policy and could be changed in a manner that would be materially adverse to the Company's sales and its competitive position compared to locally produced goods, in particular in countries where the Company's products would be subject to high customs duties. In addition, import restrictions in certain countries and jurisdictions will limit the Company's ability to import products from the United States. Present or future health and safety or food and drug regulations could delay or prevent the introduction of new products into a given country or marketplace or suspend or prohibit the sale of existing products in such country or marketplace. The occurrence of any of these complications could have a material adverse effect on the Company's business, results of operations and financial condition.

If the Company expands into foreign markets, the Company will be affected by the general stability of foreign governments and the regulatory environment relating to the degree of acceptance attendant to network marketing generally, and nutritional supplements and other products of the Company's line, specifically.

DEPENDENCE ON KEY PERSONNEL. The Company's success will depend largely on the efforts and abilities of senior management, particularly Charles E. Fioretti, Chairman of the Board and Chief Executive Officer, and Samuel L. Caster, President, each a founder of the Company. There can be no assurance that the Company's existing management team will be able to manage the Company or its growth or that the Company will be able to attract and retain additional qualified personnel as needed in the future. The loss of the services of Messrs. Fioretti or Caster or the services of other members of senior management, or the failure of the Company to attract and retain additional qualified personnel, could have a material adverse effect on the Company's business, results of operations and financial condition. See "Management."

GOVERNMENT REGULATION OF DIRECT SELLING ACTIVITIES. Direct selling activities are regulated by various governmental agencies. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as "pyramid" or "chain sales" schemes, that promise quick rewards for little or no effort or risk, require high entry costs, use high pressure recruiting methods and/or do not involve legitimate products. Based on the Company's experience and research and the nature and scope of inquiries from government regulatory authorities, the Company believes that it is in material compliance with the laws and regulations relating to direct selling activities of all of the states and countries in which the Company operates, although prior practices of the Company during its earlier, developmental phases may have not been fully compliant. Despite this belief, the Company could be found not to be in material compliance with existing regulations as a result of, among other things, the considerable interpretative and enforcement discretion given to regulators or misconduct by Associates. Any assertion or determination that the Company is not currently, or was not in the past, in compliance with laws or regulations governing the Company's direct selling activities could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, in any country or jurisdiction, the adoption of new laws or regulations or changes in the interpretation of existing laws or regulations could generate negative publicity and/or have a material adverse effect on the Company's business, results of operations and financial condition. The Company cannot determine the effect, if any, that future governmental regulations or administrative orders may have on the Company's business, results of operations and financial condition. Moreover, governmental regulations in countries where the

Company may in the future commence operations may prevent, delay or limit market entry of certain products or require the reformulation of such products. Regulatory action, whether or not it results in a final determination adverse to the Company, has the potential to create negative publicity, with detrimental effects on the motivation and recruitment of Associates and, consequently, on the Company's business, results of operations and financial condition. See "-Potential Effects of Adverse Publicity," "-Risks Associated with International Expansion" and "Business-Government Regulation."

As is the case with most network marketing companies, the Company has from time-to-time received inquiries from various government regulatory authorities regarding the nature of its business and other issues such as compliance with local business opportunity laws and Associate sales practices. Although to date none of these inquiries has resulted in a finding materially adverse to the Company, adverse publicity resulting from inquiries into the Company's operations by government agencies could materially adversely affect the Company's business, results of operations and financial condition. See "-Potential Effects of Adverse Publicity."

PRODUCT LIABILITY. Under applicable laws and regulations, the Company, like any other retailer, distributor or manufacturer of products that are designed to be ingested by consumers or applied to their bodies, faces an inherent risk of exposure to product liability claims in the event that the use of its products results in an allegation of loss or injury. Although the Company has not been the subject of material product liability claims, no assurance can be given that the Company may not be exposed to future product liability claims, including, among other things, that its products contain contaminants or include inadequate instructions as to use or inadequate warnings concerning side effects and interactions with other substances. The Company maintains product liability insurance, however, the successful assertion or settlement of any uninsured claim, a significant number of insured claims, a claim exceeding the Company's insurance coverage or adverse publicity associated with any product liability allegation could have a material adverse effect on the Company's business, results of operations and financial condition.

One of the Company's products, MVP-TM-, contains country mallow, a plant which contains an ephedra. Ephedrine products have been the subject of adverse publicity in the United States and other countries relating to alleged harmful effects, including the deaths of several individuals. The United States Food and Drug Administration (the "FDA") has received numerous reports of adverse reactions to the ingestion of a naturally-occurring form of ephedrine from the Chinese herb, Ma Huang. The FDA has issued a warning to consumers regarding the possible effects of ephedrine ingestion and has also issued a proposed regulation for dietary supplements containing ephedrine. The proposed regulation would prohibit dietary supplements containing eight milligrams or more of ephedrine alkaloids per serving, and would not permit such products to contain any other stimulant ingredients. The FDA is also considering whether to also prohibit diuretic or laxative ingredients in such products. In addition, the labeling of supplements would be prohibited from suggesting or recommending conditions of use that would result in an intake of eight milligrams or more of ephedrine alkaloids within a six-hour period, or a total daily intake of 24 milligrams or more. The FDA proposal would also require a warning not to take the product for more than seven days, and would prohibit the supplements from being represented, either expressly or implicitly, as being suitable for long-term uses, such as for weight loss or body building. Similarly, claims for increased energy, increased mental concentration or enhanced well-being that might encourage the consumer to take more of the product to achieve more of the purported effect would be required to be accompanied by a warning stating that taking more than the recommended serving may cause a heart attack, stroke, seizure or death. If the proposed regulation were to be implemented, MVP would be subject to its labeling requirements and possibly to reformulation. Company sales of MVP were $3.8 million, $5.5 million and $5.9 million in 1995, 1996 and 1997, respectively. Moreover, depending on claims made for the product, the FDA could regulate it as a drug, thus requiring product approval prior to marketing. The negative publicity or product liability claims that could stem

from such actions could have a material adverse effect on the Company's business, results of operation and financial condition.

LIMITED AVAILABILITY OF CONCLUSIVE CLINICAL STUDIES. In general, the Company's products consist of food, nutritional supplements and topical products, one of which, Emprizone-Registered Trademark-, is classified in the United States as an "over-the-counter" ("OTC") drug which the Company believes does not require approval from the FDA or other regulatory agencies prior to sale. Although many of the ingredients in the Company's products are vitamins, minerals, herbs and other substances for which there is a long history of human consumption, some of the Company's products contain innovative ingredients or combinations of ingredients. Although the Company believes all of its products to be safe when taken as directed by the Company, there is little long-term experience with human consumption of certain of these innovative product ingredients or combinations thereof in concentrated form. The Company performs research and/or tests in connection with the formulation and production of its products, and from time to time conducts or sponsors clinical studies. See "-Product Liability."

VARIATIONS IN OPERATING RESULTS. The Company may experience variations on a quarterly basis in its results of operations, in response to, among other things, the timing of Company-sponsored Associate events; new product introductions; the opening of new markets; the timing of holidays, especially in the fourth quarter, which may reduce the amount of time Associates spend selling the Company's products or recruiting new Associates; the adverse effect of Associates' or the Company's failure, and allegations of their failure, to comply with applicable government regulations; the negative impact of changes in or interpretations of regulations that may limit or restrict the sale of certain of the Company's products; the operation of its network marketing system; the introduction of its products into each market; the recruitment and retention of Associates; the inability of the Company to introduce new products or the introduction of new products by the Company's competitors; general conditions in the nutritional supplement and personal care industries or the network marketing industry; and consumer perceptions of the Company's products and operations. In particular, because the Company's products are ingested by consumers or applied to their bodies, the Company is highly dependent upon consumers' perception of the safety, quality and effectiveness of its products. As a result, substantial negative publicity, whether founded or unfounded, concerning one or more of the Company's products or other products similar to the Company's products could adversely affect the Company's business, results of operations and financial condition.

As a result of these and other factors the Company's quarterly revenues, expenses and results of operations could vary significantly in the future, and period-to-period comparisons should not be relied upon as indications of future performance. There can be no assurance that the Company will be able to increase its revenues in future periods or be able to sustain its level of revenue or its rate of revenue growth on a quarterly or annual basis. Furthermore, no assurances can be given that the Company's revenue growth rate in new markets where operations have not commenced will follow this pattern. Due to the foregoing factors, the Company's future results of operations could be below the expectations of public market analysts and investors. In such event, the market price of the Common Stock would likely be materially adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

CONTROL BY INSIDERS. Upon completion of this offering, Charles E. Fioretti, Samuel L. Caster and the Company's other directors and officers, together with members of their families and entities that may be deemed affiliates of or related to such persons or entities, will beneficially own approximately 43.1% of the Common Stock outstanding. These individuals are likely to be able to maintain effective control of the Company, including the ability to elect a majority of the Board of Directors of the Company (the "Board of Directors"). In addition, such a high level of ownership by such persons may have a significant effect in delaying, deferring or preventing a change in control of the Company or other events which could be of benefit to the Company's other shareholders including mergers, acquisitions, tender offers

and proxy contests. Accordingly, holders of Common Stock may be deprived of an opportunity to sell their shares at a premium over the trading price. See "Principal and Selling Shareholders."

UNSPECIFIED USE OF PROCEEDS. The principal purposes of this offering are to provide the capital for international expansion, to allow the Company to make additional capital investments, to increase the Company's working capital and financial flexibility, to facilitate future access by the Company to public equity markets and to provide increased visibility, credibility and name recognition for the Company in the marketplace where several of its competitors are publicly held companies. The Company has not yet identified specific uses for a majority of the net proceeds, and, pending such uses, the Company expects that it will invest such net proceeds in short-term, interest-bearing investment-grade securities. Accordingly, the Company's management will have broad discretion as to the use of such net proceeds without any action or approval of the Company's shareholders. See "Use of Proceeds."

NO PRIOR MARKET FOR COMMON STOCK; PRICE VOLATILITY. Prior to this offering, there has been no public market for the Common Stock, and there can be no assurance that an active trading market will develop subsequent to this offering or, if developed, that it will be sustained. The initial public offering price will be determined by negotiation among the Company, the Selling Shareholders and the Underwriters. See "Underwriting" for a discussion of factors to be considered in determining the initial public offering price. Upon commencement of this offering, it is expected that the Common Stock will be quoted on the Nasdaq National Market, which has experienced and is likely to experience in the future significant price and volume fluctuations which could adversely affect the market price of the Common Stock without regard to the operating performance of the Company. In addition, the Company believes that factors such as quarterly fluctuations in the financial results of the Company, the Company's earnings, changes in earnings estimates by analysts, financial or business announcements by the Company or its competitors, the overall economy and the condition of the financial markets could cause the market price of the Common Stock to fluctuate substantially.

ANTI-TAKEOVER MATTERS. Certain provisions of the Company's Amended and Restated Articles of Incorporation (the "Articles"), the Company's Amended and Restated Bylaws (the "Bylaws") and the Texas Business Corporation Act (the "TBCA") may have the effect of discouraging unsolicited proposals for acquisition of the Company. The Company's Bylaws provide for a classified Board of Directors serving staggered terms of three years. Additionally, the Board of Directors has the authority to issue up to 1,000,000 shares of preferred stock having such rights, preferences and privileges as are designated by the Board of Directors without shareholder approval. Effective September 1, 1997, the TBCA restricts certain business combinations with any "affiliated shareholder," as defined therein. These provisions may have the effect of delaying, deterring or preventing a takeover of the Company and could limit the price that certain investors might be willing to pay in the future for the Common Stock. See "Description of Capital Stock-Preferred Stock" and "-Anti-Takeover Considerations."

SHARES ELIGIBLE FOR FUTURE SALE. Sales of a substantial number of shares of Common Stock in the public market following this offering could adversely affect the market price for the Common Stock. Upon completion of this offering, the Company will have 28,151,738 shares of Common Stock outstanding, assuming no exercise of the Underwriters' over-allotment option. Of these shares, the 8,000,000 shares offered hereby, except for Directed Shares as defined below, will be freely tradeable without restriction or further registration under the Securities Act of 1933, as amended (the "Securities Act"), unless purchased by "affiliates" of the Company, as that term is defined in Rule 144 under the Securities Act ("Rule 144") described below. The Underwriters have reserved for sale to certain Associates at the initial public offering price 600,000 shares of Common Stock offered hereby (the "Directed Shares"). The number of shares available for sale to the general public in this offering will be reduced to the extent such Associates purchase the Directed Shares. Any Directed Shares not so purchased will be offered by the Underwriters to the general public on the same basis as the other shares offered hereby. To the extent that any of the Directed Shares offered hereby are acquired by certain Associates, such

Associates will be prohibited from offering, selling, pledging, contracting to sell, granting any option to purchase or otherwise disposing of any shares for a period of 120 days following the effective date of the Registration Statement. The remaining 20,151,738 shares of Common Stock outstanding upon completion of this offering are "restricted securities," as that term is defined in Rule 144 (the "Restricted Shares"). Of the Restricted Shares, 10,000 shares will be eligible for sale in the open market commencing 90 days after the effective date of the Registration Statement and an additional 20,047,571 shares will be eligible for sale in the open market upon expiration of certain lock-up agreements 180 days after the effective date of the Registration Statement, all under and subject to the restrictions contained in Rule 144 and Rule 701. The Underwriters may, in their sole discretion, and at any time without notice can, release all or any portion of the Restricted Shares subject to such lock-up agreements.

Under the 1997 Stock Option Plan, as of the date of this Prospectus options to purchase 1,600,000 shares of Common Stock are outstanding, all of which will become exercisable 90 days after the effective date of this Prospectus. An additional 400,000 shares will be available for future grants to employees and consultants of the Company under the 1997 Stock Option Plan. Under the 1998 Incentive Stock Option Plan (the "1998 Stock Option Plan"), as of the date of this Prospectus there are 500,000 shares reserved for future option grants. The Company intends to register on Form S-8 under the Securities Act the offering and sale of Common Stock issuable under the 1997 Stock Option Plan and the 1998 Stock Option Plan as soon as practicable after the date of this Prospectus. All of the shares issuable upon the exercise of outstanding options under the 1997 Stock Option Plan are subject to lock-up agreements.

As of the date of this Prospectus, an additional 100,000 shares of Common Stock are issuable upon the exercise of an outstanding option (the "Non-Plan Option") at an exercise price of $2.00 per share, which will become exercisable 90 days after the effective date of this Prospectus. In addition, as of the date of this Prospectus, a warrant (the "Warrant") to purchase 475,015 shares of Common Stock is outstanding, which is currently exercisable. The shares issuable upon exercise of the Non-Plan Option and the Warrant are also subject to lock-up agreements. The holder of the Warrant possesses registration rights with respect to the shares of Common Stock underlying the Warrant, of which 50,000 shares are being sold in this offering. Sales of shares of Common Stock under either Rule 144 or pursuant to a registration statement could have a material adverse effect on the price of the Common Stock. See "Management-Stock Option Plans," "Description of Capital Stock-Warrants," "Shares Eligible for Future Sale" and "Underwriting."

DILUTION TO NEW INVESTORS. Purchasers of Common Stock in this offering will incur immediate and substantial dilution in net tangible book value per share. See "Dilution."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the 6,000,000 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $11.00 per share, after deducting the estimated underwriting discounts and estimated offering expenses payable by the Company, are estimated to be approximately $60 million. The Company will not receive any proceeds from the sale of shares by the Selling Shareholders. See "Principal and Selling Shareholders."

Of the net proceeds to the Company, the Company intends to use approximately (i) $23 million for international expansion, including, but not limited to, expenditures for business and product registration, product reformulations, initial inventory and infrastructure buildup, (ii) $19 million for capital investments, including, but not limited to, continued expansion of corporate facilities, possible purchases of manufacturing capabilities and new technologies and acquisitions of raw material sources, and (iii) $18 million for working capital and general corporate purposes, including the repayment of debt and the funding of accrued commissions and other accrued expenses. The Company has no present commitments or agreements with respect to any acquisitions or purchases of manufacturing capabilities, new technologies or raw material sources. Pending application of the net proceeds, the Company will invest such proceeds in short-term, interest-bearing instruments and investment grade securities.

DIVIDEND POLICY

The Company has in the past paid dividends to its shareholders, including dividends in 1997 in the aggregate amount of $6,928,547. The Company currently intends to declare a fixed dividend of $1,326,104, or $0.06 per share, in May 1998. This dividend is expected to be paid entirely out of pre-offering earnings, and therefore is not expected to have a dilutive effect on equity. Following this offering, the Company currently does not anticipate that any dividends will be paid on its Common Stock in the foreseeable future. The Company intends from time to time to re-evaluate this policy based on its net income and its alternative uses for retained earnings, if any. Any future payments of dividends will be subject to the discretion of the Board of Directors and subject to certain limitations under the TBCA. The timing, amount and form of dividends, if any, will depend, among other things, on the Company's results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors.

CAPITALIZATION

The following table sets forth the short-term debt and capitalization of the Company as of March 31, 1998 and as adjusted to reflect the application of the estimated net proceeds from the sale of 6,000,000 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $11.00 per share. The capitalization information set forth in the table below is qualified by the more detailed Financial Statements and Notes thereto included elsewhere in this Prospectus and should be read in conjunction with such Financial Statements and Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	MARCH 31, 1998	
	ACTUAL	AS ADJUSTED(1)
	(IN THOUSANDS)	
Short-term debt, including current maturities of long-term debt	$ 1,160	$ 1,160
Total long-term debt, less current portion	$ 104	$ 104
Redeemable warrants	300	300
Shareholders' equity:		
Common stock, $0.0001 par value, 100,000,000 shares authorized (actual and as adjusted); 22,101,738 shares issued and outstanding (actual); 28,151,738 shares issued and outstanding (as adjusted)(2)	2	3
Additional paid-in capital	2,632	62,562
Retained earnings	695	695
Total shareholders' equity	3,330	63,260
Total capitalization	$ 3,734	$ 63,664

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(1) As adjusted to give effect to (i) the exercise of a portion of the Warrant at an exercise price of $1.35 per share, relating to the 50,000 Exercised Warrant Shares, and (ii) the sale of 6,000,000 shares of Common Stock offered by the Company hereby at an assumed offering price of $11.00 per share and the application of the estimated net proceeds therefrom.

(2) Excludes (i) 2,500,000 shares reserved for issuance under the 1997 Stock Option Plan and 1998 Stock Option Plan, of which 1,600,000 shares will be issuable upon the exercise of outstanding options, (ii) 100,000 shares issuable upon the exercise of the Non-Plan Option and (iii) 425,015 shares (which number does not include the Exercised Warrant Shares) issuable upon the exercise of the Warrant.

DILUTION

The net tangible book value of the Common Stock as of March 31, 1998 was approximately $3.3 million or $0.15 per share. Net tangible book value per share represents the Company's total tangible assets less total liabilities, divided by the total number of shares of Common Stock outstanding.

After giving effect to the sale of the 6,000,000 shares of Common Stock offered by the Company hereby and the receipt of the net proceeds therefrom (at an assumed initial public offering price of $11.00 per share) and the issuance of the 50,000 Exercised Warrant Shares as discussed below, the net tangible book value of the Common Stock as of March 31, 1998 would have been approximately $63.3 million or $2.25 per share. This represents an immediate increase in net tangible book value of $2.10 per share to existing shareholders and an immediate dilution in net tangible book value of $8.75 per share to purchasers of Common Stock in this offering. The following table illustrates the per share dilution as of March 31, 1998:

Assumed initial public offering price per share.....		$ 11.00
Net tangible book value per share as of March 31, 1998.....	$ 0.15	
Increase per share attributable to new shareholders(2).....	2.10	
Net tangible book value per share as of March 31, 1998 after this offering(1).....		2.25
Dilution per share to new shareholders.....		$ 8.75

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(1) If the Underwriters' over-allotment option is exercised in full, the net tangible book value per share after this offering would be $2.49 per share, resulting in dilution to new shareholders of $8.51 per share.

(2) Also includes the increase attributable to the issuance of the 50,000 Exercised Warrant Shares immediately prior to the closing of this offering.

The following table sets forth as of March 31, 1998, after giving effect to this offering, the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid by existing shareholders and by new shareholders:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PAID
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing shareholders(1).....	22,151,738	78.7%	$ 2,701,948	3.9%	$ 0.12
New shareholders.....	6,000,000	21.3	66,000,000	96.1	11.00
Total.....	28,151,738	100.0%	$ 68,701,948	100.0%	

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(1) Including the issuance of the 50,000 Exercised Warrant Shares immediately prior to the closing of this offering.

Sales by the Selling Shareholders in this offering will reduce the number of shares held by existing shareholders as of March 31, 1998 to 20,151,738, or 71.6% of the total number of shares of Common Stock outstanding immediately after this offering (19,851,738 shares or 68.3% if the underwriters over-allotment option is exercised in full), and will increase the number of shares being purchased by new investors to 8,000,000, or approximately 28.4% of the total number of shares of Common Stock outstanding immediately after this offering (9,200,000 shares or 31.7% if the Underwriters' over-allotment option is exercised in full). See "Principal and Selling Shareholders."

There have been no exercises of outstanding stock options as of the date of this Prospectus. As of the date of this Prospectus, there are (i) options outstanding under the 1997 Stock Option Plan to purchase 1,600,000 shares of Common Stock at a weighted average exercise price of $1.45 per share, none of which are vested or exercisable as of the date of this Prospectus, (ii) the Non-Plan Option to purchase 100,000 shares of Common Stock at an exercise price of $2.00 per share, which is not vested or

exercisable as of the date of this Prospectus, (iii) the Warrant to purchase 475,015 shares of Common Stock at an exercise price of $1.35 per share, which is currently fully exercisable and a portion of which, equal to 50,000 shares of Common Stock, will be exercised and sold in this offering, and (iv) 400,000 and 500,000 shares of Common Stock available for grant under the Company's 1997 Stock Option Plan and 1998 Stock Option Plan, respectively. To the extent that any shares of Common Stock are issued upon exercise of (i) any of these options or the Warrant or (ii) any additional options that are granted under the 1997 Stock Option Plan, the 1998 Stock Option Plan or otherwise, there will be further dilution to new investors. See "Management-Stock Option Plans," and "Principal and Selling Shareholders."

SELECTED FINANCIAL DATA

The Selected Financial Data set forth below for each of the four years ended December 31, 1997 have been derived from, and should be read in conjunction with, the financial statements of the Company audited by Price Waterhouse LLP, with respect to 1997, and Belew Averitt LLP, with respect to earlier periods, independent public accountants, whose reports appear elsewhere in this Prospectus. The Selected Financial Data set forth below for the three months ended March 31, 1997 and 1998 have been derived from the Company's unaudited financial statements but have been prepared on the same basis as the audited financial statements of the Company included herein and, in the opinion of management, include all adjustments, consisting of normally recurring adjustments considered necessary for a fair presentation of the Company's financial position and results of operations for such period. The information contained in this table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and accompanying Notes thereto included elsewhere in this Prospectus.

	YEAR ENDED DECEMBER 31,				THREE MONTHS ENDED MARCH 31,	
	1994(1)	1995	1996	1997	1997	1998
					(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)					
STATEMENT OF INCOME DATA:						
Net sales	$ 8,540	$ 32,234	$ 86,574	$ 150,857	$ 33,544	$ 41,059
Cost of sales	1,499	4,880	13,406	24,735	5,501	6,060
Commissions	3,256	12,339	35,155	61,677	13,685	16,883
Gross profit	3,785	15,015	38,013	64,445	14,358	18,116
Operating expenses:						
Selling and administrative expenses	2,063	7,012	17,764	27,846	5,827	7,684
Other operating costs	2,115	5,253	11,746	19,402	3,744	4,696
Cancellation of incentive compensation agreements	-	-	-	2,192(2)	-	-
Total operating expenses	4,178	12,265	29,510	49,440	9,571	12,380
Income (loss) from operations	(393)	2,750	8,503	15,005	4,787	5,736
Other (income) expense, net	21	181	(116)	(43)	139	(62)
Income (loss) before income taxes	(414)	2,569	8,619	15,048	4,648	5,798
Income tax (benefit) expense	(131)	130	1,295	4,249	1,322	2,198
Net income (loss)	$ (283)	$ 2,439	$ 7,324	$ 10,799	$ 3,326	$ 3,600
Earnings (loss) per common share:(3)						
Basic	$ (0.01)	$ 0.12	$ 0.36	$ 0.50	$ 0.16	$ 0.16
Diluted	$ (0.01)	$ 0.12	$ 0.36	$ 0.48	$ 0.16	$ 0.15
Weighted average common and common equivalent shares outstanding:(3)						
Basic	20,627	20,627	20,627	21,449	20,627	22,051
Diluted	20,627	20,627	20,627	22,400	20,627	23,647
PRO FORMA INFORMATION:(4)						
Income (loss) before income taxes, as reported	$ (414)	$ 2,569	$ 8,619	$ 15,048	$ 4,648	
Pro forma provision for income tax (benefit) expense	(155)	964	3,232	5,793	1,789	
Pro forma net income (loss)	$ (259)	$ 1,605	$ 5,387	$ 9,255	$ 2,859	
PRO FORMA EARNINGS (LOSS) PER COMMON SHARE:(3)						
Basic	$ (0.01)	$ 0.08	$ 0.26	$ 0.43	$ 0.14	
Diluted	$ (0.01)	$ 0.08	$ 0.26	$ 0.41	$ 0.14	
OTHER FINANCIAL DATA:						
Depreciation and amortization	$ 4	$ 75	$ 414	$ 1,189	$ 129	$ 399
Capital expenditures(5)	$ 72	$ 769	$ 2,660	$ 9,135	$ 3,720	$ 1,813

Dividends declared per common share.....	$ 1.00(6)	$ 1.00(6)	$ 10.00(6)	$ 0.37	$ -	$ 0.12

	DECEMBER 31,				
	1994	1995	1996	1997	MARCH 31, 1998 (UNAUDITED)
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Cash and cash equivalents	$ 283	$ 953	$ 1,160	$ 61	$ 952
Working capital	(364)	(1,069)	(2,260)	(8,105)	(8,469)
Total assets	1,540	5,613	11,209	19,883	23,119
Total liabilities	1,832	5,845	10,058	17,206	19,489
Redeemable warrants	-	-	-	300	300
Total shareholders' equity (deficit)	(292)	(232)	1,151	2,378	3,330

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(1) Statement of Income Data for the year ended December 31, 1994 includes the period from November 4, 1993 (inception) through December 31, 1994. For the two months of operations ended December 31, 1993, the Company's financial data consisted of net sales of $0, selling and administrative expenses of $43,049, other operating costs of $68,683 and a net loss of ($112,733). The balance sheet reflects a total shareholders' deficit of ($111,733).

(2) In June 1997 and December 1997, the Company recorded one-time charges to operations for the issuance of stock in exchange for the cancellation of certain incentive compensation agreements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Certain Transactions."

(3) Computed on the basis described in Note 1 in the Notes to Financial Statements.

(4) The pro forma information shows the Company's net income and earnings per share as if all income earned by the Company and the Partnerships was taxable at federal and state statutory rates.

(5) Capital expenditures include assets acquired through capital lease obligations of $397,402 in 1997.

(6) Dividends were calculated based upon shares outstanding prior to the Stock Split and the Reorganization (10,000 shares), each of which took place in 1997. Aggregate dividends declared amounted to $10,000, $10,000 and $100,000 in 1994, 1995 and 1996, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Financial Statements and Notes thereto included elsewhere in this Prospectus.

OVERVIEW

Mannatech develops and sells proprietary nutritional supplements and topical products through a network marketing system. The Company sells its products in the United States and Canada, through a network of approximately 221,000 active Associates as of April 30, 1998, and is currently planning to expand into Australia, while continuing to assess the potential of other foreign markets.

Since commencement of operations in November 1993, the Company has achieved rapid year-to-year growth in net sales. This growth is primarily attributable to the increase in both existing and new product sales, growth in the number of Associates and expansion into new geographic markets in the United States and Canada.

The Company's revenues are derived primarily from sales of its products, Associate application and renewal fees, and sales aids, which include starter kits, promotional packs and other promotional materials. Revenues are recognized when products or sales aids are shipped. The Company's revenues are based primarily on the wholesale prices of the products sold. The Company currently outsources all of its product manufacturing needs and all of its ingredients are supplied by outside vendors.

As a result of the Company's expansion into Canada, and its change, in the fourth quarter of 1997, to higher quality manufacturers, the Company has experienced an increase in cost of sales as a percentage of net sales. Sales of products in Canada have also resulted in increased shipping costs and additional costs to reformulate certain products.

Associates are compensated by commissions, which are directly correlated to the placement and position of the Associate within the Company's compensation plan, volume of direct sales and number of new enrolled Associates. Commissions as a percentage of net sales were 38.3%, 40.6%, 40.9% and 41.1% for 1995, 1996, 1997 and the three months ended March 31, 1998, respectively. The Company believes that, under the Company's existing compensation plan, commissions will not exceed 42% of net sales. See "Business-Product Distribution System-Associate Compensation."

The Company's selling and administrative expenses consist of human resource expense, including wages, bonuses and marketing expenses, and are a mixture of both fixed and variable expenses. Company-sponsored Associate events held throughout the year also have an effect on its selling and administrative expenses, as does the Company's continuing commitment to investment in information technology systems. In 1997, the Company recorded sales and administrative expenses at 18.5% of net sales, a lower rate than prior years, as a result of increased net sales, a reduction in executive salaries beginning in June 1997 and the management of expenses.

The increased demand for the Company's products has necessitated significant investment in infrastructure to support the growth of the Company. In 1997, the Company invested in its new headquarters building, new distribution center and new research and development laboratory. As a result of its investment in infrastructure, the Company's other operating costs have increased significantly.

The Company is subject to taxation in the United States at the federal statutory tax rates of 34% for 1995 and 1996 and 35% for 1997. The Company is also subject to taxation in various state jurisdictions with an average statutory tax rate of approximately 5%. With the expected international expansion, a portion of the Company's income will be subject to taxation in the country in which it operates and the Company may be eligible for foreign tax credits for the amount of foreign taxes paid in a given period to offset taxes otherwise payable. The Company may not be able to fully utilize such foreign tax credits in the United States. The use of the foreign tax credits would be based upon the proportionate amount of net sales in each country. This could result in the Company paying a higher overall effective tax rate on its worldwide operations. Many of the countries in which the Company is considering for expansion during 1998 and beyond have maximum statutory tax rates in excess of the United States rate.

REORGANIZATION

In December 1994, to achieve certain tax efficiencies and to protect certain of the Company's proprietary rights, the Company transferred certain rights and interest in intellectual property, its right to use a supplier's trademark and its marketing rights to two affiliated partnerships (the "Royalty Partnership" and the "Marketing Partnership," respectively). The Marketing Partnership was owned by two affiliated partnerships that also shared common ownership with the Company (collectively with the Royalty Partnership and the Marketing Partnership, the "Partnerships"). The respective ownership interests in the Partnerships were structured with the intention of retaining the same economic interests among the partners as that of the shareholders of the Company. In the case of the intellectual property and trademark transferred to the Royalty Partnership, the Company entered into a 17-year agreement with the Royalty Partnership to pay a royalty based on sales volume. In the case of the Marketing Partnership, the Company paid a commission based on a specified percentage of sales volume. At the time of transfer, the rights and interest in intellectual property, supplier's trademark and marketing rights had a minimal basis. During 1994, the Company also entered into separate incentive compensation agreements with two of its shareholders pursuant to which the Company agreed to pay commissions based on specified monthly sales volumes and increases in number of new enrolled Associates. These agreements were designed to compensate for the differences in ownership in the Partnerships for one of the principal shareholders and to provide compensation to a shareholder in lieu of receiving a Partnership interest.

On June 1, 1997, in order to simplify the Company's ownership structure and consolidate all operating activities, the Company entered into agreements to effect the Reorganization through merging with the corporate general partners of the Partnerships in which the Company was the surviving corporation and exchanging shares of Common Stock for the entire ownership interests of the Partnerships. Pursuant to the Reorganization, the Company issued an aggregate of 10,000,000 shares of Common Stock to holders of the general partnership and limited partnership interests. In addition, during May and June 1997 the Company issued 2,027,571 shares of Common Stock in consideration for the cancellation of incentive compensation agreements with two shareholder-employees and four other employees of the Company, including 626,971 shares issued to cancel incentive compensation agreements that had been provided in lieu of ownership interests in the Partnerships. See Note 9 to the Financial Statements. The net effect of the foregoing transactions was to increase the number of shares of Common Stock outstanding by 12,027,571 while retaining substantially the same relative ownership of the Company. The only ownership percentage change among the original shareholders related to 208,024 shares granted to one shareholder in recognition of significant contributions to the Company, which resulted in minor dilution to the other original seven shareholders at the time of the exchange. No monetary consideration changed hands and the changes were designed to reestablish the original economic characteristics of the Company. Other than the new shares issued to the four employees to cancel their incentive compensation agreements, relative ownership interests, as evidenced by retention of economic risks and benefits, remained virtually the same. After the exchange, the Company terminated and liquidated the Partnerships at no gain or loss.

RESULTS OF OPERATIONS

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

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1997	1998
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	15.1	15.5	16.4	16.4	14.8
Commissions	38.3	40.6	40.9	40.8	41.1
Gross profit	46.6	43.9	42.7	42.8	44.1
Operating expenses:					
Selling and administrative expenses	21.8	20.5	18.5	17.4	18.7
Other operating costs	16.3	13.6	12.8	11.1	11.4
Cancellation of incentive compensation agreements	-	-	1.4	-	-
Income from operations	8.5	9.8	10.0	14.3	14.0
Other (income) expense, net	0.5	(0.2)	(0.0)	0.4	(0.2)
Income before income taxes	8.0	10.0	10.0	13.9	14.2
Income tax expense	0.4	1.5	2.8	4.0	5.4
Net income	7.6%	8.5%	7.2%	9.9%	8.8%

THREE MONTHS ENDED MARCH 31, 1998 AND MARCH 31, 1997

NET SALES. Net sales increased 22.4% to $41.0 million for the three months ended March 31, 1998 from $33.5 million for the three months ended March 31, 1997. This increase was primarily attributable to the following:

- $6.8 million, or 90.6%, was due to the sale of several products which were not available for sale during the first three months of 1997.

- $2.4 million, or 32.0%, was due to an increase in existing product sales, which increase resulted solely from increases in the volume of products sold.

- ($1.7) million, or (22.6%), was due to a decrease in Associate application fees. Associate application fees decreased due to a delay in introducing new Associate packs or starter packs until the second quarter of 1998. Many Associates delayed signing up new Associates and their own renewal until the new packs were available.

COST OF SALES. Cost of sales increased 10.1% to $6.1 million for the three months ended March 31, 1998 from $5.5 million for the comparable period in 1997. As a percentage of net sales, cost of sales decreased to 14.8% for the three months ended March 31, 1998 from 16.4% for the comparable period in 1997. Increased sales accounted for $1.4 million of the increase in cost of sales, which was partially offset by the positive effects of variances from the Company's standard costs which resulted in a reduction in cost of sales of $0.8 million.

COMMISSIONS. Commissions consist of payments to Associates for sales activity. Commissions increased 23.4% to $16.9 million for the three months ended March 31, 1998 from $13.7 million for the comparable period in 1997. As a percentage of net sales, commissions increased to 41.1% for the three months ended March 31, 1998 from 40.8% for the comparable period in 1997.

GROSS PROFIT. Gross Profit increased 26.2% to $18.1 million for the three months ended March 31, 1998 from $14.4 million for the comparable period in 1997. As a percentage of net sales, gross profit increased to 44.1% for the three months ended March 31, 1998 from 42.8% for the comparable period in 1997. These changes were primarily attributable to the factors described above.

SELLING AND ADMINISTRATIVE EXPENSES. Selling and administrative expenses consist of human resource expenses, including wages, bonuses and marketing expenses, and are a mixture of both fixed and variable expenses. Selling and administrative expenses increased 31.9% to $7.7 million for the three months ended March 31, 1998 from $5.8 million for the comparable period in 1997. As a percentage of net sales, selling and administrative expenses increased to 18.7% for the three months ended March 31, 1998 from 17.4% for the comparable period in 1997. The dollar amount increase was due primarily to sales increases, and $1.5 million expended on the Company's first large scale annual Associate meeting. The increase as a percentage of net sales resulted from the cost of the Associate meeting which was only partially offset by the Company achieving certain sales volume-based efficiencies relating to human resources and marketing expenses.

OTHER OPERATING COSTS. Other operating costs include utilities, depreciation, travel, office supplies and printing expenses. Other operating costs increased 25.4% to $4.7 million for the three months ended March 31, 1998 from $3.7 million for the comparable period in 1997. As a percentage of net sales, other operating costs increased to 11.4% for the three months ended March 31, 1998 from 11.2% for the comparable period in 1997. The dollar amount increase was primarily related to sales and to additional facilities costs related to the relocation of the Company's worldwide headquarters and distribution center to its current location in March 1997. The increase as a percentage of net sales related to the increased facilities costs and the incurrence of costs associated with the Company's planned international expansion.

OTHER (INCOME) EXPENSE, NET. Other (income) expense consists of interest income, royalties from vendors and settlement of lawsuits. Other (income) expense increased 144.6% to ($62,000) for the three months ended March 31, 1998 from $139,000 for the comparable period in 1997. As a percentage of net sales, other (income) expense increased to (0.2%) in the first three months ended March 31, 1998 from 0.4% for the comparable period in 1997. The expense for the three months ended March 31, 1997 related primarily to legal actions and related charges for the settlement of lawsuits.

INCOME TAX EXPENSE. Income tax expense increased 66.2% to $2.2 million for the three months ended March 31, 1998 compared to $1.3 million for the comparable period in 1997. The effective tax rate increased to 38.0% for the three months ended March 31, 1998 from 28.2% for the comparable period in 1997. The increase in the effective tax rate was primarily the result of the Company's reorganization which began June 1, 1997. Prior to that date, the income from the Partnerships was subject to income tax only at the individual partners' level. See "Certain Transactions."

NET INCOME. Net income increased 8.3% to $3.6 million for the three months ended March 31, 1998 from $3.3 million for the comparable period in 1997. As a percentage of net sales, net income decreased to 8.8% for the three months ended March 31, 1998 from 9.9% for the comparable period in 1997. This decrease was primarily related to the increase in effective tax rate mitigated by the factors described above.

YEARS ENDED DECEMBER 31, 1997 AND DECEMBER 31, 1996

NET SALES. Net sales increased 74.3% to $150.9 million in 1997 from $86.6 million in 1996. This increase was primarily attributable to the following:

- $44.5 million, or 69.2%, was due to an increase in existing product sales, which increase resulted solely from increases in the volume of products sold.

- $13.5 million, or 21.0%, was due to an increase in Associate application fees. Associate application fees increased due to the enrollment of new Associates and the renewal fees of existing Associates.

- $6.3 million, or 9.8%, was due to the introduction in July 1997 of MannaCleanse-TM-, an intestinal support product, and Bulk Ambrotose-TM-, a cell-to-cell communication support product.

COST OF SALES. Cost of sales increased 84.5% to $24.7 million in 1997 from $13.4 million in 1996. As a percentage of net sales, cost of sales increased to 16.4% for 1997 from 15.5% in 1996. The increase in cost of sales was due to a $10.8 million increase in sales of finished goods, a $0.6 million increase in shipping costs due to increased sales volume, a $0.3 million increase in shipping costs for Canadian finished goods and a ($0.4) million decrease in normal costs of spoilage and shrinkage of inventory.

COMMISSIONS. Commissions increased 75.4% to $61.7 million in 1997 from $35.2 million in 1996. As a percentage of net sales, commissions increased to 40.9% for 1997 from 40.6% in 1996.

GROSS PROFIT. Gross profit increased 69.5% to $64.4 million in 1997 from $38.0 million in 1996. As a percentage of net sales, gross profit decreased to 42.7% in 1997 from 43.9% in 1996. These changes were primarily attributable to the factors described above.

SELLING AND ADMINISTRATIVE EXPENSES. Selling and administrative expenses increased 56.7% to $27.8 million in 1997 from $17.8 million in 1996. As a percentage of net sales, selling and administrative expenses decreased to 18.5% in 1997 from 20.5% in 1996. The dollar amount increase was primarily attributable to an increase in bonuses and compensation paid and an increase in number of employees to support the Company's growth in net sales. The decrease in the percentage of net sales was primarily attributable to certain efficiencies achieved by the Company in managing sales growth and reductions in executive salaries beginning in June 1997 of approximately $600,000. Executive salaries were reduced to reflect salaries commensurate with those paid by similar public companies. The Company does not expect increases in executive salaries in the foreseeable future other than those increases necessary in the marketplace to recruit, reward and retain qualified executives.

OTHER OPERATING COSTS. Other operating costs increased 65.2% to $19.4 million in 1997 from $11.7 million in 1996. This increase was primarily due to costs associated with the Company's investment in its infrastructure. As a percentage of net sales, other operating costs decreased to 12.8% in 1997 from 13.6% in 1996. This decrease was primarily attributable to increased sales volume and the Company achieving certain volume-based efficiencies due to increased net sales. If sales volumes remain constant, these volume-based efficiencies are expected to remain constant as they are directly related to sales volumes.

CANCELLATION OF INCENTIVE COMPENSATION AGREEMENTS. Cancellation of incentive compensation agreements consisted of a one-time charge in 1997 totaling approximately $2.2 million. This charge resulted from the exchange of Common Stock for the cancellation of certain incentive compensation agreements. See "Certain Transactions."

OTHER (INCOME) EXPENSE, NET. Other (income) expense decreased 62.8% to $(43,000) in 1997 from $(116,000) in 1996. As a percentage of net sales, other (income) expense decreased to (0.0)% in 1997 from (0.2)% in 1996. The change in 1997 was primarily attributable to the settlement in 1997 of various lawsuits totaling $110,000 versus settlement expense of $59,000 in 1996.

INCOME TAX EXPENSE. Income tax expense increased to $4.2 million in 1997 compared to $1.3 million in 1996. The effective tax rate increased significantly to 28.2% in 1997 from 15.0% in 1996. The increase in the effective tax rate was primarily the result of the Company's reorganization as of June 1, 1997. Prior to that date, the Partnerships were subject to income tax only at the individual partners' level. See "Certain Transactions."

NET INCOME. Net income increased 47.4% to $10.8 million in 1997 from $7.3 million in 1996. As a percentage of net sales, net income decreased to 7.2% in 1997 compared to 8.5% in 1996. This decrease was primarily related to the cancellation of the incentive compensation agreements, additional income tax expense and the reorganization of the Partnerships. See "Certain Transactions."

YEARS ENDED DECEMBER 31, 1996 AND DECEMBER 31, 1995

NET SALES. Net sales increased 168.6% to $86.6 million in 1996 from $32.2 million in 1995. This increase was primarily attributable to the following:

- $29.6 million, or 54.4%, was due to an increase in existing product sales, which increase resulted solely from increases in the volume of products sold.

- $18.0 million, or 33.1%, was due to an increase in Associate application fees. Associate application fees increased due to the enrollment of new Associates and the renewal fees of existing Associates.

- $3.6 million, or 6.6%, was due to the introduction of a new nutritional supplement product line, consisting of Profile 1, Profile 2 and Profile 3, in May 1996, and the introduction of a new raw material, Ambrotose-TM-, in October 1996.

- $3.2 million, or 5.9%, was due to the commencement of operations in Canada in April 1996.

COST OF SALES. Cost of sales increased 174.7% to $13.4 million in 1996 from $4.9 million in 1995. As a percentage of net sales, cost of sales increased to 15.5% in 1996 from 15.1% in 1995. The increase in cost of sales was comprised of an $8.3 million increase in sales of finished goods and a $200,000 increase in sales of finished goods in Canada.

COMMISSIONS. Commissions increased 184.9% to $35.2 million in 1996 from $12.3 million in 1995. As a percentage of net sales, commissions increased to 40.6% in 1996 from 38.3% in 1995. The increase was primarily attributable to the introduction of an additional type of commission for the Associates' compensation plan during 1995. Once a commission plan is introduced, there is generally a short time lag before the Associates begin to qualify for the payment of commissions. During 1996, this new commission structure accounted for a 2.0% increase (as a percentage of net sales) in total commissions.

GROSS PROFIT. Gross profit increased 153.2% to $38.0 million in 1996 from $15.0 million in 1995. As a percentage of net sales, gross profit decreased to 43.9% in 1996 from 46.6% in 1995. These changes were primarily attributable to the factors described above.

SELLING AND ADMINISTRATIVE EXPENSES. Selling and administrative expenses increased 153.3% to $17.8 million in 1996 from $7.0 million in 1995. As a percentage of net sales, selling and administrative expenses decreased to 20.5% in 1996 from 21.8% in 1995. The dollar amount increase was primarily attributable to sales increases. The decrease as a percentage of net sales was primarily attributable to increased sales and the Company achieving certain sales volume-based efficiencies for human resources and marketing expenses.

OTHER OPERATING COSTS. Other operating costs increased 123.6% to $11.7 million in 1996 from $5.3 million in 1995. As a percentage of net sales, other operating costs decreased to 13.6% in 1996 from 16.3% in 1995. The dollar amount increase was primarily attributable to the increase in sales, which was offset by the Company recording approximately $400,000 in consulting fees associated with the Company's entry into the Canadian market.

OTHER (INCOME) EXPENSE, NET. Other (income) expense in 1996 increased to $(116,000) from $181,000 in 1995. In 1995, the Company incurred an expense of $180,600 as a result of the settlement of a lawsuit related to the termination of a former employee. In 1996, the Company recorded an additional

expense of $59,000 related to the settlement of this lawsuit, which was more than offset by approximately $160,000 of interest income and royalty income.

INCOME TAX EXPENSE. Income tax expense increased $1.2 million to $1.3 million in 1996 compared to $129,959 in 1995. The effective tax rate increased to 15.0% in 1996 from 5.1% in 1995. The effective tax rate significantly varied from the statutory rate of 34% primarily due to the $5.8 million of Partnership income included with the Company's income as discussed previously. See "-Reorganization" and "Certain Transactions."

NET INCOME. Net income increased 200.2% to $7.3 million in 1996 from $2.4 million in 1995. As a percentage of net sales, net income increased to 8.5% in 1996 as compared to 7.6% in 1995. The increase was the result of the factors described above.

SELECTED QUARTERLY STATEMENTS OF INCOME

The following table sets forth certain unaudited quarterly statement of income data for each of the nine quarters ending with the quarter ended March 31, 1998. In the opinion of management, this information has been prepared on the same basis as the audited Financial Statements contained herein and includes all necessary adjustments, consisting only of normal recurring adjustments, that the Company considers necessary to present fairly this information in accordance with generally accepted accounting principles. This information should be read in conjunction with the Financial Statements and Notes thereto appearing elsewhere in this Prospectus. The Company's operating results for any one quarter are not necessarily indicative of results for any future period.

	THREE MONTHS ENDED						
	MAR. 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996(1)	MAR. 31, 1997	JUNE 30, 1997	SEPT. 30, 1997
	(IN THOUSANDS)						
STATEMENT OF INCOME DATA:							
Net sales	$ 14,475	$ 19,743	$ 23,507	$ 28,849	$ 33,544	$ 38,096	$ 39,787
Cost of sales	1,910	3,008	3,165	5,323	5,501	6,041	6,324
Commissions	5,891	8,060	9,554	11,650	13,685	15,586	15,839
Gross profit	6,674	8,675	10,788	11,876	14,358	16,469	17,624
Operating expenses:							
Selling and administrative expenses	2,640	4,447	3,811	6,866	5,827	7,762	6,350
Other operating costs	1,590	2,260	2,550	5,346	3,744	4,973	4,684
Cancellation of incentive compensation agreements(3)	-	-	-	-	-	1,821	-
Income (loss) from operations	2,444	1,968	4,427	(336)	4,787	1,913	6,590
Other (income) expense, net	(9)	(16)	-	(91)	139	120	(85)
Income (loss) before income taxes	2,453	1,984	4,427	(245)	4,648	1,793	6,675
Income tax (benefit) expense	366	298	669	(38)	1,322	509	1,900
Net income (loss)	$ 2,087	$ 1,686	$ 3,758	$ (207)	$ 3,326	$ 1,284	$ 4,775
PRO FORMA INFORMATION:(4)							
Income (loss) before income taxes, as reported	$ 2,453	$ 1,984	$ 4,427	$ (245)	$ 4,648	$ 1,793	$ 6,675
Pro forma provision for income tax (benefit) expense	940	744	1,660	(92)	1,789	690	2,570
Pro forma net income (loss)	$ 1,533	$ 1,240	$ 2,767	$ (153)	$ 2,859	$ 1,103	$ 4,105

	DEC. 31, 1997(2)	MAR. 31, 1998
STATEMENT OF INCOME DATA:		
Net sales	$ 39,430	$ 41,059
Cost of sales	6,870	6,060
Commissions	16,567	16,883
Gross profit	15,993	18,116
Operating expenses:		
Selling and administrative expenses	7,906	7,684
Other operating costs	6,001	4,696
Cancellation of incentive compensation agreements(3)	371	-
Income (loss) from operations	1,715	5,736
Other (income) expense, net	(217)	(62)
Income (loss) before income taxes	1,932	5,798
Income tax (benefit) expense	518	2,198
Net income (loss)	$ 1,414	$ 3,600
PRO FORMA INFORMATION:(4)		
Income (loss) before income taxes, as reported	$ 1,932	
Pro forma provision for income tax (benefit) expense	744	
Pro forma net income (loss)	$ 1,188	

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(1) For the fourth quarter of 1996 cost of sales included various book-to-physical inventory adjustments and a charge for the adjustments in the standard cost of inventory. Selling and administrative expenses included an accrual for discretionary bonuses to all employees and a charge for severance packages. Other operating costs increased due to certain year-end accruals for attorneys' fees, travel and general operating expenses.

(2) For the fourth quarter of 1997 cost of sales included a write-off of accrued inventory and book-to-physical inventory adjustments. Selling and administrative expenses included accruals for (i) discretionary bonuses for all employees, (ii) termination expenses and (iii) disputed freight expenses. Other operating costs increased for the accrual of various attorney and consulting fees and compensation expenses related to the issuance of stock options to certain nonemployees.

(3) In June 1997 the Company recorded a one-time charge to operations for the issuance of Common Stock in exchange for the cancellation of certain incentive compensation agreements. An additional incentive compensation agreement was cancelled in December 1997. See "-Reorganization" and "Certain Transactions."

(4) The pro forma information shows the Company's net income as if all income earned by the Company and the Partnerships was taxable at federal and statutory rates.

The following table sets forth certain unaudited quarterly results of operations expressed as a percentage of net sales for each of the nine quarters ending with the period ended March 31, 1998.

	THREE MONTHS ENDED						
	MAR. 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996	MAR. 31, 1997	JUNE 30, 1997	SEPT. 30, 1997
AS A PERCENTAGE OF NET SALES:							
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	13.2	15.2	13.5	18.4	16.4	15.9	15.9
Commissions	40.7	40.8	40.6	40.4	40.8	40.9	39.8
Gross profit	46.1	44.0	45.9	41.2	42.8	43.2	44.3
Operating expenses:							
Selling and administrative expenses	18.2	22.5	16.2	23.8	17.4	20.4	15.9
Other operating costs	11.0	11.5	10.9	18.5	11.1	13.0	11.8
Cancellation of incentive compensation agreements	-	-	-	-	-	4.8	-
Income (loss) from operations	16.9	10.0	18.8	(1.1)	14.3	5.0	16.6
Other (income) expense, net	-	-	-	(0.3)	0.4	0.3	(0.2)
Income (loss) before income taxes, as reported	16.9	10.0	18.8	(0.8)	13.9	4.7	16.8
Income tax (benefit) expense	2.5	1.5	2.8	(0.1)	4.0	1.3	4.8
Net income (loss)	14.4%	8.5%	16.0%	(0.7%)	9.9%	3.4%	12.0%

	DEC. 31, 1997	MAR. 31, 1998
AS A PERCENTAGE OF NET SALES:		
Net sales	100.0%	100.0%
Cost of sales	17.4	14.8
Commissions	42.0	41.1
Gross profit	40.6	44.1
Operating expenses:		
Selling and administrative expenses	20.1	18.7
Other operating costs	15.2	11.4
Cancellation of incentive compensation agreements	0.9	-
Income (loss) from operations	4.4	14.0
Other (income) expense, net	(0.5)	(0.2)
Income (loss) before income taxes, as reported	4.9	14.2
Income tax (benefit) expense	1.3	5.4
Net income (loss)	3.6%	8.8%

The Company may experience variations on a quarterly basis in its results of operations, in response to, among other things, the timing of Company-sponsored Associate events; new product introductions; the opening of new markets; the timing of holidays, especially in the fourth quarter, which may reduce the amount of time Associates spend selling the Company's products or recruiting new Associates, the adverse effect of Associates' or the Company's failure, and allegations of their failure, to comply with applicable government regulations; the negative impact of changes in or interpretations of regulations that may limit or restrict the sale of certain of the Company's products; the operation of its network marketing system; the introduction of its products into each market; the recruitment and retention of Associates; the inability of the Company to introduce new products or the introduction of new products by the Company's competitors; general conditions in the nutritional supplement and personal care industries or the network marketing industry; and consumer perceptions of the Company's products and operations. In particular, because the Company's products are ingested by consumers or applied to their bodies, the Company is highly dependent upon consumers' perception of the safety, quality and effectiveness of its products. As a result, substantial negative publicity, whether founded or unfounded, concerning one or more of the Company's products or other products similar to the Company's products could adversely affect the Company's business, results of operations and financial condition.

As a result of these and other factors the Company's quarterly revenues, expenses and results of operations could vary significantly in the future, and period-to-period comparisons should not be relied upon as indications of future

performance. There can be no assurance that the Company will be able to increase its revenues in future periods or be able to sustain its level of revenue or its rate of revenue growth on a quarterly or annual basis. Furthermore, no assurances can be given that the Company's revenue growth rate in new markets where operations have not commenced will follow this pattern. Due to the foregoing factors, the Company's future results of operations could be below the expectations of public market analysts and investors. In such event, the market price of the Common Stock would likely be materially adversely affected.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal capital requirement is to fund working capital to support its growth. To date, the Company has financed its operations primarily through cash flows derived from operating activities. Primarily as a result of the Company's investment in the infrastructure necessary to support the

rapid growth of the Company, the Company had working capital deficiencies of $2.3 million, $8.1 million and $8.4 million as of December 31, 1996, December 31, 1997 and March 31, 1998, respectively. The Company believes its current infrastructure is sufficient to support its near term growth. Additionally, as disclosed in "Dividend Policy," the Company will cease its future distributions to shareholders providing additional liquidity.

In January 1998, the Company entered into a $1.5 million interim lease line-of-credit agreement (the "Line of Credit Agreement") with Banc One Leasing Corporation to fund the purchase of furniture and certain capital equipment in connection with the Company's relocation to its new facility. The Line of Credit Agreement bears interest at the prime interest rate of Bank One, Columbus, NA plus one-half percent, is secured by the leased assets, is guaranteed by two of the Company's shareholders and will expire on December 15, 1998. The Line of Credit Agreement allows the Company to convert amounts drawn thereunder into capital leases and, in March 1998, the Company converted $631,000 which had been drawn on the Line of Credit Agreement into a capital lease (the "Capital Lease"). The Capital Lease bears interest at 9.3%, is collateralized by the leased assets and is payable in 36 installments. In addition to the Capital Lease, $378,000 had been drawn under the Line of Credit Agreement, leaving an available balance of $491,000.

The Company plans to improve its working capital position, make additional investments in its new distribution center, research and development laboratory, and complete its internally developed software program. The Company intends to fund these initiatives with proceeds from this offering, net cash provided by operating activities and additional borrowings under the Line of Credit Agreement described above. See "Use of Proceeds."

Net cash provided by operating activities was $3.1 million, $9.6 million, $19.4 million and $4.3 million in 1995, 1996, 1997 and for the three months ended March 31, 1998, respectively. Throughout these periods, the Company experienced increases in net income as a result of increases in net sales, which were partially offset by increases in inventories.

Net cash used in investing activities was $843,000, $3.2 million, $8.9 million and $0.7 million in 1995, 1996, 1997 and the three months ended March 31, 1998, respectively. These activities consisted primarily of purchases of property and equipment in connection with the Company's relocation to its new facility in April 1997, and the relocation of the Company's distribution center and build out of its research and development facility in the first quarter of 1998.

Net cash used in financing activities totaled $1.6 million, $6.2 million, $11.6 million and $2.6 million in 1995, 1996, 1997 and for the three months ended March 31, 1998, respectively. In 1995, 1996 and through the reorganization of the Company in June 1997, the Company made distributions to partners of the Partnerships. Following the reorganization, the Company has paid dividends on a monthly basis to its shareholders in the amount of $0.02-$0.06 per share and expects to continue to pay dividends each month until the consummation of this offering. See "Dividend Policy."

The Company anticipates that its existing capital resources, including cash provided by operating activities and bank borrowings, together with the anticipated proceeds from this offering, will be adequate to fund the Company's operations for at least the next 12 months. Of the net proceeds to the Company, the Company intends to use approximately (i) $23 million for international expansion, including, but not limited to, expenditures for business and product registration, product reformulations, initial inventory and infrastructure buildup, (ii) $19 million for capital investments, including, but not limited to, continued expansion of corporate facilities, possible purchases of manufacturing capabilities and new technologies and acquisitions of raw material sources, and (iii) $18 million for working capital and general corporate purposes, including the repayment of debt and the funding of accrued commissions and other accrued expenses. The Company has no present commitments or agreements with respect to any acquisitions or purchases of manufacturing capabilities, new technologies or raw material sources. There can be no assurance that changes will not occur that would consume available

capital resources before such time. The Company's capital requirements depend on numerous factors, including the timing and pace of the Company's entry into international markets, growth in the number of Associates and its research and development efforts. To the extent that the Company's existing capital resources, together with the anticipated proceeds of this offering, are insufficient to meet its capital requirements, the Company will be required to raise additional funds. There can be no assurance that additional funding, if necessary, will be available on favorable terms, if at all.

RECENT FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENTS

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("FAS") No. 130, "Reporting Comprehensive Income." FAS 130 establishes standards for the report and display of comprehensive income and its components (revenues, expenses, gains, and losses) in a full set of general purpose financial statements. FAS 130 requires that an enterprise (i) classify items of other comprehensive income by their nature in a financial statement and (ii) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. FAS 130 is effective for fiscal years beginning after December 15, 1997. The Company does not expect the impact of FAS 130 to be material.

In June 1997, the FASB issued FAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." FAS 131 established standards for reporting information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial reports issued to shareholders. FAS 131 also establishes standards for related disclosure about products and services, geographic areas and major customers. FAS 131 is effective for financial statements for periods beginning after December 15, 1997, and requires the restatement of disclosures for earlier periods for comparative purposes unless the information is not readily available, in which case a description of unavailable information is required. The Company does not expect the impact of FAS 131 to be material.

In February 1998, the FASB issued FAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." FAS 132 revises footnote disclosure requirements for employer pensions and other retiree benefits, standardizes the disclosure requirements, requires additional information on changes in the benefit obligations and calculating the fair values of plan assets, and eliminates certain disclosures. FAS 132 is effective for financial statements for periods beginning after December 15, 1997. As the Company does not provide a defined benefit plan, this pronouncement will not impact the Company.

YEAR 2000 COMPLIANCE

Many existing computer programs and databases use only two digits to identify a year in the date field (I.E., 98 would represent 1998). These programs and databases were designed and developed without considering the impact of the upcoming millennium. If not corrected, many computer systems could fail or create erroneous results in the year 2000. The Company believes that all of its systems currently in use are Year 2000 compliant, largely due to the short operating history of the Company. The majority of the Company's critical business applications are developed internally, with Year 2000 compliant tools, and as such the Company is not dependent on external vendors for Year 2000 compliance, except for the banking system utilized by the Company to process payments, including credit cards.

IMPACT OF INFLATION

The Company believes that inflation has not had a material impact on its historical operations or profitability.

GENERAL

Mannatech develops and sells proprietary nutritional supplements and topical products through a network marketing system. The Company sells its products in the United States and Canada, through a network consisting of approximately 221,000 active Associates as of April 30, 1998, and is currently planning to expand into Australia, while continuing to assess the potential of other foreign markets. Since commencing operations in November 1993, the Company's sales have grown from approximately $8.5 million in 1994 to approximately $150.9 million in 1997.

The Company pursues a two-fold business strategy: (i) to develop a proprietary line of nutritional supplements having both health benefits and mass appeal to a general population demanding non-toxic healthcare alternatives and (ii) to provide an appealing framework for persons interested in the products to establish a direct sales business. To date, the Company has focused its development efforts primarily in the area of carbohydrate technology, creating a proprietary ingredient, Ambrotose-TM- Complex, which combines the naturally occurring sugars required to support optimal cell-to-cell communication. Additional Company efforts have been focused on developing products based on scientific advances in the emerging field of phytochemistry, which has identified certain naturally occurring components of various plants, known as "phytochemicals," which, while not essential to sustain life, are fundamental to optimal health.

Ambrotose-TM- Complex is the cornerstone of the Company's product lines. These products are designed to support various systems and functions of the human body, including (i) the cell-to-cell communication system, (ii) the immune system, (iii) the endocrine system, (iv) the intestinal system and (v) the dermal system. The Company also markets products designed to aid in sports performance and nutritional support. The Company's products, Man-Aloe-Registered Trademark-, Ambrotose-TM- and Bulk Ambrotose-TM-, are designed to support cell-to-cell communication. For immune system support, the Company offers Phyt-Aloe-Registered Trademark-, for adults, and Phyto-Bears-Registered Trademark-, a chewable gummi-bear nutritional supplement product marketed to children but popular with adults. Other products include MVP-TM- and Plus for endocrine system support, MannaCleanse-TM- for intestinal system support and Emprizone-Registered Trademark-, Firm and Naturalizer for dermal care. The Company offers several products designed to aid sports performance by enhancing the body's natural recovery process and supporting lean tissue development, including Em-Pact-TM-, Bulk Em-Pact-TM- and Sport with Ambrotose-TM-. The Company also markets Profile 1, Profile 2 and Profile 3, which support the body's nutritional needs.

In March 1998, the Company introduced MannaBAR-TM-, a nutritional supplement bar in two versions that contain the equivalent of the Company's recommended minimum daily supply of Ambrotose-TM- Complex, Phyt-Aloe-Registered Trademark- and Plus. In addition to MannaBAR-TM-, the Company plans to release at least one new product in 1998 and additional products as new nutritional compounds or areas of consumer demand are identified by the Company. All new products are expected to contain proprietary components.

The Company's products are marketed exclusively through a network marketing system. The Company believes that its network marketing system is well-suited to its products, which emphasize health and nutrition, because network marketing allows in-person product education not available through traditional marketing techniques. The Company's network marketing system appeals to a broad cross-section of people, particularly those seeking to supplement family income, start a home-based business or pursue employment opportunities other than conventional, full-time employment.

INDUSTRY OVERVIEW

The nutritional supplements industry is highly fragmented and intensely competitive. It includes companies that manufacture and distribute products which are generally intended to enhance the body's performance and well being. Nutritional supplements include vitamins, minerals, dietary supplements,

herbs, botanicals and compounds derived therefrom. Opportunities in the nutritional supplements industry were enhanced by the enactment of the Dietary Supplement Health and Education Act of 1994 ("DSHEA"). Under DSHEA, vendors of dietary supplements are now able to educate consumers regarding the effects of certain component ingredients.

According to Packaged Facts, an independent consumer market research firm, the retail market for nutritional supplements has experienced a compound annual growth rate in the United States of over 15% from 1992 to 1996. Sales in the principal domestic market in which the Company's products compete totaled approximately $6.5 billion in 1996. The Company believes that growth in the nutritional supplement market is driven by several factors, including (i) the general public's heightened awareness and understanding of the connection between diet and health, (ii) the aging population, particularly the baby-boomer generation, which is more likely to consume nutritional supplements, (iii) product introductions in response to new scientific research and (iv) the nationwide trend toward preventive medicine.

Nutritional supplements are sold primarily through mass market retailers, including mass merchandisers, drug stores, supermarkets and discount stores; health food stores; mail order companies; and direct sales organizations. Direct selling, of which network marketing is a significant segment, has been enhanced in the past decade as a distribution channel due to advancements in technology and communications resulting in improved product distribution and faster dissemination of information. The distribution of products through network marketing has grown significantly in recent years. The World Federation of Direct Selling Associations (the "WFDSA") reports that, from 1990 through 1996, worldwide direct distribution of goods and services to consumers increased approximately 65%, resulting in the sale of nearly $80 billion of goods and services in 1996. The Direct Sellers Association (the "DSA") reported total 1996 direct sales at retail of $20.8 billion in the United States. According to the "Survey of Attitudes toward Direct Selling," commissioned by the DSA, and conducted and prepared by Wirthlin Worldwide (the "Wirthlin Report"), among the three categories experiencing the greatest gains in the direct selling industry since 1976 are food, nutrition and wellness products.

According to the Wirthlin Report, approximately 51% of the American public has purchased products or services from a direct selling company at some point in the past, with 29% of those having made such a purchase in the last 12 months. Four in 10 adult Americans have expressed an interest in direct selling as a method of buying products and services, and 23% of those who have never purchased products and services from direct selling companies are interested in direct selling. The Company believes it is positioned to capitalize on the trends of growth in direct sales and demand for nutritional supplement products.

OPERATING STRENGTHS

The Company's two-fold business strategy is to (i) develop a proprietary line of nutritional supplements having both health benefits and mass appeal to a general population demanding non-toxic healthcare alternatives, and (ii) provide an appealing framework for persons interested in the products to establish a direct sales business. The Company believes that it will be able to continue its growth by capitalizing on the following operating strengths:

PROPRIETARY PRODUCT OFFERINGS. The Company offers an innovative line of products based upon its proprietary, patent-pending research. The Company believes that the discovery and development of products containing certain carbohydrates necessary to optimum health represents an expanding business opportunity for the Company. The Company recognized the nutritional need for the eight known monosaccharides to support optimal health, and developed and filed a patent application on a compound containing these monosaccharides. The Company includes this compound, Ambrotose-TM- Complex, in each of its products. The Company believes that maintaining a proprietary line of products is

important for two reasons: (i) it is a marketing factor that differentiates the Company from its competitors; and (ii) the limited availability helps to drive demand and enables premium pricing.

SUPERIOR RESEARCH AND DEVELOPMENT CAPABILITY. The Company believes that its experienced personnel and new research and development facilities will allow it to develop and market additional new proprietary products. The Company's research and development efforts are led by two scientists with an aggregate of 34 years of experience designing products based on emerging carbohydrate technology. In March 1998, the Company completed construction of a technologically advanced laboratory to be used for both quality assurance and product development. As a complement to its in-house staff and facilities, the Company has sought, and will continue to seek, strategic alliances with several large manufacturers of nutritional supplements. These companies work with the Company to create, develop and manufacture its proprietary products and lend additional guidance which is helpful to the Company's strategic planning. In addition, the Company works with other smaller product companies to identify and develop new innovative niche products.

STRONG ASSOCIATE SUPPORT PHILOSOPHY. The Company is committed to providing the highest level of support services to its Associates. The Company believes that it meets the needs of, and builds loyalty with, its Associates through its highly personalized and responsive customer service. Company-sponsored Associate events held several times throughout the year provide education and training for thousands of Associates. These conferences feature a schedule of events that offers information, aids in business development for Associates and provides a venue for Associates to interact with the leading distributors and researchers of the Company. In addition, the Company believes it offers one of the most financially rewarding compensation plans offered to Associates in the direct selling industry. Commissions as a percentage of net sales were 38.3%, 40.6%, 40.9% and 41.1% for 1995, 1996, 1997 and the three months ended March 31, 1998, respectively.

FLEXIBLE OPERATING STRATEGY. The Company considers flexibility to be a key component of its existing and ongoing success. The Company outsources production and forms strategic alliances to minimize capital expenditure where practicable. However, the Company maintains control of key operating functions, including product development and formulation, product warehousing and distribution, financial and operating functions and proprietary product raw material sourcing. The Company believes it is positioned to enter international markets in an efficient and cost-effective manner by leveraging the expertise and resources of its strategic allies in the areas of distribution and logistics, call center operations, product registration and export requirements. Information technology also plays a key role in providing operating flexibility to the Company. The proprietary technology systems used by the Company are designed to be quickly and easily adaptable in order to support expansion into new markets. By developing this technology infrastructure, the Company believes it has reduced the risks associated with operational inefficiencies typically encountered by network marketing companies during periods of rapid growth.

EXPERIENCE AND DEPTH OF MANAGEMENT TEAM. The Company's management team is comprised of experienced individuals drawn from a variety of backgrounds and expertise in certain fields, including product research and development, marketing, direct sales, legal and compliance, information technology and product distribution. All principal managers have substantial business experience, most with larger concerns, and bring the perspective of traditional business to the multi-level marketing endeavor of the Company. The goal of the management team is to provide a sound, systematic, reliable framework within which each Associate can fit his or her personal style of conducting business.

GROWTH STRATEGY

The Company's primary growth strategy is to increase product sales through existing distribution channels, to continue to expand operations in existing markets in the United States and Canada and to enter select foreign markets. The Company believes that its growth will be based on the following factors:

INTRODUCE NEW PRODUCTS. The Company's product development strategy is to expand its existing product lines and bring new proprietary and, where possible, patentable products to market that can be developed into new product lines. Since its inception, the Company has introduced new products each year, including, in March 1998, MannaBARs-TM-, which provide a new delivery system for its proprietary nutritional supplement compounds in the form of bars made from whole food sources. MannaBAR-TM- was developed partly in response to strong Associate demand. The Company currently intends to introduce new products each year, which are expected to contain one or more proprietary components and complement existing products. The Company believes that its newly enhanced research and development capabilities will facilitate its ability to develop these new products.

ATTRACT NEW ASSOCIATES AND ENHANCE ASSOCIATE PRODUCTIVITY. The Company has enjoyed significant growth in the number of Associates by leveraging its operating strengths and creating a business climate which promotes growth in the number of Associates qualifying for recognition and increases the retention, motivation and productivity of high-level Associates. The Company plans to introduce new Associate achievement levels in part to encourage greater retention, motivation and productivity. In addition, the Company plans to encourage growth in the number of Presidential Associates, currently the highest level of achievement attainable by an Associate, by modifying Associate training and recognition programs.

ENTER NEW MARKETS. In 1998, the Company plans to expand its operations into Australia and explore possibilities for further expansion in several additional countries. By employing its flexible operating strategy in the international sector, the Company believes it will be able to enter new markets in a cost-effective and efficient manner. In addition, the Company will evaluate the following factors in its decision to expand into new markets: (i) size of market; (ii) anticipated demand; and (iii) ease of entry. The Company believes that growth potential exists in international markets. See "Risk Factors-Risks Associated with International Expansion."

PRODUCTS

The Company markets a line of quality, proprietary products, including 17 different nutritional products and three topical products. The Company also offers a variety of sales aids, including enrollment and renewal kits (which include products), brochures and videotapes which accounted for approximately 24.7% of net sales in 1997. The Company believes its focused product line contributes to efficient distribution and inventory management.

The Company believes that the discovery and use of certain carbohydrates offers significant potential for nutritional benefits. Healthy bodies, comprised of many sophisticated components working together, must have accurate internal communication to function at an optimal level. In its most basic form, this communication occurs at the cellular level and is referred to by molecular biologists as cell-to-cell communication. To maintain a healthy body, cells must "talk" to other cells. Scientists have learned that glycoproteins, or molecules found on the surface of all cells, play a key role in all cell-to-cell communication. The name, glycoprotein, is derived from the molecules' composition: sugar (glyco) and protein. Because up to 85% of glycoproteins are composed of specific monosaccharides, the body's need for these carbohydrates is important.

HARPER'S BIOCHEMISTRY, a leading biochemistry reference source, lists eight monosaccharides commonly found in human glycoproteins which are known to be important to the healthy functioning of cell-to-cell communications in the human body. These monosaccharides include fucose, galactose, glucose, mannose, N-acetylgalactosamine, N-acetylglucosamine, N-acetylneuraminic acid and xylose, and belong to a universe of approximately 200 monosaccharides found in nature.

The Company recognized the human body's need for these monosaccharides to support optimal health. In response, the Company developed and filed a patent application on Ambrotose-TM- Complex, which is directed at these monosaccharides and their various uses. By filing this patent application, the

Company seeks to establish a proprietary position in the nutritional supplement market. This proprietary glyconutritional compound, Ambrotose-TM- Complex, is a component of each of the Company's products.

The following chart lists the Company's products as of April 30, 1998.

	CELL-TO-CELL COMMUNICATION	IMMUNE SYSTEM	ENDOCRINE SYSTEM	INTESTINAL SYSTEM	DERMAL SYSTEM
Ambrotose-TM-	X				
Bulk Ambrotose-TM-	X				
Bulk Em-Pact					
Em-Pact					
Emprizone-Registered Trademark-					X
Firm					X
Man-Aloe-Registered Trademark-	X				
MannaCleanse-TM-				X	
MannaBAR-TM- Carbohydrate Formula	X	X	X		
MannaBAR-TM- Protein Formula	X	X	X		
Mannatonin			X		
MVP-TM-			X		
Naturalizer					X
Phyt-Aloe-Registered Trademark-		X			
Phyto-Bears-Registered Trademark-		X			
Plus			X		
Profile 1					
Profile 2					
Profile 3					
Sport with Ambrotose-TM-					

	SPORTS PERFORMANCE	NUTRITIONAL NEEDS
Ambrotose-TM-		
Bulk Ambrotose-TM-		
Bulk Em-Pact	X	
Em-Pact	X	
Emprizone-Registered Trademark-		
Firm		
Man-Aloe-Registered Trademark-		
MannaCleanse-TM-		
MannaBAR-TM- Carbohydrate Formula		
MannaBAR-TM- Protein Formula		
Mannatonin		
MVP-TM-		
Naturalizer		
Phyt-Aloe-Registered Trademark-		
Phyto-Bears-Registered Trademar		

Plus.....		
Profile 1.....		X
Profile 2.....		X
Profile 3.....		X
Sport with Ambrotose-TM-.....	X	

PRODUCT DEVELOPMENT

The Company's overall product strategy is to develop proprietary nutritional supplements which capitalize on existing and emerging scientific knowledge and the growing worldwide interest in alternative healthcare and optimal health. The Company focuses on bringing new proprietary and, where possible, patentable products to market that can be developed into new product lines, while expanding its existing product line. The Company believes it is well positioned to take advantage of the ability to provide educational information regarding dietary supplements and the increased development of nutritional supplements and functional foods resulting from the enactment of DSHEA.

The Company intends to launch new products each year at its corporate events. Selection of the products developed will be based on the marketability and proprietary nature of the product, taking into

account regulatory considerations, the availability of components and the existence of data supporting claims of functionality. To support and validate the proprietary nature of the Company's product line, appropriate research is conducted under the direction of the Company's research and development department both before and after product launch. The Company believes that the completion of its new laboratory will help to accelerate and improve new product development.

The following chart indicates the year of introduction of each of the Company's products:

YEAR	PRODUCTS INTRODUCED
1994	Man-Aloe-Registered Trademark-, Plus, MVP-TM-, Sport, Naturalizer, Phyt-Aloe-Registered Trademark-, Firm
1995	Phyto-Bears-Registered Trademark-, Em-Pact-TM-, Emprizone-Registered Trademark-
1996	Ambrotose-TM-, Mannatonin, Profile 1, 2 and 3, Sport with Ambrotose-TM-
1997	Bulk Ambrotose-TM-, Bulk Em-Pact-TM-, MannaCleanse-TM-
1998	MannaBAR-TM- Carbohydrate Formula, MannaBAR-TM- Protein Formula

PRODUCT DISTRIBUTION SYSTEM

OVERVIEW. The foundation of the Company's sales philosophy and distribution system is network marketing. As with most network marketing systems, the Company's Associates purchase products for retail sale and personal consumption. The Company believes network marketing is an effective vehicle to distribute the Company's products for the following reasons: (i) the benefits of the Company's products are more readily explained on an individual, educational basis, which emphasizes the manner in which its products work, and is more direct than the use of television and print advertisements; (ii) direct sales allow for actual product testing by a potential consumer; (iii) the impact of Associate and consumer testimonials is enhanced; and (iv) as compared to other distribution methods, Associates can provide higher levels of customer service and attention by, among other things, following up on sales to ensure proper product usage and customer satisfaction, and encouraging repeat purchases.

The Company encourages Associates to enroll new Associates with whom the Associates may have an ongoing relationship as a family member, friend, business associate, neighbor or otherwise. The Company believes that Associates will be more likely to remain with the Company if they are enrolled with the Company by someone with whom they have an ongoing relationship. The Company also believes that its network marketing system will continue to build a base of potential consumers for additional products. The Company encourages, but does not require, Associates to use the Company's products, nor does the Company require a person to be an Associate in order to be a consumer of the Company's products. The Company believes its network marketing system is particularly attractive to prospective Associates because of the potential for supplemental income and because Associates are not required to purchase any inventory, have no account collection issues, have minimal paperwork requirements and have a flexible work schedule. The sales efforts of Associates are supported through various means, including Company-sponsored training held periodically throughout the year.

The effectiveness of direct selling as a distribution channel has been enhanced in the past decade through advancements in communications, including telecommunications, and the proliferation of the use of videotape players, fax machines and personal computers. The Company produces high-quality video tapes and audio tapes for use in product education, demonstrations and sponsoring sessions that project a desired image for the Company and its product line. The Company believes that high quality sales aids play an important role in the success of Associate efforts. The Company is committed to fully utilizing current and future technological advances to continue to enhance the effectiveness of direct selling.

Associates pay for products prior to shipment. The Company carries no accounts receivable from Associates, except for minor amounts owing to check returns or other exceptions. Associates pay for products primarily by credit card, with cash, money orders and checks representing a small portion of all payments. Associates may automatically order product, applied to a credit card, on a continuous basis, and receive a discount. Automatic orders accounted for approximately 36.9% of net sales for the year ended December 31, 1997.

ASSOCIATE DEVELOPMENT. The Company believes that the key contributing factors to its long-term growth and success are the recruitment of new Associates and retention of existing Associates. The Company is active in the development of Associates, including in the areas of recruitment, training, support, motivation and compensation.

The Company primarily relies on current Associates to sponsor new Associates. The sponsoring of new Associates creates multiple levels in the network marketing structure. Persons whom an Associate sponsors are referred to as "downline" or "sponsored" Associates. Once a person becomes an Associate, he or she is able to purchase products directly from the Company at wholesale prices for resale to consumers or for personal consumption. The Associate is also entitled to sponsor other Associates in order to build a network of Associates and product users.

The Company also relies heavily on existing Associates to train new Associates, utilizing a new training program for Associates ("Accredited Training") developed using both the expertise of experienced corporate trainers and the experience of seasoned Associates. While the Company provides brochures, magazines and other sales materials, Accredited Training is specially designed to provide systematic and uniform training to Associates about the Company, its products, methods of doing business and compensation plan. As of January 1998, only Associates who have participated in Accredited Training are eligible to receive remuneration for training other Associates.

The Company makes the needs of its Associate a priority, in accordance with its stated corporate philosophy. The Company provides a high level of support services tailored to the needs of its Associates, including training meetings, educational and informative conference calls, automated fax services, ordering and distribution system, personalized customer service via telephone, the Internet and e-mail, 24-hour, seven days per week access to certain information through touch-tone phones and a liberal product return policy. The Company's support system includes a current database of all Associates and their upline and downline Associates. The Company also provides business development materials that the Company believes will increase both product sales and recruitment. The Company believes that enhancing an Associate's efforts through effective support mechanisms has been and will continue to be important to the success of the Company.

The Company currently recognizes Associate performance with four levels of Associate leadership achievement: Regional; National; Executive; and Presidential. Each leadership level is vested with the opportunity for additional compensation ranging from 4% of commissionable sales at the Regional Director level to 16% of commissionable sales at the Presidential level. The Company intends to develop additional achievement levels in the future specially designed to stimulate continued production and downline growth by motivating Associates at the highest levels. Additionally, the Company intends to expand its program of Associate recognition to express its appreciation for increased levels of performance and to further motivate Associates.

ASSOCIATE COMPENSATION. All Associate compensation is paid directly by the Company and is based on sales of the Company's products, leadership and training. The Company offers a compensation plan which combines aspects of two widely-used multi-level marketing compensation plans. The Company's compensation plan integrates a single downline, or "unilateral" element, with a multiple downline, or "binary" element, and adds additional compensation based upon attainment of certain Associate leadership levels and training performance. The "unilateral" and "binary" elements of the compensation plan are similar to other multi-level marketing compensation plans. Leadership bonuses pay associates as much as 16% of commissionable sales as various leadership levels are attained. The compensation plan includes bonuses or commissions for qualified associates ranging from $20 to $180 earned as new associates enter their downline organization. Associates who have completed "accredited training" can receive a commission for each additional Associate they train. Bonuses or commissions ranging from $10 to $200 are also earned on products included in starter or introductory packs. The result of this "hybrid" structure is to compensate both Associates in the early stages of building their business and Associates with more established organizations, by rewarding Associates for breadth as well as depth in their downline organizations. In addition to the "hybrid" compensation plan, Associates earn compensation for retail sales of products.

Based upon its knowledge of other industry-related network marketing compensation plans, the Company believes that its compensation plan is among the most financially rewarding plans offered in the industry, with commissions as a percentage of net sales of 38.3%, 40.6%, 40.9% and 41.1% for 1995, 1996, 1997 and the three months ended March 31, 1998, respectively.

The Company, in configuring its international compensation plans, will not employ its existing compensation plan outside of the United States and Canada. In the international sector, the Company intends to use substantially similar unilateral plans from country to country, which will be tailored to fit the applicable laws and other considerations governing compensation of Associates in each country. The Company plans to seamlessly integrate its international compensation plans across all markets in which the Company's products are, or will be, sold. This will allow Associates to receive commissions for global product sales, rather than merely local product sales. The seamless downline structure will be designed to allow an Associate to build a global network by creating downlines in international markets. Associates will not be required to establish new downlines or requalify for higher levels of commissions within each new country in which they begin to operate. The Company intends to develop international compensation plans which will be designed to pay approximately the same percentage compensation as in the United States and which will stimulate both product sales as well as the development of width and breath in downline organizations in accordance with local laws.

MANAGEMENT OF ASSOCIATES. The Company takes an active role in the management of its Associates. Many multi-level marketing companies encounter difficulty with regulatory authorities due to lack of oversight of Associate activities. Any oversight process is complicated by the fact that Associates are not legally employees of the Company, but are independent contractors. However, the Company seeks to restrict the statements and conduct of Associates regarding the Company's business by contractually binding Associates to abide by the Associate Policies and Procedures (the "Policies and Procedures") promulgated by the Company. Each Associate receives a copy of the Policies and Procedures which must be followed in order to maintain the Associate's status in the organization. Associates are expressly forbidden from making any representation as to the possible earnings of any Associate, other than through statements of the Company indicating the range of actual earnings by all Associates and other required information, prepared in accordance with applicable law. Associates are also prohibited from creating any marketing literature that has not been approved by the Company or a qualified attorney. The Company monitors Associate web sites and Internet conduct on a regular and continuing basis.

The Company enforces the Policies and Procedures through its disciplinary procedure, which is instituted through the filing of a complaint against the Associate, followed by a response from the Associate, an investigation of the facts, and the presentation of the facts to a committee of corporate

managers not within the Company's compliance department (the "Compliance Department") for determination. The Compliance Department is also free to evaluate complaints, and where the conduct complained of is not within the scope of the Policies and Procedures, referring the complaint to an Associate Advisory Counsel for intervention to address Associate ethics. The Compliance Department also has the discretion to intervene with Associates at a lower level of discipline, while still creating a record of the possible infraction and educating the Associate through its practice of issuing warning letters. The Associate is educated as to the nature of the complaint against him or her, the policy alleged to have been violated, and then, without a finding of whether the conduct occurred or not, is asked to confirm in writing that he or she understands the policy in question, agreeing that he or she will thereafter follow all of the Policies and Procedures of the Company.

The Compliance Department and the Director of Specialized Information monitor training meetings at various locations and at corporate events, generating a "report card" for the presenting Associate, offering critiques and employing the Associate disciplinary process, where necessary. The Compliance and Legal Departments, in cooperation with the other departments of the Company, regularly evaluate Associate conduct and the need for new and revised rule-making. The Company also tracks Associate compliance intervention and communication through a system that allows both corporate personnel and regulatory officials to review details about Associate compliance intervention, timing and disposition. The Company believes that the compliance program reflects positively on the Company, helps in the maintenance of Associate ethics and aids the Company's recruiting activities.

PRODUCT RETURN POLICY. The Company's product return policy provides that retail customers may return the unused portion of any product to the selling Associate and receive a full cash refund. Any Associate who provides a refund to a customer is reimbursed with product by the Company upon providing proper documentation and the remainder of the product. Historically, product returns have not been significant. Returns as a percentage of net sales were 0.6%, 1.2%, 1.5% and 1.5% in 1995, 1996, 1997 and the three month period ended March 31, 1998, respectively.

INFORMATION TECHNOLOGY AND SYSTEMS

The Company believes that maintaining sophisticated and reliable transaction processing systems is essential to the long-term success of the Company. The Company's systems are designed to: (i) reduce the time required to supply an Associate or customer with the products of the Company; (ii) provide detailed and customized billing information; (iii) respond quickly to Associate needs and information requests; (iv) provide detailed and accurate information concerning qualification and downline activity; (v) provide detailed and customized Associate commission payments; (vi) support the functions of the Company's Customer Service Department; and (vii) monitor, analyze and report financial and operating trends. In order to meet these needs and expand transaction processing systems to accommodate the Company's expected growth, capital and operating expenditures for information technology operations and development activities are expected to be approximately $4 million during 1998.

The suppliers of computer hardware to the Company are Dell Computer Corporation, Hewlett-Packard Company, Compaq Computer Corporation and Digital Equipment Corp. ("DEC"). The DEC hardware systems are linked to provide a high level of availability for critical business applications. The Company believes the global presence of these suppliers will be an important factor in supporting the Company's expansion plans.

The Company's financial software was upgraded at the end of 1996 with the acquisition of a sophisticated financial system, capable of operating on several platforms. The system exists in a client-server environment, employs a graphical interface and has a relational and scaleable database to accommodate the need for business modifications and growth. In addition, the Company has purchased a decision-support system which interfaces with its financial systems. These systems, used in tandem, enable the Company to track and analyze financial information and operations efficiently and effectively,

as well as create and produce custom reports. The Company believes that its computer systems have been developed and operate using products which are Year 2000 compliant.

The Company believes that its significant investment in software, hardware and personnel will enable it to (i) respond rapidly to its business needs for information technology assessment and development, (ii) manage international growth and its seamless downline structure, and (iii) reduce expenses as a percentage of sales as revenues increase.

PRODUCTION AND DISTRIBUTION

All of the Company's products are manufactured by outside contractors. Production outsourcing provides the Company with the production capacity necessary to respond to fluctuations in sales, and significantly limits investment in capital equipment. All outside contractors have signed agreements to keep the Company's formulations confidential and to not emulate them. In order to meet the Company's needs, relationships were developed with three large contractors in 1997. With the increased capacity, the Company believes that it currently has in place the manufacturers necessary to meet its volume requirements over the next several years, including expansion into foreign markets. The Company, however, continues to identify new quality-driven manufacturers to supply the products necessary to the Company's success. The Company seeks to obtain cost efficiencies by reviewing, from time to time, pricing considerations and by requiring competitive bids from various manufacturers meeting its quality and performance requirements.

The Company currently acquires ingredients solely from suppliers that are considered by the Company to be the superior suppliers of such ingredients. The Company believes it has developed dependable alternative sources for all of its ingredients except Manapol-Registered Trademark- and arabinogalactan, which are components of the Company's proprietary raw material. The Company believes that, in the event it is unable to source any ingredients from its current suppliers, such ingredients could be produced by the Company or replaced with substitute ingredients. However, any delay in replacing or substituting such ingredients would have a material adverse effect on the Company's business, results of operations and financial condition. See "Risk Factors-Reliance on and Concentration of Outside Manufacturers."

Two ingredients are proprietary to the Company: (i) Ambrotose-TM- Complex, a glyconutritional dietary supplement consisting of a blend of plant polysaccharides, and (ii) Dioscorea Complex, a blend of herbal extracts. Separate individual contractors manufacture these ingredients under strict confidentiality agreements. The Company plans to bring the blending of all proprietary formulas in-house, further protecting the confidential nature and high quality standards of its proprietary formulations. In the meantime, the Company continues to identify high quality sources of supply for its ingredients. The Company's employees audit all critical contract vendors and suppliers on a semi-annual basis. See "Risk Factors-Dependence on Proprietary Ingredient."

In January 1998, the Company's Texas distribution operation relocated to a new $1.3 million, 75,000 square foot facility in Coppell, Texas. The facility includes an automated pick-to-light system that the Company believes will enhance productivity and support order volume growth, and is capable of processing 6,000 orders per shift. The facility also contains a warehouse, distribution offices and an ingredient mixing area that is expected to be operational by the third quarter of 1998. The Canadian distribution center is a contract operation occupying a 6,000 square foot compartment in a 100,000 square foot building which currently fills approximately 800 orders per day.

In March 1998, the Company completed construction of its technologically advanced research and development laboratory that includes gas and liquid chromatographs and mass spectrometers which will be used to maintain quality standards, support the Company's research and development commitment in the area of new herbal complexes, and support the development of new products as well as its existing product line.

GOVERNMENT REGULATION

In the United States and in foreign markets, the Company is or will be subject to and affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints (as applicable, at the federal, state and local levels) including, among other things, regulations pertaining to (i) the formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of the Company's products, (ii) product claims and advertising (including direct claims and advertising by the Company as well as claims and advertising by Associates, for which the Company may be held responsible), (iii) the Company's network marketing system, (iv) transfer pricing and similar regulations that affect the level of foreign taxable income and customs duties, and (v) taxation of Associates, which in some instances may impose an obligation on the Company to collect the taxes and maintain appropriate records. See "Risk Factors-Government Regulation of Products and Marketing; Import Restrictions."

PRODUCTS. The formulation, manufacturing, packaging, storing, labeling, advertising, distribution and sale of the Company's products are subject to regulation by one or more governmental agencies, including the FDA, the Federal Trade Commission ("FTC"), the Consumer Product Safety Commission, the Department of Agriculture, the Environmental Protection Agency and the Postal Service. The Company's activities are also regulated by various agencies of the states, localities and foreign countries in which the Company's products are manufactured, distributed and sold. The FDA, in particular, regulates the formulation, manufacture, packaging, storage, labeling, promotion, distribution and sale of foods, dietary supplements and OTC drugs, such as those distributed by the Company. FDA regulations require the Company and its suppliers to meet relevant good manufacturing practice ("GMP") regulations for the preparation, packing and storage of drugs. The FDA has published a Notice of Advanced Rule Making for GMPs for dietary supplements, but it has not yet issued a proposal.

DSHEA revised the provisions of the Federal Food, Drug and Cosmetic Act ("FFDCA") concerning the composition and labeling of dietary supplements and, the Company believes, is generally favorable to the dietary supplement industry. The legislation creates a new statutory class of "dietary supplements." This new class includes vitamins, minerals, herbs, amino acids and other dietary substances for human use to supplement the diet, and the legislation grandfathers, with certain limitations, dietary ingredients that were on the market before October 15, 1994. A dietary supplement which contains a new dietary ingredient (I.E., one not on the market before October 15, 1994) will require evidence that the supplement contains only ingredients that have been present in the food supply in a certain form or evidence of a history of use or other evidence of safety establishing that it is reasonably expected to be safe. Manufacturers of dietary supplements which make a "statement of nutritional support," which is a statement describing certain types of product performance characteristics, must have substantiation that the statement is truthful and not misleading, must make a disclaimer in the statement itself and must notify the FDA of the statement no later than 30 days after it is first made.

The majority of the products marketed by the Company are classified as dietary supplements under the FFDCA. In September 1997 the FDA issued regulations governing the labeling and marketing of dietary supplement products. The regulations cover: (i) the identification of dietary supplements and their nutrition and ingredient labeling; (ii) the terminology to be used for nutrient content claims, health content claims and statements of nutritional support; (iii) labeling requirements for dietary supplements for which "high potency" and "antioxidant" claims are made; (iv) notification procedures for statements on dietary supplements; and (v) premarket notification procedures for new dietary ingredients in dietary supplements. The notification procedures became effective in October 1997, while the new labeling requirements will not become effective until March 23, 1999. The Company will be required to revise a substantial number of its product labels to reflect the new requirements prior to the 1999 effective date, although the Company does not expect the cost or impact of such actions to be material. In addition, the Company will be required to continue its ongoing program of securing substantiation of its product performance claims, and of notifying the FDA of certain types of performance claims made for its

products. The Company's substantiation program involves compiling and reviewing the scientific literature pertinent to the ingredients contained in the Company's products.

In addition, in certain markets, including the United States, claims made with respect to dietary supplement, personal care or other products of the Company may change the regulatory status of the products. In the United States, for example, it is possible that the FDA could take the position that claims made for certain of the Company's products make those products new drugs requiring preliminary approval or place those products within the scope of an FDA OTC drug monograph. OTC monographs prescribe permissible ingredients and appropriate labeling language, and require the marketer or supplier of the products to register and file annual drug listing information with the FDA. Of the products sold by the Company, only Emprizone-Registered Trademark- is labeled as an OTC monograph drug, and the Company believes that it is in compliance with the applicable monograph. In the event that the FDA asserted that product claims for other products caused them to be new drugs or fall within the scope of OTC monographs, the Company would be required either to file a New Drug Application, comply with the applicable monographs or change the claims made in connection with the products.

Dietary supplements are subject to the Nutrition, Labeling and Education Act ("NLEA"), and regulations promulgated thereunder, which regulates health claims, ingredient labeling and nutrient content claims characterizing the level of a nutrient in the product. NLEA prohibits the use of any health claim for dietary supplements, unless the health claim is supported by significant scientific agreement and is pre-approved by the FDA.

In foreign markets, prior to commencing operations and prior to making or permitting sales of its products in the market, the Company may be required to obtain an approval, license or certification from the country's ministry of health or comparable agency. Where a formal approval, license or certification is not required, the Company will nonetheless seek a favorable opinion of counsel regarding the Company's compliance with applicable laws. Prior to entering a new market in which a formal approval, license or certificate is required, the Company will work with local authorities in order to obtain the requisite approvals, license or certification. The approval process generally requires the Company to present each product and product ingredient to appropriate regulators and, in some instances, arrange for testing of products by local technicians for ingredient analysis. Such approvals may be conditioned on reformulation of the Company's products or may be unavailable with respect to certain products or certain ingredients. The Company must also comply with product labeling and packaging regulations that vary from country to country.

The FTC, which exercises jurisdiction over the marketing practices and advertising of all the Company's products, has in the past several years instituted enforcement actions against several dietary supplement companies for false and misleading marketing practices and advertising of certain products. These enforcement actions have resulted in consent decrees and monetary payments by the companies involved. In addition, the FTC has increased its scrutiny of the use of testimonials, which are utilized by the Company. Importantly, the FTC requires substantiation for product claims at the time such claims are first made. A failure to have substantiation when product claims are first made violates the Federal Trade Commission Act. While the Company has not been the subject of FTC enforcement action for the advertising of its products, there can be no assurance that the FTC will not question the Company's advertising or other operations in the future.

Through its manuals, seminars and other training materials and programs, the Company attempts to educate Associates as to the scope of permissible and impermissible activities in each market. The Company also investigates allegations of Associate misconduct. However, Associates are generally independent contractors, and the Company is not able to monitor directly all Associate activities. As a consequence, there can be no assurance that Associates comply with applicable regulations.

The Company is unable to predict the nature of any future laws, regulations, interpretations or applications, nor can it predict what effect additional governmental regulations or administrative orders,

when and if promulgated, would have on its business in the future. They could, however, require the reformation of certain products not able to be reformulated, imposition of additional recordkeeping requirements, expanded documentation of the properties of certain products, expanded or different labeling and scientific substantiation regarding product ingredients, safety or usefulness. Any or all of such requirements could have a material adverse effect on the Company's business, results of operations and financial condition.

NETWORK MARKETING SYSTEM. The Company's network marketing system is subject to a number of federal and state regulations administered by the FTC and various state agencies. Regulations applicable to network marketing organizations are generally directed at ensuring that product sales are ultimately made to consumers and that advancement within such organizations be based on sales of the organizations' products rather than investments in the organizations or other non-retail sales related criteria. For instance, in certain markets there are limits on the extent to which Associates may earn royalties on sales generated by Associates that were not directly sponsored by the Associate. Where required by law, the Company will obtain regulatory approval of its network marketing system or, where such approval is not required, the favorable opinion of local counsel as to regulatory compliance. The FTC regulates trade practices related to network marketing systems.

Under a consent decree entered into in February 1997 as a result of negotiation with the Attorney General of the State of Michigan, the Company has agreed to monitor product purchases by its Associates in Michigan. The purpose of the monitoring is to identify and correct any instances of coerced sales. The Company also conducts a number of random audits of Associates in Michigan for evidence of stockpiling. To date, the Company has not found evidence of coerced sales or stockpiling by its Associates in Michigan, and the Company's commission policies are designed to provide no incentive or reward to Associates for engaging in such activities.

In Canada, the regulation of the Company's network marketing system is subject to both federal and provincial law. Under Canada's Federal Competition Act (the "Competition Act"), the Company must ensure that any representations relating to Associate compensation to a prospective Associate constitute fair, reasonable and timely disclosure and that it meets other legal requisites of the Competition Act. The Company's compensation plan has been reviewed by the appropriate Canadian authorities. In addition, all Canadian provinces and territories other than Ontario have legislation requiring the registration or licensing of the Company as a direct seller within that jurisdiction. Licensing is designed to maintain the standards of the direct selling industry and to protect the consumer. Some provinces require that both the Company and its Associates be licensed. The Company currently holds the requisite provincial or territorial direct sellers' licenses.

OTHER REGULATIONS. The Company is also subject to a variety of other regulations in various foreign markets, including regulations pertaining to social security assessments and value added taxes, employment and severance pay requirements, import/export regulations and antitrust issues. As an example, in many markets the Company is substantially restricted in the amount and types of rules and termination criteria that it can impose on Associates without causing social security assessments to be payable by the Company on behalf of such Associates and without incurring severance obligations to terminated Associates. In some countries, the Company may be subject to such obligations in any event. See "Risk Factors-Government Regulation of Products and Marketing; Import Restrictions."

In certain countries, including the United States, the Company may also be affected by regulations applicable to the activities of its Associates because in some countries the Company is, or regulators may assert that the Company is, responsible for its Associates' conduct, or such regulators may request or require that the Company take steps to ensure its Associates' compliance with regulations. The types of regulated conduct include, among other things, representations concerning the Company's products, income representations made by the Company or Associates and sales of products in markets in which such products have not been approved, licensed or certified for sale. In certain markets, including the United States, it is possible that improper product claims by Associates could result in the Company's products being reviewed or re-reviewed by regulatory authorities and, as a result, being classified or

placed into another category as to which stricter regulations are applicable. In addition, certain labeling changes might be required.

COMPLIANCE PROCEDURES. The Company, its products and its network marketing system are subject, both directly and indirectly through Associates' conduct, to numerous federal, state and local regulations both in the United States and foreign markets. Beginning in 1997, the Company began to institute formal regulatory compliance measures by developing a system to identify specific complaints against Associates and to remedy any violations by Associates through appropriate sanctions, including warnings, suspensions and, when necessary, terminations. At the same time the Company instituted internal policies for compliance with FDA and FTC rules and regulations. See "-Product Distribution System-Management of Associates."

In order to comply with regulations that apply to both the Company and its Associates, the Company continues to conduct research into the applicable regulatory framework prior to entering any new market to identify all necessary licenses and approvals and applicable limitations on the Company's operations in that market. The Company will devote substantial resources to obtaining such licenses and approvals and bringing its operations into compliance with such limitations. The Company will also research laws applicable to Associate operations and revise or alter its business system, compensation plan, Associate requirements and other materials and programs to provide Associates with guidelines for operating a business, marketing and distributing the Company's products and similar matters, as required by applicable regulations in each market. However, the Company is not able to fully monitor its Associates effectively to ensure that they refrain from distributing the Company's products in countries where the Company has not commenced operations, and the Company does not devote significant resources to such monitoring.

COMPETITION

The nutritional supplements industry is large and intensely competitive. The Company competes directly with companies that manufacture and market nutritional products in each of the Company's product lines, including General Nutrition Companies, Inc., Solgar Vitamin and Herb Company, Inc., Twinlab Corporation and Weider Nutrition International, Inc. Many of the Company's competitors in the nutritional supplements market have longer operating histories and greater name recognition and financial resources than the Company. In addition, nutritional supplements can be purchased in a wide variety of channels of distribution. While the Company believes that consumers appreciate the convenience of ordering products from home through a sales person, the buying habits of many consumers accustomed to purchasing products through traditional retail channels are difficult to change. The Company's product offerings in each product category are also relatively small compared to the wide variety of products offered by many other nutritional product companies.

The Company also competes in the nutritional supplements market and for new associates with other retail, multi-level marketing and direct selling companies in the nutritional supplements industry by emphasizing the proprietary nature, value, proprietary components and the quality of the Company's products and the convenience of the Company's distribution system. The Company also competes with other direct selling organizations, many of which have longer operating histories and greater name recognition and financial resources than the Company. They include Amway Corporation, Nu Skin Enterprises, Inc., Body Wise International, Inc., ENVION International, Herbalife International, Inc., Enrich International, Rexall Showcase International, Forever Living Products, Inc. and Melaleuca, Inc. The Company competes for new Associates on the basis of its compensation plan and its proprietary and quality products. The Company believes that many more direct selling organizations will enter the marketplace as this channel of distribution expands over the next several years. The Company also competes for the commitment of its Associates. Given that the pool of individuals interested in direct selling tends to be limited in each market, the potential pool of Associates for the Company's products is reduced to the extent other network marketing companies successfully recruit these individuals into their businesses.

EMPLOYEES

As of April 30, 1998, the Company employed approximately 300 people, nine of whom occupy executive positions. This number does not include Associates, who are independent contractors rather than employees of the Company. A limited number of employees are also Associates, having enrolled prior to a policy instituted in May 1997, which precludes any further enrollment by employees as Associates. The Company only allows employees to be Associates if they have disclosed their status to the Company and have executed an agreement not to use their employment status to assist in building their business as an Associate. The Company is currently evaluating ways in which existing employee-Associates can be fairly treated or compensated for the extinguishment of their rights as Associates. The Company's employees are not unionized, and the Company believes its relationship with its employees is good.

PROPERTIES

The Company leases approximately 110,000 square feet in Coppell, Texas for its headquarters. The Company leases 75,000 square feet in Coppell, Texas for its warehouse and distribution center. Each of the leases is for a term of 10 years, expiring in January 2007 and January 2008, respectively.

LEGAL PROCEEDINGS

The Company, in the ordinary course of business, is involved in various legal proceedings. The Company does not believe the outcome of any of these proceedings, other than those described below, would have a material adverse effect on the Company's business, results of operations or financial condition.

In March 1998, the Company commenced an arbitration proceeding against an Associate, its principal Dr. Joe Glickman, Jr., individually and as trustee of Dr. Joe Glickman, Jr. Phyto Trust d/b/a/ Alotek (collectively, "Alotek"), for the recovery of certain funds and the cancellation of Associate positions claimed by Alotek. Based upon Alotek's refusal to arbitrate and a demand letter from Alotek, alleging that the Company had, among other things, breached various contracts, agreements and promises to Alotek, the Company sought and obtained a temporary restraining order in Texas state district court restraining Alotek from filing an action against the Company in any other court or forum pending the court's ruling on whether Alotek's claims were subject to commercial arbitration in Dallas, Texas. Thereafter, Alotek removed the state court action to Federal District Court in Dallas, Texas, and concurrently commenced a suit in Federal District Court in Montana claiming actual damages of approximately $17.1 million, as well as statutory damages and exemplary damages. The Company contends that the actions of Alotek in instituting the Montana action were in violation of the order of the state district court in Texas, and denies the allegations contained in the Montana case. In May 1998, Alotek filed an amended complaint naming Charles E. Fioretti, William C. Fioretti and Samuel L. Caster individually as defendants in addition to the Company. Alotek's amended complaint alleges lost revenue damages of approximately $53.6 million, additional actual damages of at least approximately $14.2 million, plus attorneys' fees and statutory and exemplary damages. The Company believes that Alotek's claims are without merit and that the Company has valid defenses to all allegations raised by Alotek. In May 1998, the Company also received a demand letter from Alotek threatening to institute a "class action" on behalf of all of the Company's Associates in federal court against the Company for alleged fraud and misrepresentation. The Company considers Alotek's claims to be frivolous. If a further suit is filed by Alotek, the Company intends to defend vigorously and assert claims against Alotek for instituting frivolous litigation.

In October 1997, the Company filed an objection to the issuance of a registered trademark to IntraCell Nutrition, Inc., which had filed a trademark application for the name, "Manna." The Company contended in its objection, among other things, that "Manna" is a general descriptor often applied to nutritional products, and accordingly, is not entitled to trademark protection. The Company therefore believes that there is a substantial likelihood that the Company will prevail in its objection to the granting of the tradename.

EXECUTIVE OFFICERS AND DIRECTORS

The Company's executive officers and directors and their ages as of March 31, 1998 are as follows:

NAME	AGE	POSITION
Charles E. Fioretti	51	Chairman of the Board and Chief Executive Officer
Samuel L. Caster	47	President and Director
Anthony E. Canale	45	Chief Operating Officer
Patrick D. Cobb	45	Vice President, Chief Financial Officer, Secretary and Director
Deanne Varner	45	General Counsel and Vice President of Compliance
Jeffrey P. Bourgoyne	36	Vice President of Operations
Peter E. Hammer	43	Vice President of New Business and International Development
Bill H. McAnalley, Ph.D.	54	Vice President of Research and Product Development
Eoin Redmond	32	Vice President of Information Technology
Steven A. Barker	48	Director
Chris T. Sullivan	50	Director

Charles E. Fioretti co-founded the Company in November 1993, has served as Chairman of the Board and Chief Executive Officer since May 1997 and as a director since November 1993. His current term as director expires in 2001. Mr. Fioretti served as Chief Operating Officer of the Company from November 1993 to July 1996. From June 1990 until April 1995, Mr. Fioretti was an owner and operator of several Outback Steakhouse, Inc. restaurants in Arizona, Indiana and Kentucky. Prior to his involvement with Outback Steakhouse, Inc., Mr. Fioretti occupied executive positions with several national restaurant chains, including Bennigan's, ChiChi's Mexican Restaurants, El Chico and Steak & Ale. Mr. Fioretti is Peter E. Hammer's brother-in-law.

Samuel L. Caster co-founded the Company in November 1993 and since then has served as President and as a director of the Company. His current term as director expires in 2000. From April 1992 until August 1993, Mr. Caster also served as co-founder, owner and President of Funds-4-Kids, Inc., a multi-level marketing company that sold healthy alternative candy bars for children. From January 1990 until April 1992, Mr. Caster served as a consultant for Metabolic Technologies, Inc., a nutritional supplement multi-level marketing company that sold metabolic vitamins. From April 1986 until December 1989, Mr. Caster was President of Eagle Shield, Incorporated, a multi-level marketing company which sold radiant barrier insulation. Eagle Shield, Incorporated filed for protection under Chapter 11 of the United States Bankruptcy Code in December 1989.

Anthony E. Canale joined the Company in January 1997 and since then has served as Chief Operating Officer of the Company. From February 1993 until October 1996, Mr. Canale was President of Canale and Associates, an Outback Steakhouse, Inc. joint venture partnership. Prior to that time, Mr. Canale served as Regional Vice President and Vice President of Franchise Operations and Food/Beverage Development for ChiChi's, Inc., Regional General Manager and National Director of Operation Services for Kentucky Fried Chicken Corporation and Executive Vice President and Chief Operating Officer of Kenny Rogers Roasters Restaurants, Inc., all national restaurant chains. Mr. Canale holds a B.S. in Management from American International College in Springfield, Massachusetts.

Patrick D. Cobb joined the Company in August 1994 and since then has served as Chief Financial Officer and Vice President. Mr. Cobb has served as Secretary of the Company since February 1997 and as a director since November 1997. His current term as director expires in 2000. From January 1994 until August 1994, Mr. Cobb was President of Industrial Gasket, Inc., a metal stamping facility in Oklahoma City. From August 1989 until October 1993, he was head of a Small Business Management Program with

the Oklahoma VO-Tech System. From May 1981 until October 1993, Mr. Cobb was employed by General Motors Corporation as a Senior Accountant and Financial Forecaster. Mr. Cobb holds a B.S. in Finance from the University of Oklahoma and is a Certified Public Accountant.

Deanne Varner joined the Company in January 1996 and since May 1996 has served as General Counsel and Vice President of Compliance. From 1986 until January 1996, Ms. Varner maintained a law practice in Dallas, Texas focusing on business law and related transactions. Ms. Varner has over 20 years of experience in business, corporate and transactional law. Ms. Varner holds a B.A. in Social Sciences and a J.D. from Southern Methodist University.

Jeffrey P. Bourgoyne joined the Company in December 1996 and since February 1998 has served as Vice President of Operations. From May 1995 until December 1996, Mr. Bourgoyne served as facility manager for DSC Logistics, Inc., a third-party logistics provider. From June 1993 until May 1995, Mr. Bourgoyne was a Transportation Services Manager for Abbott Laboratories, a pharmaceutical company. Mr. Bourgoyne holds a B.S. in Management from University of New Orleans and an M.B.A. from Lake Forest Graduate School of Management.

Peter E. Hammer joined the Company in March 1995 and since January 1998 has served as Vice President of New Business and International Development. From November 1991 until February 1995, Mr. Hammer served as the Vice President and Chief Information Officer of The Network, Inc., a business abuse solutions company in Atlanta, Georgia. Prior to that, Mr. Hammer worked for several companies developing and installing complex computer and information systems. Mr. Hammer holds a B.A. in Liberal Arts from State University College at Buffalo and an A.A.S. in Electronics from Suffolk Community College. Mr. Hammer is Charles E. Fioretti's brother-in-law.

Bill H. McAnalley, Ph.D. joined the Company in July 1996 and has served as Vice President of Research and Product Development and Chief Scientific Officer since December 1997. From March 1995 until July 1996, Dr. McAnalley served as a consultant to the Company. From March 1987 until February 1995, Dr. McAnalley was Vice President of Research and Product Development at Carrington Laboratories, Inc., a pharmaceutical research, development and manufacturing company. Dr. McAnalley holds a Ph.D. in Pharmacology and Toxicology from the University of Texas Health Science Center in Dallas, Texas.

Eoin Redmond joined the Company in July 1997 and since then has served as Vice President of Information Technology. From August 1996 through June 1997, Mr. Redmond was employed by the Company as a computer systems consultant. From October 1995 until August 1996, Mr. Redmond was Head of Client Services for Tate Bramald Ltd., an accounting software provider. From December 1993 until September 1995, Mr. Redmond was employed as Technology Services Manager-Europe for SSA Europe Ltd., an industrial software provider. From October 1987 until October 1993, Mr. Redmond was employed as a Senior Software Manager for Team Systems Group, Ltd., a reseller of turn-key software systems. Mr. Redmond matriculated at Presentation College, County Wicklow, Ireland and subsequently attended AnCo Technology Center, County Dublin, Ireland.

Steven A. Barker became a director of the Company in January 1998. His current term as director expires in 1999. Dr. Barker has been a full professor of Physiology, Pharmacology and Toxicology at Louisiana State University since April 1990. Dr. Barker holds a B.S. and an M.S. in Chemistry and a Ph.D in Chemistry/Neurochemistry from the University of Alabama-Birmingham.

Chris T. Sullivan became a director of the Company in October 1997. His current term as director expires in 2001. Mr. Sullivan has been the Chairman of the Board and Chief Executive Officer of Outback Steakhouse, Inc. since founding that company in 1988. Mr. Sullivan serves on the executive committee for The Outback/Gary Koch Pro-Am, the Tampa Bay Devil Rays, the Employment Policies Institute and the Presidents Conference. Mr. Sullivan holds a degree in Business and Economics from the University of Kentucky.

The Company has a classified Board of Directors. At each annual meeting of shareholders, a class of directors will be elected to serve a three-year term and until his successor is duly elected and qualified. See "Description of Capital Stock-Anti-Takeover Considerations-Classified Board of Directors." Officers serve at the discretion of the Board of Directors. Except as described above, there are no family relationships among the directors and executive officers.

COMMITTEES OF THE BOARD OF DIRECTORS

Subsequent to this offering, the Board of Directors will establish an audit committee (the "Audit Committee") and a compensation committee (the "Compensation Committee"). The Audit Committee will be comprised solely of two independent directors and will be charged with reviewing the Company's annual audit and meeting with the Company's independent accountants to review the Company's internal controls and financial management practices. The Compensation Committee will be comprised solely of independent directors. The Compensation Committee will be responsible for establishing salaries, bonuses and other compensation for the Company's executive officers.

Also, subsequent to this offering, the Board of Directors will establish an option committee (the "Option Committee"). Pursuant to the terms of the 1997 Stock Option Plan and the 1998 Stock Option Plan, the authority to determine the terms and conditions of each option to be issued under both the 1997 Stock Option Plan and the 1998 Stock Option Plan and the responsibility for administration of each such plan, which currently rests with the Board of Directors, will be assumed by the Option Committee. The Option Committee will be comprised solely of at least two "Non-Employee Directors," as such term is used in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

DIRECTOR COMPENSATION

Each director of the Company who is not an officer or employee of the Company receives an annual fee of $30,000 for serving on the Board of Directors. In addition, directors of the Company are reimbursed for their reasonable out-of-pocket expenses in connection with their travel to and attendance at meetings of the Board of Directors or committees thereof. Prior to his appointment as a director, Dr. Barker was a consultant to the Company and was paid $2,500 in consulting fees in 1997.

EXECUTIVE COMPENSATION

The following table summarizes the compensation paid to or earned during the year ended December 31, 1997 by each person who served as the chief executive officer of the Company during 1997 and the four other most highly compensated executive officers of the Company (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

			LONG-TERM COMPENSATION	
	ANNUAL COMPENSATION		NUMBER OF SHARES UNDERLYING	ALL OTHER
NAME AND PRINCIPAL POSITION	SALARY	BONUS	OPTIONS GRANTED(#)	COMPENSATION
Charles E. Fioretti(1) ..... Chairman of the Board and Chief Executive Officer	$ 403,434	$ 760,000	-	$ 109,765(2)
Ronald E. Kozak(3) ..... Chief Executive Officer	94,101	150,000	200,000	297,347(4)
Samuel L. Caster ..... President	403,434	760,000	-	16,012(5)
Anthony E. Canale ..... Chief Operating Officer	221,978	190,172	250,000	-
Deanne Varner ..... General Counsel and Vice President of Compliance	187,019	159,884	228,000	-
Patrick D. Cobb ..... Vice President, Chief Financial Officer and Secretary	214,011	171,666	100,000	43,000(6)

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(1) Mr. Fioretti became Chief Executive Officer of the Company on May 1, 1997.
(2) Represents the amount paid to Mr. Fioretti under his incentive compensation agreement.
(3) Mr. Kozak resigned from his position as Chief Executive Officer of the Company on May 1, 1997.
(4) Represents the amount distributed to Mr. Kozak pursuant to a severance agreement between Mr. Kozak and the Company consisting of cash payments totalling $175,000, incentive compensation payments totalling $73,412 and the transfer of a Company vehicle and certain furniture valued at $48,935.
(5) Represents the amount paid to Mr. Caster under his incentive compensation agreement.
(6) Represents the value of a Company vehicle transferred to Mr. Cobb in 1997.

The following table provides information on options granted to the Named Executive Officers during the fiscal year ended December 31, 1997. As of December 31, 1997, the Company had not granted any options to acquire shares of Common Stock to Charles E. Fioretti, Chairman of the Board and Chief Executive Officer, or Samuel L. Caster, President.

OPTION GRANTS IN LAST FISCAL YEAR

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2)	
NAME	NUMBER OF SHARES UNDERLYING OPTIONS GRANTED(#)(1)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES	EXERCISE OR BASE PRICE ($/SHARE)	EXPIRATION DATE	5%	10%
Ronald E. Kozak.....	200,000	12.5%	$ 1.35	6/23/03	$ 91,825	$ 208,321
Anthony E. Canale.....	250,000	15.6	1.35	5/14/07	212,252	537,888
Deanne Varner.....	228,000	14.3	1.35	5/14/07	193,574	490,554
Patrick D. Cobb.....	100,000	6.3	1.35	5/14/07	84,901	215,155

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(1) Options granted become exercisable 90 days after the completion of an initial public offering of the Company's securities but in no event earlier than the first anniversary of the date of grant.

(2) The 5% and 10% assumed annual compound rates of stock appreciation are mandated by the rules of the Securities and Exchange Commission (the "Commission") and do not represent the Company's estimate or projection of future Common Stock prices. The actual value realized may be greater or less than the potential realizable value set forth in the table.

The following table sets forth, as of December 31, 1997, the number of options and the value of unexercised options held by the Named Executive Officers. As of December 31, 1997, there had been no stock options exercised by any Named Executive Officers.

FISCAL YEAR-END OPTION VALUES

NAME	NUMBER OF SHARES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END(#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END(1)	
	EXERCISABLE(2)	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Ronald E. Kozak	-	200,000	-	$ 1,930,000
Anthony E. Canale	-	250,000	-	2,412,500
Deanne Varner	-	228,000	-	2,200,200
Patrick D. Cobb	-	100,000	-	965,000

(1) There was no public trading market for the Common Stock at December 31, 1997. Accordingly, as permitted by the Commission, these values have been calculated based on an assumed initial public offering price of $11.00 per share less the per share exercise price of $1.35.

(2) Options granted become exercisable 90 days after the completion of an initial public offering of the Company's securities but in no event earlier than the date of grant.

STOCK OPTION PLANS

1997 STOCK OPTION PLAN. The 1997 Stock Option Plan was adopted on May 14, 1997 by the Board of Directors of the Company and approved by the shareholders of the Company on the same date. The 1997 Stock Option Plan is intended to encourage investment by the officers, employees, non-employee directors and consultants of the Company in shares of Common Stock, thus creating in such persons an increased interest in and greater concern for the welfare of the Company.

Options granted under the 1997 Stock Option Plan may either be options that qualify ("Incentive Stock Options") or options that do not qualify for treatment as Incentive Stock Options under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

Incentive Stock Options may be granted under the 1997 Stock Option Plan to any person who is an officer or other employee (including officers and employees who are also directors) of the Company or any parent or subsidiaries that may exist in the future. Non-qualified options may be granted to consultants or non-employee directors of the Company. The exercise price of Incentive Stock Options must be at least the fair market value of a share of Common Stock on the date of grant. A total of 2,000,000 shares of Common Stock have been reserved for issuance upon the exercise of options granted or to be granted under the 1997 Stock Option Plan. As of the date of this Prospectus, options to purchase 1,600,000 shares of Common Stock are outstanding, with a weighted average exercise price of $1.45 per share, none of which are vested or exercisable at the date of this Prospectus and all of which will become vested and exercisable 90 days after the effective date of the Prospectus, and 400,000 shares remain available for future option grants.

The 1997 Stock Option Plan provides that until such time as shares of Common Stock are registered under Section 12 of the Exchange Act it is to be administered by the Board of Directors and, after such registration, by the Option Committee. The Option Committee will consist of at least two, but not more than three, "Non-Employee Directors" as such term is defined in Rule 16b-3 promulgated under the Exchange Act. The Option Committee will have full and final authority in its discretion, subject to the 1997 Stock Option Plan's provisions, to determine, among other things, (i) the individuals to whom options shall be granted, (ii) whether the option granted shall be an Incentive Stock Option or a non-qualified stock option, (iii) the number of shares of Common Stock covered by each option, (iv) the time or times at which options will be granted, (v) the option vesting schedule, (vi) the exercise price of the options and (vii) the duration of the options granted. The Option Committee will also have the power to

construe and interpret the 1997 Stock Option Plan and make certain determinations and take certain other actions deemed necessary or advisable for the proper administration of the 1997 Stock Option Plan. The 1997 Stock Option Plan may be amended, supplemented, suspended or terminated by the Board of Directors at any time without the approval of the shareholders of the Company, subject to certain exceptions, provided, however, that any such action may not affect options previously granted under the 1997 Stock Option Plan.

1998 STOCK OPTION PLAN. The 1998 Stock Option Plan was adopted by the Board of Directors on April 8, 1998. The 1998 Stock Option Plan is intended to encourage investment by the officers and employees of the Company in shares of Common Stock, thus creating in such persons an increased interest in and greater concern for the welfare of the Company.

Options granted under the 1998 Stock Option Plan shall be options that qualify ("Incentive Stock Options") under Section 422 of the Code.

Incentive Stock Options may be granted under the 1998 Stock Option Plan to any person who is an officer or other employee (including officers and employees who are also directors) of the Company or any parent or subsidiaries that may exist in the future. The exercise price of Incentive Stock Options must be at least the fair market value of a share of Common Stock on the date of grant. A total of 500,000 shares of Common Stock have been reserved for issuance upon the exercise of options granted or to be granted under the 1998 Stock Option Plan. As of the date of this Prospectus, no options have been granted under the 1998 Stock Option Plan.

The 1998 Stock Option Plan provides that it is to be administered by the Board of Directors or by an Option Committee appointed by the Board of Directors and consisting of at least two "Non-Employee Directors" as such term is defined in Rule 16b-3 promulgated under the Exchange Act. The Option Committee will have the authority, in its discretion, subject to the 1998 Stock Option Plan's provisions, to (i) grant Incentive Stock Options, in accordance with Section 422 of the Code; (ii) determine, upon review of relevant information and in accordance with the 1998 Stock Option Plan, the fair market value of the Common Stock; (iii) determine the exercise price per share of options to be granted; (iv) determine the employees to whom, and the time or times at which, options shall be granted and the number of shares to be represented by each option; (v) interpret the 1998 Stock Option Plan; (vi) prescribe, amend and rescind rules and regulations relating to the 1998 Stock Option Plan; (vii) determine the terms and provisions of each option granted; (viii) accelerate or defer (with the consent of the optionee) the exercise date of any option; (ix) authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an option previously granted by the Board of Directors; and (x) make all other determinations deemed necessary or advisable for the administration of the 1998 Stock Option Plan. The 1998 Stock Option Plan may be amended or terminated by the Board of Directors or the Option Committee at any time without the approval of the shareholders of the Company, subject to certain exceptions.

MANAGEMENT BONUS PLAN

The executive officers and certain other members of corporate management are eligible to receive annual bonuses in addition to their base salaries. The bonus plan is based upon the attainment by management of certain financial goals of the Company. The amount of each bonus paid pursuant to the bonus plan, prior to this offering, had been reviewed and approved by the Board of Directors. After this offering, amounts to be paid under the bonus plan will be reviewed and approved by the Compensation Committee.

401(K) PLAN

Effective May 9, 1997, the Company adopted a 401(k) Pre-tax Savings Plan (the "401(k) Plan"). All employees who have been employed by the Company for at least 90 days at the beginning of a quarter

and are at least 21 years of age are eligible to participate. Employees may contribute to the 401(k) Plan up to 15% of their current compensation, subject to a statutorily prescribed annual limit. The 401(k) Plan provides that the Company will make regular matching contributions to the 401(k) Plan in the amount of $0.25 for each $1.00 contributed by the participant, up to 6% of the participant's annual compensation, including overtime. The 401(k) Plan also provides that the Company may determine to make a discretionary profit-sharing contribution to the plan each year based upon the Company's profitability for that year. Employee contributions and the Company's matching contributions are paid to a corporate trustee and invested in various funds at the discretion of the participant. The Company's contribution vests over five years or earlier upon attainment of retirement at age 65, retirement for disability or upon death of the employee or termination of the 401(k) Plan. Distributions may also be made in the case of a financial hardship. Distributions may be made in the form of a lump sum. The 401(k) Plan is intended to qualify under Section 401 of the Code, so that contributions made by employees or by the Company to the 401(k) Plan, and income earned on such contributions, are not taxable to employees until withdrawn from the 401(k) Plan. As of the date of this Prospectus, the Company has not made any profit-sharing contributions to the 401(k) Plan.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 1997 the Company had no compensation committee or other committee of the Board of Directors performing similar functions. Decisions concerning compensation of executive officers were made by the Board of Directors, which included Charles E. Fioretti, Samuel L. Caster, Patrick D. Cobb and William C. Fioretti, who was the Chief Scientific Officer and a director of the Company until November 1997. Charles E. Fioretti and William C. Fioretti are cousins. It is contemplated that the Board of Directors will establish the Compensation Committee, consisting solely of independent directors, subsequent to consummation of this offering.

PARTNERSHIP TRANSACTIONS

Prior to June 1, 1997, certain shareholders of the Company (the "Partners") directly owned all of the limited partnership interests in three limited partnerships: Beta M. Partners, Ltd. ("Beta"), Eleven Point Partners, Ltd. ("Eleven Point") and Power Three Partners, Ltd. ("Power Three"). All of the limited partnership interests in Beta were owned by Charles E. Fioretti, Chairman of the Board and Chief Executive Officer of the Company, Samuel L. Caster, President and director of the Company, and William C. Fioretti, who at the time was a director of the Company. Messrs. Charles E. Fioretti, Samuel L. Caster and William C. Fioretti also owned all of the limited partnership interests in Power Three. The limited partnership interests in Eleven Point were owned equally by four other shareholders of the Company, including Patrick D. Cobb, Chief Financial Officer and Secretary, and currently a director, of the Company. The limited partnership interests in another limited partnership, Dynamic Eight Partners, Ltd. ("Dynamic" and, collectively with Power Three, Beta and Eleven Point, the "Partnerships") were all owned by Power Three and Eleven Point. The corporate general partners of each of the Partnerships were also owned and controlled by Messrs. Charles E. Fioretti, Samuel L. Caster and William C. Fioretti.

The Partnerships were formed in 1994 to achieve certain tax efficiencies and to protect certain of the Company's proprietary rights. In December 1994, the Company transferred certain of its rights and interests in intellectual property and the Company's right to use the trademark "Manapol-TM-," to Beta. The Company then entered into a 17-year agreement to pay Beta a royalty based on the Company's sales volume for the use of the intellectual property and trademark. During 1995, 1996 and 1997, the Company, under this royalty agreement, incurred expenses of approximately $979,000, $2,554,000 and $1,780,000, respectively. Also in December 1994, the Company transferred certain marketing rights to Dynamic. The Company paid Dynamic a commission, based on a specified sales volume, in exchange for marketing and consulting services. During 1995, 1996 and 1997, the Company, under its marketing agreement with Dynamic, expensed approximately $1,395,000, $3,295,000 and $2,275,000, respectively, for consulting fees.

On June 1, 1997, the Company entered into a merger agreement with the corporate general partners of the Partnerships, Eight Point Services, Inc., Triple Gold Business, Inc., Five Small Fry, Inc. and Beta Nutrient Technology, Inc. (collectively, the "General Partners"). Pursuant to the merger agreement, the General Partners were merged with and into the Company, and the issued and outstanding shares of common stock of each such entity were converted into the right to receive a certain number of shares of the Company's Common Stock. On the same date, the Company entered into an exchange agreement among the Company and the Partners, pursuant to which the Company acquired all of the Partners' limited partnership interests in the Partnerships in exchange for Common Stock. As a result of these transactions, an aggregate of 10,000,000 shares of Common Stock were issued to the Partners, including 3,094,946, 3,094,946, 2,867,284 and 235,706 shares issued to Messrs. William C. Fioretti, Samuel L. Caster, Charles E. Fioretti and Patrick D. Cobb, respectively.

INCENTIVE COMPENSATION AGREEMENTS

In 1994, the Company entered into incentive compensation agreements with Charles E. Fioretti, the Chairman of the Board and Chief Executive Officer of the Company, which was provided in lieu of ownership interests in the Partnerships, Ray Robbins, a shareholder of the Company, which was provided in part in lieu of ownership interests in the Partnerships, and certain other employees of the Company. These incentive compensation agreements required the Company to compensate such shareholders and employees based on the Company achieving specified monthly sales volumes and certain levels of monthly growth in the number of new Associates. Pursuant to these agreements, during 1995, 1996 and 1997, the Company paid Mr. Fioretti approximately $21,196, $96,522 and $93,753, respectively, and, during 1995, 1996 and 1997, the Company paid Mr. Robbins approximately $144,985, $510,996 and $466,603, respectively. In May and June 1997, the Company terminated the incentive compensation agreements and issued 227,662 shares of Common Stock to Mr. Fioretti, 607,333 shares of Common

Stock to Mr. Robbins and an aggregate of 1,192,576 shares of Common Stock to the other employees in exchange for the termination of their incentive compensation agreements. In March 1998, the Company terminated the remaining incentive compensation agreement and issued 74,167 shares of Common Stock to an employee in exchange for the termination of such agreement.

LOANS TO OFFICERS

Pursuant to an oral agreement to advance certain officers monies for the payment of taxes due in connection with the cancellation of their incentive compensation agreements, on December 31, 1997, the Company made loans of $162,052 to Dr. Bill H. McAnalley, Vice President of Research and Product Development of the Company, and of $121,782 to Peter E. Hammer, Vice President of New Business and International Development of the Company. The loans bear no interest and are due upon the earlier of December 31, 1998 or the date of a public offering of the Common Stock, whichever is first to occur. The loans are secured by shares of Common Stock owned by the shareholders and stock powers have been executed allowing the Company to transfer such shares in the event the loans are not repaid.

TRANSACTIONS WITH MULTI-VENTURE PARTNERS, LIMITED

In July 1997, in exchange for $10.00 and the agreement of Mr. Chris T. Sullivan to serve on the Board of Directors, the Company issued Multi-Venture Partners, Limited, an investment partnership formed by Mr. Sullivan and two other partners ("Multi-Venture"), an option to purchase 100,000 shares of Common Stock at an exercise price of $2.00 per share. In addition, in July 1997, Messrs. Charles E. Fioretti, Samuel L. Caster and William C. Fioretti sold an aggregate of 399,000 shares of Common Stock to Multi-Venture for an aggregate consideration of $798,000 ($2.00 per share).

CION, LTD. AGREEMENT

In October 1995, certain shareholders of the Company, including Charles E. Fioretti, William C. Fioretti, Samuel L. Caster, Patrick D. Cobb and Gary L. Watson, formed Cion, Ltd. ("Cion"). The Company transferred to Cion its exclusive international rights to market, sell, manufacture and distribute the Company's products, excluding the United States, Canada and Mexico. In return, Cion was to pay the Company royalties based on future sales plus a 1% ownership of Cion. During 1995, Cion did not record any sales and in late 1995, Cion ceased operations. In May 1996, Cion transferred all of its rights and agreements to Mannatech, Ltd., an Isle of Man corporation, 99% owned by certain employees and shareholders of the Company and 1% owned by the Company. On January 1, 1997, Mannatech, Ltd. ceased operations and transferred all of its exclusive international rights to market, sell, manufacture and distribute the Company's products back to the Company.

LOANS TO AGRITECH LABS, INC.

During 1996 and 1997, the Company made advances to Agritech Labs, Inc. and Agritech Technology, Ltd. (together "Agritech") in the aggregate amount of approximately $918,000. Over 90% of the capital stock of Agritech is owned by William C. Fioretti, Charles E. Fioretti, Samuel L. Caster and Patrick D. Cobb. On August 31, 1997, due to concerns about the ability of Agritech to repay the loans, each of Messrs. William C. Fioretti, Charles E. Fioretti, Samuel L. Caster and Patrick D. Cobb and another shareholder of both Agritech and the Company assumed the obligations of Agritech owed to the Company and issued individual promissory notes to the Company representing the aggregate amount of approximately $918,000. Each of the promissory notes bears interest at six percent per annum and is payable on the earlier of December 31, 1998 or the date that the maker sells Common Stock in an initial public offering of the Company's securities. The principal amount outstanding under the notes issued by each of Messrs. William C. Fioretti, Charles E. Fioretti and Samuel L. Caster is approximately $275,400 and the principal amount outstanding under the note made by Mr. Patrick D. Cobb is approximately $45,900. Each of Messrs. William C. Fioretti, Charles E. Fioretti, Samuel L. Caster and Patrick D. Cobb will repay to the Company all amounts owing under their respective notes with proceeds received by them in this offering as Selling Shareholders.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth as of April 30, 1998, and as adjusted to reflect the sale by the Company of 6,000,000 shares of Common Stock in this offering, the number of shares of Common Stock and the percentage of the outstanding shares of such class that are beneficially owned by (i) each person who is the beneficial owner of more than 5% of the outstanding shares of Common Stock, (ii) each of the directors and the Named Executive Officers of the Company, (iii) each Selling Shareholder and (iv) all of the current directors and executive officers of the Company as a group.

	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING(1)		NUMBER OF SHARES	SHARES BENEFICIALLY OWNED AFTER OFFERING(1)(2)	
NAME AND ADDRESS	NUMBER	PERCENT	OFFERED	NUMBER	PERCENT
Samuel L. Caster c/o Mannatech, Incorporated 600 S. Royal Lane, Suite 200 Coppell, Texas 75019	5,886,946	26.6%	200,000	5,686,946	20.2%
William C. Fioretti(3) c/o Agritech Labs, Inc. 6333 N. St. Highway 161, Suite 350 Irving, Texas 75063	5,896,946	26.7	800,000(4)	5,096,946	18.1
Charles E. Fioretti c/o Mannatech, Incorporated 600 S. Royal Lane, Suite 200 Coppell, Texas 75019	5,584,946	25.3	200,000	5,384,946	19.1
Chris T. Sullivan(5)	399,000	1.8	80,000	319,000	1.1
Patrick D. Cobb(6)	378,956	1.7	70,000	308,956	1.1
H. Reginald McDaniel	546,600	2.5	35,000	511,600	1.8
Christopher A. Marlett(7)	475,015	2.1	50,000	425,015	1.5
Dick Hankins, Jr	458,956	2.1	200,000	258,956	*
Don Herndon	458,956	2.1	64,000	394,956	1.4
Gary Watson	388,956	1.8	156,000	232,956	*
Bill H. McAnalley(8)	303,667	1.4	60,000	243,667	*
Peter E. Hammer	228,206	1.0	40,000	188,206	*
Kim Snyder	114,103	*	25,000	89,103	*
Kathy Schiffer	30,000	*	20,000	10,000	*
All executive officers and directors as a group (11 persons)	12,781,721	57.8	650,000	12,131,721	43.1

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* Less than 1%.

(1) The information contained in this table with respect to beneficial ownership reflects "beneficial ownership" as defined in Rule 13d-3 under the Exchange Act. All information with respect to the beneficial ownership of any shareholder has been furnished by such shareholder and, except as otherwise indicated or pursuant to community property laws, each shareholder has sole voting and investment power with respect to shares listed as beneficially owned by such shareholder. Pursuant to the rules of the Commission, in calculating percentage ownership, each person is deemed to beneficially own shares subject to options or warrants exercisable within 60 days of the date of this Prospectus, but shares subject to options or warrants owned by others (even if exercisable within 60 days) are deemed not to be outstanding.

(2) Assumes no exercise of the Underwriters' over-allotment option.

(3) Includes 1,590,949 shares of Common Stock held by the Fioretti Family Partnership, Ltd. of which William C. Fioretti is the general partner and he, his wife and trusts for the benefit of their children are the limited partners.

(4) Of the 800,000 shares offered by William C. Fioretti in this offering, 584,200 are held of record by William C. Fioretti and 215,800 are held of record by the Fioretti Family Partnership, Ltd.

(5) All of these shares of Common Stock are held by Multi-Venture. The management of Multi-Venture is controlled by its sole general partner, SBG Investments, L.L.C. ("SBG"), which owns a .6% general partnership interest in Multi-Venture. Mr. Sullivan owns a 27.2% interest in SBG. Mr. Sullivan shares voting and dispositive power with respect to Common Stock owned by Multi-Venture.

(6) Includes 60,000 shares of Common Stock held by Joni J. Cobb, Mr. Cobb's spouse, and 10,000 shares held by trusts established for the benefit of Mr. Cobb's children and stepchildren.

(7) Includes 475,015 shares of Common Stock subject to the Warrant, all of which are currently exercisable, and 50,000 of which will be exercised and sold in this offering.

(8) Includes 20,000 shares of Common Stock held by Dr. McAnalley's children and sister.

DESCRIPTION OF CAPITAL STOCK

GENERAL

As of the date of this Prospectus, the authorized capital stock of the Company consists of 99,000,000 shares of Common Stock, par value $0.0001 per share, and 1,000,000 shares of Preferred Stock, par value $0.01 per share (the "Preferred Stock"). Prior to this offering there were 22,101,738 shares of Common Stock outstanding, held by 33 holders of record. Following this offering (assuming no exercise of the over-allotment option granted to the Underwriters), 28,151,738 shares of Common Stock will be issued and outstanding (or 29,051,738 shares if the Underwriters over-allotment option is exercised in full). No shares of Preferred Stock are outstanding. The following description is a summary and is subject to and qualified in its entirety by reference to the provisions of the Articles and the Bylaws, each of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part.

COMMON STOCK

The holders of Common Stock are entitled to one vote for each share on all matters voted upon by shareholders, including the election of directors, and do not have cumulative voting rights. The holders of the Common Stock are entitled to such dividends as may be declared at the discretion of the Board of Directors out of funds legally available therefor. See "Dividend Policy." Holders of Common Stock are entitled to share ratably in the net assets of the Company upon liquidation after payment or provision for all liabilities. The holders of Common Stock have no preemptive rights to purchase shares of stock in the Company. Shares of Common Stock are not subject to any redemption provisions and are not convertible into any other securities of the Company. All outstanding shares of Common Stock are, and the shares of Common Stock to be issued by the Company pursuant to this offering will be, upon payment therefor, fully paid and nonassessable.

PREFERRED STOCK

The Board of Directors may from time to time authorize the issuance of one or more classes or series of Preferred Stock without shareholder approval. Subject to the provisions of the Articles and limitations prescribed by law, the Board of Directors is authorized to change the number of shares constituting any series and fix and determine the designation and preferences, limitations and relative rights, including voting rights, of the shares of any series of Preferred Stock so established, in each case without any action or vote by the shareholders. The Company has no current plans to issue any shares of Preferred Stock of any class or series.

One of the effects of undesignated Preferred Stock may be to enable the Board of Directors to discourage an attempt to obtain control of the Company by means of a tender offer, proxy contest, merger or otherwise, and thereby protect the Company's management. The issuance of Preferred Stock pursuant to the Board of Directors' authority described above may adversely affect the rights of the holders of Common Stock. For example, Preferred Stock issued by the Company may rank senior to the Common Stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of Common Stock. Accordingly, the issuance of shares of Preferred Stock may discourage bids for the Common Stock or may otherwise adversely affect the trading price of the Common Stock.

WARRANT SHARES

On May 1, 1997, pursuant to an agreement with a consultant, the Company issued a warrant (the "Warrant") exercisable for 475,015 shares of Common Stock (the "Warrant Shares") at an exercise price of $1.35 per share. The exercise price and the number of shares issuable upon exercise of the Warrant are subject to adjustment upon the occurrence of certain events, including (i) the issuance of Common Stock as a dividend on shares of Common Stock, (ii) subdivisions or combinations of the Common Stock,

(iii) the issuance of rights or warrants to purchase the Common Stock for less than the market price, or (iv) the distribution of evidences of indebtedness or assets to the holder of Common Stock or similar events. A holder of the Warrant is not entitled to any voting, dividend or other rights as a shareholder of the Company. The Warrant expires upon the earlier to occur of May 1, 2003 or 36 months after the registration of the Warrant Shares.

Holders of Warrant Shares are entitled to certain registration rights for such Warrant Shares, including piggyback and demand registration rights. If the Company proposes to register securities under the Securities Act, the holders of Warrant Shares may require the Company, subject to certain volume and other limitations, to include all or any portion of such Warrant Shares in such registration at the Company's expense. Pursuant to such registration rights, 50,000 shares are being offered hereby. In addition, on two occasions during the term of the Warrant, holders of a majority of the Warrant Shares (in the event any part of the Warrant is transferred) can require the Company to file a registration statement under the Securities Act covering all or any part of the Warrant Shares. The expense of the registration will be paid by the Company only with respect to the first demand registration.

CERTAIN EFFECTS OF AUTHORIZED BUT UNISSUED STOCK

Under the Articles, upon completion of this offering there will be 67,823,247 shares of Common Stock (assuming the Underwriters' over-allotment option is not exercised and excluding an aggregate of 3,025,015 shares reserved for issuance under the 1997 Stock Option Plan, the 1998 Stock Option Plan, the Non-Plan Option and the Warrant) available for future issuance without shareholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital or facilitate acquisitions. The Company does not currently have any plans to issue additional shares of Common Stock, other than shares of Common Stock that may be issued upon the exercise of options and Warrants that have been granted or may be granted in the future.

SPECIAL PROVISIONS OF THE ARTICLES, THE BYLAWS AND TEXAS LAW

The Texas Miscellaneous Corporation Laws Act (the "Texas Miscellaneous Laws") authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breach of their fiduciary duty as directors except for liability of a director resulting from (i) a breach of such director's duty of loyalty to the corporation or its shareholders, (ii) an act or omission that is not in good faith or that involves intentional misconduct or a knowing violation of laws, (iii) a transaction from which the director received an improper personal benefit or (iv) an act or omission for which the liability of the director is expressly provided by an applicable statute. The Articles limit the liability of directors of the Company (in their capacity as directors but not in their capacity as officers) to the Company or its shareholders to the fullest extent permitted by any applicable law. The inclusion of this provision in the Articles may reduce the likelihood of derivative litigation against directors and may discourage or deter shareholders from suing directors for breach of their duty of care, even though such an action, if successful, might otherwise benefit the Company and its shareholders. The inclusion of such provisions in the Articles together with a provision in the Bylaws requiring the Company to indemnify its directors, officers and certain other individuals against certain liabilities, is intended to enable the Company to attract qualified persons to serve as directors who might otherwise be reluctant to do so. The Commission has taken the position that personal liability of directors for violations of the federal securities laws cannot be limited and that indemnification by the issuer for such violations is unenforceable.

The Company has entered into separate indemnification agreements with each of its directors that may require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors to the maximum extent permitted under the TBCA and advance their expenses incurred as a result of any proceeding against them for which they could be indemnified, obtain directors' and officers' insurance or maintain self-insurance in lieu thereof.

Under the TBCA, the board of directors of a corporation has the power to amend and repeal the corporation's bylaws unless the corporation's articles of incorporation reserve the power exclusively to the shareholders or a particular bylaw expressly provides that the board of directors may not amend or repeal the bylaw. The Bylaws give the Board of Directors the power to alter, amend or repeal the Bylaws or adopt new bylaws. The Bylaws also provide that the number of directors shall be fixed from time to time by resolution of the Board of Directors. These provisions, in addition to the existence of authorized but unissued capital stock, may have the effect, either alone or in combination with each other, of discouraging an acquisition of the Company deemed undesirable by the Board of Directors.

ANTI-TAKEOVER CONSIDERATIONS

ANTI-TAKEOVER STATUTE. On September 1, 1997, the Company became subject to newly enacted Part 13 of the TBCA ("Part 13"), which subject to certain exceptions, prohibits a Texas corporation from engaging in any "business combination" with an "affiliated shareholder" for three years following the date that such shareholder became an affiliated shareholder, unless: (i) prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the shareholder becoming an affiliated shareholder; or (ii) the business combination is authorized at a meeting of shareholders called not less than six months after such date by the affirmative vote of at least two-thirds of the outstanding voting shares not owned by the affiliated shareholder.

Part 13 generally defines a "business combination" to include (i) any merger, share exchange or conversion involving the corporation and the affiliated shareholder, (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 10% or more of the assets of the corporation to the affiliated shareholder, (iii) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the affiliated shareholder, (iv) any transaction involving the corporation that has the effect of increasing the proportionate ownership percentage of the stock of any class or series of the corporation beneficially owned by the affiliated shareholder, (v) any receipt by the affiliated shareholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation, or (vi) any adoption of a plan or proposal for the liquidation or dissolution of the corporation proposed by, or pursuant to any agreement or understanding with, an affiliated shareholder. In general, Part 13 defines an "affiliated shareholder" as any entity or person beneficially owning 20% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person. The provisions of Part 13 could have the effect of delaying, deferring or preventing a change of control of the Company even if a change of control were in the shareholders' interests.

CLASSIFIED BOARD OF DIRECTORS. The Bylaws provide for the Board of Directors to be divided into three classes serving staggered three-year terms. The term of office of the first class of directors will expire at the 1999 annual meeting of shareholders, the term of office of the second class will expire at the 2000 annual meeting of shareholders and the term of office of the third class will expire at the 2001 annual meeting of shareholders. The terms of office of the current directors of the Company are set forth herein under "Management--Executive Officers and Directors."

At each annual meeting of shareholders, the class of directors to be elected at such meeting will be elected for a three-year term, and the directors in the other two classes will continue in office. The staggered terms for directors may affect the shareholders' ability to change control of the Company even if a change of control were in the shareholders' interests.

SHAREHOLDER ACTION. As permitted by the TBCA, the Articles provide that any action which is required to be, or may be, taken at any annual or special meeting of the shareholders, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing is signed by the holder or holders of shares having not less than the minimum number of votes that would be necessary to take such action at a meeting at which the holders of all shares entitled to vote on the action

were present and voted. This provision could cause shareholders to approve proposals in a more expeditious manner, which at times could be detrimental to the minority shareholders.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is ChaseMellon Shareholder Services L.L.C.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for the Common Stock of the Company. Future sales of substantial amounts of Common Stock in the public market, or the perception that such sales might occur, could adversely affect the market price of the Common Stock and could impair the ability of the Company to raise equity capital in the future.

Upon completion of this offering, the Company will have 28,151,738 shares of Common Stock outstanding, assuming no exercise of the Underwriters' over-allotment option. Of these shares, the 8,000,000 shares offered hereby, except for the Directed Shares, will be freely tradeable without restriction or further registration under the Securities Act, unless purchased by an "affiliate" of the Company, as that term is defined in Rule 144, as described below.

LOCK-UP AGREEMENTS

All executive officers and directors and certain shareholders of the Company, who in the aggregate hold 20,141,738 shares of Common Stock and options to purchase 1,700,000 shares of Common Stock, have agreed, pursuant to certain Lock-up Agreements (the "Lock-up Agreements"), that until 180 days after the date of this Prospectus, they will not, directly or indirectly, offer, sell, assign, transfer, encumber, contract to sell, grant an option to purchase, make a distribution of, or otherwise dispose of, any shares of Common Stock, or any securities convertible into or exchangeable for shares of Common Stock, otherwise than (i) as a bona fide gift or gifts, provided that the donee or donees thereof agree in writing as a condition precedent to such gift or gifts to be bound by the terms of the Lock-up Agreements, or (ii) with the prior written consent of Adams, Harkness & Hill, Inc. In addition, to the extent that Directed Shares are acquired by certain Associates, such Associates will be prohibited from offering, selling, pledging, contracting to sell, granting any option to purchase, or otherwise disposing of any such shares for a period of 120 days following the effective date of this Prospectus.

SALES OF RESTRICTED SHARES

The 20,151,738 shares of Common Stock which are not being sold in of this offering are "restricted securities" within the meaning of Rule 144 under the Securities Act (the "Restricted Shares"). Of the Restricted Shares, 10,000 shares will be eligible for sale in the public market pursuant to Rule 144 and Rule 701 under the Securities Act commencing 90 days after the effective date of this Prospectus and an additional 20,047,571 shares will be eligible for sale in the public market upon the expiration of Lock-up Agreements 180 days after the date of this Prospectus, all under and subject to the restrictions contained in Rule 144. Adams, Harkness & Hill, Inc., may in its sole discretion, and at any time without notice can, release all or any portion of the Restricted Shares subject to such Lock-up Agreements.

In general, under Rule 144, a person (or persons whose shares are required under Rule 144 to be aggregated), including an "affiliate" of the Company, as that term is defined under the Securities Act and the regulations promulgated thereunder (an "Affiliate"), who has beneficially owned Restricted Shares for at least one year is entitled to sell, within any three-month period, a number of such shares that does not exceed the greater of (i) one percent of the then outstanding shares of Common Stock (approximately 281,517 shares immediately after this offering) or (ii) the average weekly trading volume in the Common Stock during the four calendar weeks preceding the date on which notice of such sale is filed, provided certain requirements concerning availability of public information, manner of sale and notice of sale are satisfied. In addition, Affiliates must comply with the restrictions and requirements of Rule 144, other than the one-year holding period requirement, in order to sell shares of Common Stock which are not restricted securities. Under Rule 144(k), a person who is not an Affiliate and has not been an Affiliate for at least three months prior to the sale and who has beneficially owned Restricted Shares for at least two years may resell such shares without compliance with the foregoing requirements. In meeting the one- and two-year holding periods described above, a holder of Restricted Shares can include the holding

periods of a prior owner who was not an Affiliate. The one- and two-year holding periods described above do not begin to run until the full purchase price or other consideration is paid by the person acquiring the Restricted Shares from the issuer or an Affiliate.

OPTIONS

Rule 701 also provides that the shares of Common Stock acquired upon the exercise of currently outstanding options issued under the Company's stock plans may be resold by persons, other than Affiliates, beginning 90 days after the effective date of this Prospectus, subject only to the manner of sale provisions of Rule 144, and by Affiliates under Rule 144, without compliance with its one-year minimum holding period, subject to certain limitations. As of March 31, 1998, 1,600,000 shares of Common Stock were subject to options issued under the Company's 1997 Stock Option Plan all of which will become exercisable 90 days after the completion of this offering. All of the shares issuable upon the exercise of outstanding options following this offering are subject to lock-up agreements. Options to purchase an additional 900,000 shares of Common Stock may be granted under the Company's stock option plans. In addition, the Non-Plan Option to acquire 100,000 shares of Common Stock is outstanding, but was not exercisable as of the date of this Prospectus. As soon as practicable following this offering, the Company intends to file a registration statement under the Securities Act to register shares of Common Stock issuable or previously issued upon the exercise of stock options granted under the Company's stock option plans. Shares issued upon the exercise of stock options after the effective date of this Prospectus or previously issued on exercise generally will be available for sale in the open market.

REGISTRATION RIGHTS

The Company has also issued the Warrant to purchase 475,015 shares of Common Stock, which is currently fully exercisable, 50,000 shares of which will be exercised and sold in this offering. The holder of the Warrant has certain registration rights with respect to such shares of Common Stock. See "Description of Capital Stock--Warrant Shares."

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Company and the Selling Shareholders have agreed to sell to each of the Underwriters named below, and each of such Underwriters, for whom Adams, Harkness & Hill, Inc., NationsBanc Montgomery Securities LLC and Piper Jaffray Inc. are acting as representatives (the "Representatives"), has severally agreed to purchase from the Company and the Selling Shareholders the respective number of shares of Common Stock set forth opposite each Underwriter's name below:

UNDERWRITER	NUMBER OF SHARES OF COMMON STOCK
Adams, Harkness & Hill, Inc.	
NationsBanc Montgomery Securities LLC	
Piper Jaffray Inc.	
Total	8,000,000

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all of the shares offered hereby, if any are taken.

The Underwriters propose to offer the shares of Common Stock in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus, and in part to certain securities dealers at such price less a concession of not in excess of $ per share. The Underwriters may allow, and such dealers may re-allow, a concession not in excess of $ per share to certain brokers and dealers. After the shares of Common Stock are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Representatives.

The Company and the Selling Shareholders have granted the Underwriters an option exercisable for 30 days after the date of this Prospectus to purchase up to an aggregate of 1,200,000 additional shares of Common Stock to cover over-allotments, if any. If the Underwriters exercise their over-allotment option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of shares to be purchased by each of them, as shown in the foregoing table, bears to the shares of Common Stock offered hereby. The Underwriters may exercise such option only to cover over-allotments, if any, in connection with the sale of the 8,000,000 shares of Common Stock offered hereby.

The Company has agreed not to offer, sell, contract to sell or otherwise dispose of any shares of Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of Adams, Harkness & Hill, Inc., except for the shares of Common Stock offered hereby and except that the Company may issue securities pursuant to the Company's stock plans and upon the exercise of outstanding options and warrants. In addition, all executive officers and directors and certain shareholders of the Company, who in the aggregate hold 20,141,738 shares of Common Stock and options to purchase 1,700,000 shares of Common Stock, have agreed, pursuant to certain Lock-up Agreements (the

"Lock-up Agreements"), that until 180 days after the date of this Prospectus, they will not, directly or indirectly, offer, sell, assign, transfer, encumber, contract to sell, grant an option to purchase, make a distribution of, or otherwise dispose of, any shares of Common Stock, or any securities convertible into or exchangeable for shares of Common Stock, otherwise than (i) as a bona fide gift or gifts, provided that the donee or donees thereof agree in writing as a condition precedent to such gift or gifts to be bound by the terms of the Lock-up Agreements, or (ii) with the prior written consent of Adams, Harkness & Hill, Inc.

The Representatives of the Underwriters have informed the Company that they do not intend to confirm sales to any account over which they exercise discretionary authority.

In connection with this offering, the Underwriters may purchase and sell the Common Stock in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with this offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Common Stock. Syndicate short positions involve the sale by the Underwriters of a greater number of shares of Common Stock than they are required to purchase from the Company in this offering. The Underwriters also may impose a penalty bid, whereby the syndicate may reclaim selling concessions allowed to syndicate members or other broker-dealers in respect of the Common Stock sold in this offering for their account if the syndicate repurchases the shares in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Common Stock, which may be higher than the price that might otherwise prevail in the open market. These transactions may be affected on Nasdaq, in the over-the-counter market or otherwise, and may, if commenced, be discontinued at any time.

The Underwriters have reserved for sale approximately 600,000 shares of the Common Stock offered hereby for sale at the initial public offering price to certain Associates. The Underwriters have advised the Company that the price per share for such shares will be the initial public offering price. The number of shares available for sale to the general public in this offering will be reduced to the extent such Associates purchase such reserved shares. Any reserved shares not so purchased will be offered by the Underwriters to the general public on the same basis as the other shares offered hereby. Any Associate who purchases any of the shares offered in the offering will be prohibited from offering, selling, pledging, contracting to sell, granting any option to purchase or otherwise disposing of any such shares for a period of 120 days following the effective date of the Registration Statement.

Prior to this offering, there has been no public market for the Common Stock. The initial public offering price will be negotiated among the Company, the Selling Shareholders and the Representatives. Among the factors to be considered in determining the initial public offering price of the Common Stock, in addition to prevailing market conditions, are the Company's historical performance, estimates of the business potential and earnings prospects of the Company, an assessment of the Company's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

The Common Stock has been approved for quotation and trading, subject to official notice of issuance, on the Nasdaq National Market under the symbol "MTEX."

The Company and the Selling Shareholders agreed to indemnify the several Underwriters against or contribute to losses arising out of certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the issuance of the shares of Common Stock offered hereby will be passed upon for the Company by Akin, Gump, Strauss, Hauer & Feld, L.L.P., Dallas, Texas. Certain legal matters will be passed upon for the Underwriters by Hale and Dorr LLP, Boston, Massachusetts.

EXPERTS

The financial statements of the Company as of December 31, 1997, and for the year ended December 31, 1997 included in this Prospectus have been so included in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of the Company as of December 31, 1995 and 1996, and for each of the two years in the period ended December 31, 1996, included in this Prospectus have been so included in reliance on the report of Belew Averitt LLP ("Belew Averitt"), independent accountants, given on the authority of said firm as experts in accounting and auditing.

In November 1997, the Company advised Belew Averitt that it would no longer retain the firm as independent accountants. The reports of Belew Averitt on the Company did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. The decision to change accountants was precipitated by the Company's plan to complete an initial public offering in 1998 and was approved by the Board of Directors in November 1997. During the periods audited by Belew Averitt and through November 1997 there were no disagreements with Belew Averitt on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement(s) if not resolved to the satisfaction of Belew Averitt, would have caused it to make reference to the subject matter of the disagreements in connection with its reports. Price Waterhouse was engaged by the Company as its independent accountants in November 1997.

ADDITIONAL INFORMATION

The Company has not previously been subject to the reporting requirements of the Exchange Act. The Company has filed with the Commission a Registration Statement (which term shall include any amendments thereto) on Form S-1 under the Securities Act with respect to the Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement, certain portions of which have been omitted as permitted by the rules and regulations of the Commission. Statements contained in this Prospectus as to the contents of any contract or other document are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each statement being qualified in all respects by such reference. For further information with respect to the Company and the Common Stock, reference is made to the Registration Statement, including the exhibits and schedules thereto, copies of which may be examined without charge at the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549 and the regional offices of the Commission located at 7 World Trade Center, 13th Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street, 14th Floor, Chicago, Illinois 60661-2511. Copies of such materials may be obtained from the Public Reference Section of the Commission, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at its public reference facilities in New York, New York, and Chicago, Illinois, at prescribed rates. The Commission also maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants (which, after this offering, will include the Company) that file electronically with the Commission (at http://www.sec.gov).

Immediately following this offering, the Company will become subject to the periodic reporting and other informational requirements of the Exchange Act. As long as the Company is subject to such periodic reporting and information requirements, it will file with the Commission all reports, proxy statements, and other information required thereby. The Company intends to furnish holders of the Common Stock with annual reports containing financial statements audited by an independent certified public accounting firm and may furnish to shareholders quarterly reports containing unaudited financial information for the first three quarters of each fiscal year.

MANNATECH, INCORPORATED
INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To Board of Directors and Shareholders of
Mannatech, Incorporated

In our opinion, the accompanying balance sheet and the related statements of income, of changes in shareholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Mannatech, Incorporated at December 31, 1997, and the results of its operations and its cash flows for the year in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Dallas, Texas
March 26, 1998

INDEPENDENT AUDITOR'S REPORT

Shareholders and Board of Directors
of Mannatech, Incorporated

We have audited the accompanying balance sheet of Mannatech, Incorporated as of December 31, 1996, and the related statements of income, of changes in shareholders' equity (deficit) and of cash flows for each of the years in the two-year period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mannatech, Incorporated as of December 31, 1996, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 1996, in conformity with generally accepted accounting principles.

BELEW AVERITT LLP

Dallas, Texas
August 21, 1997

MANNATECH, INCORPORATED

BALANCE SHEETS

DECEMBER 31, 1996 AND 1997 AND MARCH 31, 1998

	DECEMBER 31,		
	1996	1997	MARCH 31, 1998
			(UNAUDITED)
ASSETS			
Cash and cash equivalents	$ 1,159,937	$ 61,148	$ 952,196
Restricted cash	-	199,619	-
Accounts receivable, less allowance for doubtful accounts of $194,000 in 1997	26,991	549,904	81,659
Receivable from related parties	502,417	148,888	133,888
Notes receivable from shareholders	-	1,571,347	1,601,377
Refundable income taxes	741,000	-	-
Inventories	4,947,337	5,323,056	6,394,071
Prepaid expenses and other current assets	166,471	542,978	956,616
Deferred tax assets	149,000	88,000	88,000
Total current assets	7,693,153	8,484,940	10,207,807
Property and equipment, net	3,049,572	10,583,910	12,022,719
Other assets	466,603	814,624	888,646
Total assets	$ 11,209,328	$ 19,883,474	$ 23,119,172
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of capital lease obligations	$ -	$ 249,655	$ 1,160,410
Current portion of note payable	26,400	-	-
Accounts payable	2,540,116	4,287,159	3,450,433
Accrued expenses	6,748,993	10,731,828	12,739,637
Dividends payable	100,000	1,321,654	1,326,104
Accounts payable to related parties	537,472	-	-
Total current liabilities	9,952,981	16,590,296	18,676,584
Capital lease obligations, excluding current portion	-	110,482	104,695
Deferred tax liabilities	105,000	505,000	708,000
Total liabilities	10,057,981	17,205,778	19,489,279
Commitments and contingencies (note 11)	-	-	-
Redeemable warrants	-	300,000	300,000
Shareholders' equity			
Common stock, $.0001 par value, 100,000,000 shares authorized, 20,626,971 and 22,101,738 shares issued and outstanding, respectively	2,063	2,210	2,210
Additional paid-in capital	-	2,632,238	2,632,238
Retained earnings (deficit)	1,149,284	(256,752)	695,445
Total shareholders' equity	1,151,347	2,377,696	3,329,893
Total liabilities and shareholders' equity	$ 11,209,328	$ 19,883,474	$ 23,119,172

See accompanying notes to financial statements.

MANNATECH, INCORPORATED

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

AND THE THREE MONTHS ENDED MARCH 31, 1997 AND 1998

	DECEMBER 31,			MARCH 31,	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
Net sales	$32,234,255	$86,574,444	$ 150,857,422	$33,543,507	$41,059,284
Cost of sales	4,880,331	13,406,303	24,735,616	5,500,720	6,060,118
Commissions	12,338,513	35,155,231	61,677,103	13,685,060	16,883,420
	17,218,844	48,561,534	86,412,719	19,185,780	22,943,538
Gross profit	15,015,411	38,012,910	64,444,703	14,357,727	18,115,746
Operating expenses:					
Selling and administrative expenses	7,012,199	17,764,415	27,845,502	5,827,176	7,683,934
Other operating costs	5,252,817	11,746,003	19,402,317	3,743,367	4,695,819
Cancellation of incentive compensation agreements	-	-	2,191,610	-	-
Total operating expenses	12,265,016	29,510,418	49,439,429	9,570,543	12,379,753
Income from operations	2,750,395	8,502,492	15,005,274	4,787,184	5,735,993
Other (income) expense, net	180,970	(116,009)	(43,170)	139,206	(61,963)
Income before income taxes	2,569,425	8,618,501	15,048,444	4,647,978	5,797,956
Income tax expense	129,959	1,294,692	4,249,540	1,322,686	2,198,000
Net income	$ 2,439,466	$ 7,323,809	$ 10,798,904	$ 3,325,292	$ 3,599,956
Earnings per common share:					
Basic	$ .12	$ .36	$ .50	$ .16	$ .16
Diluted	$ .12	$ .36	$ .48	$ .16	$ .15
Unaudited pro forma data (note 1)					
Income before income taxes, as reported	2,569,425	8,618,501	15,048,444	4,647,978	
Pro forma provision for income taxes	963,534	3,231,938	5,793,651	1,789,471	
Pro forma net income	$ 1,605,891	$ 5,386,563	$ 9,254,793	2,858,507	
Pro forma earnings per common share:					
Basic	$ .08	$ .26	$ .43	$ .14	
Diluted	$ .08	$ .26	$ .41	$ .14	

See accompanying notes to financial statements.

MANNATECH, INCORPORATED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

AND THE THREE MONTHS ENDED MARCH 31, 1998

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TOTAL SHAREHOLDERS' EQUITY (DEFICIT)
	SHARES	PAR VALUE			
Balance at December 31, 1994	20,626,971	$ 2,063	$ -	$ (294,235)	$ (292,172)
Dividends declared ($1.00 per share)(1)	-	-	-	(10,000)	(10,000)
Net income	-	-	-	2,439,466	2,439,466
Distributions to partners	-	-	-	(2,369,631)	(2,369,631)
Balance at December 31, 1995	20,626,971	2,063	-	(234,400)	(232,337)
Dividends declared ($10.00 per share)(1)	-	-	-	(100,000)	(100,000)
Net income	-	-	-	7,323,809	7,323,809
Distributions to partners	-	-	-	(5,840,125)	(5,840,125)
Balance at December 31, 1996	20,626,971	2,063	-	1,149,284	1,151,347
Issuance of common stock to cancel incentive compensation agreements	1,474,767	147	2,191,463	-	2,191,610
Vesting of nonemployee stock options	-	-	155,503	-	155,503
Tax benefit of shares issued for merger of partnerships	-	-	285,272	-	285,272
Dividends declared ($.37 per share)	-	-	-	(8,150,201)	(8,150,201)
Net income	-	-	-	10,798,904	10,798,904
Distributions to partners	-	-	-	(4,054,739)	(4,054,739)
Balance at December 31, 1997	22,101,738	2,210	2,632,238	(256,752)	2,377,696
Dividends declared ($.12 per share) (unaudited)	-	-	-	(2,647,759)	(2,647,759)
Net income (unaudited)	-	-	-	3,599,956	3,599,956
Balance at March 31, 1998 (unaudited)	22,101,738	$ 2,210	$ 2,632,238	$ 695,445	$ 3,329,893

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(1) Dividends are based on the shares outstanding prior to the reorganization and the 1000-for-1 stock split (10,000 shares) as discussed in notes 1 and 12, respectively.

See accompanying notes to financial statements

MANNATECH, INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
AND THE THREE MONTHS ENDED MARCH 31, 1997 AND 1998

	DECEMBER 31			MARCH 31	
	1995	1996	1997	1997	1998
				(UNAUDITED)	
Cash flows from operating activities:					
Net income	$2,439,466	$7,323,809	$10,798,904	$3,325,292	$3,599,956
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	75,341	414,299	1,189,494	129,423	398,838
Loss (gain) on disposal of assets	46,523	3,876	411,202	151,815	(60,687)
Noncash charge for cancellation of incentive compensation agreements	-	-	2,191,610	-	-
Vesting of nonemployee stock options and warrants	-	-	455,503	-	-
Loss on settlement of contract	180,600	-	-	-	-
Write-off of investment	-	115,000	-	-	-
Deferred income tax expense (benefit)	122,959	(35,777)	461,000	178,000	203,000
Changes in operating assets and liabilities:					
Accounts and notes receivable	139,302	(449,899)	(1,740,731)	(95,574)	453,215
Refundable income taxes	(285,911)	(455,089)	741,000	-	-
Inventories	(2,319,350)	(1,801,879)	(375,719)	(1,698,687)	(1,071,015)
Prepaid expenses and other current assets	(106,878)	(50,330)	(376,507)	(297,601)	(413,638)
Other assets	(166,261)	70,798	(4,749)	(300)	-
Accounts payable	1,136,864	191,504	1,747,043	2,096,629	(836,726)
Accrued expenses	1,828,109	4,269,253	4,268,107	4,023,381	2,007,809
Net cash provided by operating activities	3,090,764	9,595,565	19,766,157	7,812,378	4,280,752
Cash flows from investing activities:					
Proceeds from sale of equipment	-	-	-	-	36,472
Acquisition of property and equipment and construction in progress	(768,505)	(2,660,108)	(8,737,232)	(3,719,505)	(903,291)
Security deposits	-	(460,350)	-	-	-
Deposits of restricted cash	-	-	(199,619)	-	199,619
Deferred offering costs	-	-	(343,672)	-	(74,122)
Other assets	(75,000)	(40,000)	-	-	-
Net cash used in investing activities	(843,505)	(3,160,458)	(9,280,523)	(3,719,505	(741,322)
Cash flows from financing activities:					
Distributions to partners	(1,904,611)	(5,268,033)	(4,054,739)	(2,269,328)	-
Payment of dividends	-	(20,000)	(6,928,547)	(100,000)	(2,643,309)
Repayment of capital lease obligations	-	-	(37,265)	-	(5,073)
Advances from shareholders and employees	159,486	26,435	61,055	-	-
Repayments to shareholders and employees	-	(688,293)	(808,527)	(537,472)	-
Advances from an affiliated company	206,660	-	-	-	-
Repayment to an affiliated company	-	(206,660)	-	-	-
Payment of notes payable	(39,537)	(71,200)	(26,400)	(13,200)	-
Net cash used in financing activties	(1,578,002)	(6,227,751)	(11,584,423)	(2,920,000)	(2,648,382)
Net increase (decrease) in cash and cash equivalents	669,257	207,356	(1,098,789)	1,172,873	891,048
Cash and cash equivalents:					
Beginning of year	283,324	952,581	1,159,937	1,159,937	61,148
End of year	$ 952,581	$1,159,937	$ 61,148	$2,332,810	$ 952,196
Supplemental disclosure of cash flow information:					
Income taxes paid	$ 296,000	$1,716,100	$ 68,800	-	$2,280,000
Interest paid	$ 8,000	$ -	$ 10,885	-	$ 12,630
A summary of non-cash investing and financing activities follows:					
Accrued dividends and distributions	$ 475,020	$ 672,092	$ 1,321,654	-	$1,326,104
Tax benefit of shares granted for merger of partnerships	$ -	$ -	$ 285,272	-	$ -
Assets aquired through capital lease obligations	$ -	$ -	$ 397,402	-	$ 910,041

See accompanying notes to financial statements

MANNATECH, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mannatech, Incorporated (the "Company") was incorporated in the State of Texas on November 4, 1993, as Emprise International, Inc. Effective October 25, 1995, the Company changed its name to Mannatech, Incorporated. The Company, located in Coppell, Texas, develops and sells proprietary nutritional supplements and topical products through a network marketing system. The Company sells its products in the United States and Canada and is currently planning to expand into Australia, while continuing to assess the potential of other foreign markets. Independent associates ("Associates") purchase products, at wholesale, for the primary purpose of selling to retail consumers or for personal consumption. In addition, Associates earn commissions on their sales volume.

REORGANIZATION

In December 1994, to achieve certain tax efficiencies and to protect certain of the Company's proprietary rights, the Company transferred certain of its rights and interests in intellectual property, the right to use a supplier's trademark and its marketing rights to two affiliated partnerships ("Royalty Partnership" and "Marketing Partnership," respectively, or collectively "the Partnerships"). The Marketing Partnership was owned by two affiliated partnerships that also shared common ownership with the Company. The respective ownership interests in the Partnerships were structured with the intention of retaining the same economic interests among the partners as that of the shareholders of the Company. In the case of the intellectual property and trademark transferred to the Royalty Partnership, the Company entered into a 17-year agreement with the Royalty Partnership to pay a royalty based on sales volume. In the case of the Marketing Partnership, the Company paid a commission based on a specified percentage of sales volume. At the time of transfer, the rights and interest in intellectual property, supplier's trademark and marketing rights had a minimal basis. During 1994, the Company also entered into separate incentive compensation agreements with two of its shareholders pursuant to which the Company agreed to pay commissions based on specified monthly sales volumes and increases in number of new enrolled Associates. These agreements were designed to compensate for the differences in ownership in the Partnerships for one of the principal shareholders and to provide compensation to a shareholder in lieu of receiving a Partnership interest.

On June 1, 1997, in order to simplify the Company's ownership structure and consolidate all operating activities, the Company entered into agreements to effect a reorganization through merging with the corporate general partners of the Partnerships (with the Company as the surviving corporation) and exchanging 10,000,000 shares of Common Stock for the entire ownership interests of the corporate general partners and the Partnerships and issued 2,027,571 shares of Common Stock in consideration for the cancellation of incentive compensation agreements with the two shareholder-employees and four other employees of the Company. The net effect of the foregoing transactions was to increase the Company's common shares outstanding by 12,027,571 while retaining substantially the same relative original ownership of the Company. The only ownership percentage change among the original shareholders related to 208,024 shares granted to one shareholder in recognition of significant contributions to the Company, which resulted in minor dilution to the other original seven shareholders at the time of the exchange. The fair value of these additional shares was expensed, and is included in cancellation of incentive compensation agreements in the income statement. No monetary consideration changed hands and the changes were designed to reestablish the original economic characteristics of the Company. Aside from the new shares issued to the four employees to cancel their incentive compensation agreements, relative ownership interests, as evidenced by retention of economic risks and benefits, remained virtually the same. After the exchange, the Company terminated and liquidated the Partnerships at no gain or loss.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accompanying financial statements include the accounts of the Partnerships and the Company as if the merger was consummated on December 31, 1994. The merger was accounted using the historical basis for each entity, effectively combining the entities as a pooling of interests.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

RESTRICTED CASH

At December 31, 1997, $199,619 of cash was held by the Company's former credit card processor under the terms of the credit card processing agreement. The Company expects the restricted funds to be released early in 1998.

INVENTORIES

Inventories consist of raw materials, work-in-progress and finished goods and are stated at the lower of cost (using the first-in, first-out method) or market.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation which is computed using the straight-line method over the estimated useful life of each asset. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of property and equipment sold or otherwise retired and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in other (income) expense.

Property and equipment are reviewed for impairment whenever an event or change in circumstances indicates the carrying amount of an asset or group of assets may not be recoverable. The impairment review includes a comparison of future cash flows expected to be generated by the asset or group of assets with their associated carrying value. If the carrying value of the asset or group of assets exceeds expected cash flows (undiscounted and without interest charges), an impairment loss is recognized to the extent the carrying amount of the asset exceeds its fair value.

OTHER ASSETS

Other assets consist of deposits, deferred offering costs and organization costs. Organization costs are being amortized on a straight-line basis over five years. Deferred offering costs will be deducted from the proceeds of the anticipated public offering of the Company's Common Stock.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS PAYABLE

The Company records book overdrafts in its cash accounts as accounts payable. Included in accounts payable are book overdrafts of $334,374 and $1,028,676 at December 31, 1996 and 1997, respectively.

INCOME TAXES

The Company accounts for income taxes using the asset and liability approach to financial accounting and reporting for income taxes. In the event that differences between the financial reporting bases and the tax bases of the Company's assets and liabilities result in net deferred tax assets, the Company evaluates the probability of realizing the future benefits indicated by such assets. A valuation allowance is provided for a portion or all of the net deferred tax assets when it is more likely than not that such portion, or all of such deferred tax assets, will not be realized.

Prior to the merger of the Partnerships, the Company and the Partnerships filed separate tax returns. Prior to June 1, 1997, no provision for income taxes was necessary in the financial statements for the income attributable to the Partnerships because, as partnerships, they were not subject to federal income tax because the tax effect of their activities flowed through directly to the individual partners. Beginning June 1, 1997, all income earned by the Company became subject to income tax.

PRO FORMA INFORMATION (UNAUDITED)

Pro forma income tax information has been provided, using the statutory tax rate of the Company, as if all of the Company's and the Partnerships' income had been subject to income taxes.

REVENUE RECOGNITION

Revenue is recognized for product sales upon shipment of the products to the Associates. Annual Associate fees are received for promotional kits provided to Associates, which include nutritional products and sales aids. These fees are also recognized upon shipment of these products.

ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company has adopted Statement of Financial Accounting Standards No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation," for stock-based compensation issued to nonemployees. FAS 123 requires that stock-based compensation be measured by the fair value at the date of grant. The Company measures the cost of stock-based compensation issued to employees under Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" ("APB 25"), and its related interpretations. The Company has, however, provided pro forma disclosures in note 10 for stock-based compensation accounted for under APB 25, as required by FAS 123.

ADVERTISING COSTS

Advertising and promotional expenses are included in selling and administrative expenses and are charged to operations when incurred. Advertising and promotional expenses were approximately $450,000, $1,475,000 and $2,241,000 for 1995, 1996 and 1997, respectively. Literature and promotional items are sold to Associates to support their sales effort. Such items are included in inventories and charged to cost of sales when sold.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESEARCH AND DEVELOPMENT COSTS

The Company expenses research and development costs when incurred. Research and development costs are included in other operating expenses and were approximately $3,000, $283,000 and $381,000 in 1995, 1996 and 1997, respectively.

SOFTWARE DEVELOPMENT COSTS

The Company capitalizes qualifying costs relating to the development of internal use software. Capitalization of qualifying costs begins after the conceptual formulation stage has been completed, and such costs are amortized over the estimated useful life of the software, which is estimated at five years. Capitalized costs totaled $58,000 and $1,713,000 in 1996 and 1997, respectively. The Company did not capitalize any such costs during 1995. The amounts capitalized in 1997 are included in construction in progress and are expected to be completed during 1998.

During January 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 becomes effective for all fiscal years beginning after December 15, 1998. The Company does not expect the adoption of SOP 98-1 to have a material impact on Company's financial statements.

EARNINGS PER SHARE

The Company calculates earnings per share pursuant to Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS 128"). FAS 128 requires dual presentation of basic and diluted earnings per share ("EPS") on the face of the statement of income for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS calculations are based on the weighted-average number of common shares outstanding during the period, while diluted EPS calculations are based on the weighted-average common shares and dilutive common share equivalents outstanding during each period.

CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and receivables from related parties. The Company utilizes financial institutions which the Company considers to be of high credit quality. The Company believes its receivables from related parties at December 31, 1997 and its notes receivables from shareholders are fully collectible.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments, including cash and cash equivalents, notes receivable, note payable, capital leases and accrued expenses, approximate their recorded values due to their relatively short maturities.

COMMISSIONS

Commissions to Associates are based on several factors, namely direct and indirect sales, signup and training of new associates. Commissions are accrued when earned and generally paid within one month.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SEGMENT INFORMATION

The Company conducts its business within one industry segment. No Associate accounted for more than 10% of total sales for the years ended December 31, 1995, 1996 and 1997. Sales to Canadian Associates began in 1996 and were less than 10% of total sales in 1996. Such sales were 14% of total sales in 1997.

RECLASSIFICATIONS

Certain prior years' amounts have been reclassified to conform with the current year presentation.

UNAUDITED INTERIM FINANCIAL INFORMATION

In the opinion of management, all adjustments, consisting only of normal recurring adjustments that are necessary for fair presentation, have been included in the unaudited financial information for the interim periods ended March 31, 1997 and 1998.

2. INVENTORIES

Inventories at December 31, 1996 and 1997 consist of the following:

	1996	1997
Raw materials	$ 3,447,362	$ 1,827,823
Work-in-progress	150,140	-
Finished goods	1,349,835	3,495,233
	$ 4,947,337	$ 5,323,056

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1996 and 1997 consist of the following:

	ESTIMATED USEFUL LIVES	1996	1997
Office furniture and equipment	5 to 7 years	$ 740,170	$ 3,087,775
Computer equipment	3 to 5 years	1,201,657	2,724,579
Automobiles	5 years	327,202	298,722
Leasehold improvements	10 years	88,165	3,162,714
		2,357,194	9,273,790
Less accumulated depreciation and amortization		(390,278)	(1,389,233)
		1,966,916	7,884,557
Construction in progress		1,082,656	2,699,353
		$ 3,049,572	$ 10,583,910

Construction in progress primarily consists of the construction of a new warehouse facility, a research and development laboratory and the internal development of a new computer software package. Included in the December 31, 1997 balance are capital leases of $397,402 related to the warehouse equipment.

4. ACCRUED EXPENSES

Accrued expenses at December 31, 1996 and 1997 consist of the following:

	1996	1997
Commissions payable	$ 2,481,755	$ 3,801,324
Income taxes payable	-	2,692,248
Accrued royalties and compensation	2,361,703	1,251,215
Accrued inventory purchases	211,702	1,218,975
Sales and other taxes payable	900,154	812,368
Customer deposits	536,037	216,436
Other accrued expenses	257,642	739,262
	$ 6,748,993	$ 10,731,828

5. NOTES PAYABLE

The Company had an unsecured noninterest bearing promissory note payable to a former employee, payable in monthly installments of $6,600 through May 1997. The note was repaid during 1997.

In May 1995, the Company and a shareholder entered into a $500,000 line-of-credit agreement with a bank. This line was collateralized by personal assets of the shareholder. The interest rate was equal to the bank's prime rate, which was 8.25% at December 31, 1996. During 1996, the shareholder borrowed $250,000 of the line-of-credit for personal use, which was subsequently repaid in full. The line of credit expired in September 1997, and there were no amounts outstanding at December 31, 1996.

6. CAPITAL LEASE OBLIGATIONS

The Company leases certain furniture and equipment under various capital leases agreements. These agreements have terms which range from three to five years and contain either a bargain purchase option or a buyout provision which the Company intends to exercise. A summary of future minimum payments under these capital lease agreements are as follows:

YEAR ENDING DECEMBER 31,	
1998	$ 265,907
1999	37,586
2000	37,586
2001	37,586
2002	28,189
Present value of future minimum lease payments	406,854
Less imputed interest (approximately 12%)	(46,717)
	360,137
Less current portion of capital lease obligations	(249,655)
Capital lease obligations, excluding current portion	$ 110,482

In January 1998, the Company entered into a $1.5 million interim lease line-of-credit agreement (the "Line of Credit Agreement") with Banc One Leasing Corporation to fund the purchase of furniture and certain capital equipment in connection with the Company's relocation to its new facility. The Line of Credit Agreement bears interest at the prime interest rate of Bank One, Columbus, NA plus one-half percent, is secured by the leased assets, is guaranteed by two of the Company's shareholders and will expire on December 15, 1998. The Line of Credit Agreement allows the Company to convert amounts drawn thereunder into capital leases and, in March 1998, the Company converted $631,000 which had been drawn on the Line of Credit Agreement into a capital lease (the "Capital Lease"). The Capital Lease bears interest at 9.3%, is collateralized by the leased assets and is payable in 36 installments. In addition to the Capital Lease, $378,000 had been drawn under the Line of Credit Agreement, leaving an available balance of $491,000.

7. INCOME TAXES

The components of the Company's income tax provision for 1995, 1996 and 1997 were as follows:

	1995	1996	1997
Current provision:			
Federal	$ 5,844	$ 1,147,481	$ 3,324,855
State	1,156	182,988	463,685
	7,000	1,330,469	3,788,540
Deferred provision:			
Federal	108,437	(32,777)	389,000
State	14,522	(3,000)	72,000
	122,959	(35,777)	461,000
	$ 129,959	$ 1,294,692	$ 4,249,540

A reconciliation of income tax based on the U.S. federal statutory rate is summarized as follows for the years ended December 31:

	1995	1996	1997
Federal statutory income taxes	34.0%	34.0%	35.0%
Partnership income	(47.0)	(32.0)	(9.4)
State income taxes, net of federal benefit	6.3	6.5	2.3
Nondeductible expenses	13.9	9.0	0.5
Other	(2.1)	(2.5)	(0.2)
	5.1%	15.0%	28.2%

7. INCOME TAXES (CONTINUED)

Deferred taxes consisted of the following at December 31:

	1996	1997
Deferred tax assets:		
Current:		
Inventory capitalization	$ 119,000	$ 86,000
Capital loss carryforward	20,000	-
Other	10,000	2,000
Total current deferred tax assets	149,000	88,000
Noncurrent:		
Compensation expense	-	318,000
Capital loss carryforward	-	20,000
Total noncurrent deferred tax assets	-	338,000
Total gross deferred tax assets	$ 149,000	$ 426,000
Deferred tax liabilities:		
Noncurrent:		
Depreciation and amortization	$ 105,000	$ 843,000

The net deferred tax assets (liabilities) are classified in the financial statements as follows:

	1996	1997
Current deferred tax assets	$ 149,000	$ 88,000
Noncurrent deferred tax liabilities	(105,000)	(505,000)
Net deferred tax assets (liabilities)	$ 44,000	$ (417,000)

It is the opinion of the Company's management that the deferred tax assets will more likely than not be realized; therefore, a valuation allowance is not required.

8. TRANSACTIONS WITH RELATED PARTIES AND AFFILIATES

In April 1994, the Company entered into an incentive compensation agreement with Ray Robbins, a shareholder of the Company. The agreement and its subsequent amendments required the Company to pay commissions based on a specified monthly sales volume and admittance of independent Associates. During 1995, 1996 and 1997, the Company paid commissions to Mr. Robbins of approximately $145,000, $511,000 and $467,000, respectively. During 1995, the Company paid a shareholder of an affiliated company professional fees of approximately $162,000 to serve as the Company's in-house counsel.

During 1995, 1996 and 1997, the Company advanced to certain employees, shareholders and an affiliated company funds of which $502,417 and $148,888 remained unpaid at December 31, 1996 and 1997, respectively. During 1997, the Company converted certain accounts receivable from an affiliated company to notes receivable from the shareholders of the affiliated company. These shareholders are also shareholders of the Company. The notes receivable bear interest at 6.0%, and are due upon the earlier of the sale of the affiliated company or December 31, 1998. The total amount of such notes outstanding at December 31, 1997 was $934,929.

8. TRANSACTIONS WITH RELATED PARTIES AND AFFILIATES (CONTINUED)

On December 31, 1997, the Company advanced $283,834 to two officers and $352,584 to two directors of the Company to pay taxes due in connection with the cancellation of their incentive compensation agreements. These advances are also evidenced by notes receivable from the shareholders. These notes are noninterest bearing, are collateralized by 203,101 shares of stock held by such shareholders and are due upon the earlier of December 31, 1998 or upon sale of the stock. The total amount of these notes outstanding at December 31, 1997 was $636,418.

9. CANCELLATION OF INCENTIVE COMPENSATION AGREEMENTS

Prior to June 1, 1997, the Company paid certain shareholders and employees commissions which were based on sales volume. During 1997, the Company issued 2,027,571 shares of its Common Stock to shareholders and employees to cancel these agreements. These shares included 626,971 of shares issued to cancel incentive compensation agreements which had been provided to two shareholders in lieu of ownership interests in the Partnerships (Note 1). The shares issued were valued at $1.30 per share, which was based on an appraisal at the date of the transaction. In December 1997, the Company agreed to cancel another incentive compensation agreement by issuing 74,167 shares of Common Stock valued at $5.00 per share. As a result of these transactions, during 1997 the Company recognized additional nonrecurring compensation expense of $2,191,610.

10. EMPLOYEE BENEFIT PLAN

EMPLOYEE RETIREMENT PLAN

Effective June 1, 1997, the Company adopted a defined contribution 401(k) and profit-sharing plan (the "Plan"). The Plan covers all full-time employees who have completed three months of service and attained the age of twenty-one. Employees can contribute up to 15% of their annual compensation.

The Company will match 25% of the first 6% contributed and may also make discretionary contributions to the Plan, which may not exceed 100% of the first 15% of the employees annual compensation. Company contributions to employees vest ratably over a five-year period. During 1997, the Company contributed approximately $49,000 to the Plan.

STOCK OPTION PLAN

In May 1997, the Board of Directors approved the 1997 Stock Option Plan (the "Stock Option Plan") which provides incentive and nonqualified stock options to employees and nonemployees, respectively. The Company reserved 2,000,000 shares of common stock for issuance pursuant to the stock options

10. EMPLOYEE BENEFIT PLAN (CONTINUED)
granted under the Stock Option Plan. As of December 31, 1997, 1,600,000 stock options were outstanding, but not exercisable as follows:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at January 1, 1997	-	-
Granted	1,600,000	$ 1.45
Exercised	-	-
Canceled	-	-
Outstanding at December 31, 1997	1,600,000	$ 1.45
Options exercisable at December 31, 1997	-	-
Weighted-average fair value of options granted during the year	$ 1.11	

Under the Stock Option Plan, incentive stock options granted to employees are valued using the intrinsic method, are nontransferable and are granted for terms no longer than ten years and at a price which may not be less than 100% of the fair value of the common stock on the date of grant. During 1997, the Company issued 1,244,000 stock options to employees at a price ranging from $1.35 to $2.00 per share. No compensation cost was recognized as the exercise price of the options was equal to the fair value of options at the date of grant. Had compensation cost for employee stock options been determined based on the Black-Scholes option-pricing model at the grant date, pro forma net income and earnings per share for 1997 using the following weighted-average assumptions would have been as follows:

Dividend yield	4%
Expected volatility	0%
Risk-free rate of return	5%
Expected life	10 years

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the vesting period. The Company's pro forma information follows:

	1997
Net income	
As reported	$ 10,798,904
Pro forma	$ 10,719,225
Basic EPS	
As reported	$ 0.50
Pro forma	$ 0.50
Diluted EPS	
As reported	$ 0.48
Pro forma	$ 0.48

10. EMPLOYEE BENEFIT PLAN (CONTINUED)

Under the Stock Option Plan, nonqualified stock options granted to nonemployees are valued using the fair value method, are nontransferable and are granted for terms no longer than six years and at a price which may not be less than 100% of the fair value of the common stock on the date of grant. During 1997, the Company issued 356,000 nonqualified stock options to nonemployees at an exercise price of $1.35 per share. Additionally, the Company issued 100,000 nonqualified stock options in June 1997. These options are priced at $2.00, vest immediately, are exercisable after one year and have a term of six years.

During 1997, compensation expense of $155,503 was included in other operating expenses for the nonemployee options. This expense was determined by calculating the fair value of options granted on the date of grant using the Black-Scholes option-pricing model and the following weighted-average assumptions:

Dividend yield	4%
Expected volatility	30%
Risk-free rate of return	5%
Expected life	6 years

During 1997, the Company granted to a consulting firm 475,015 warrants to purchase the same number of shares of the Company's common stock which are nontransferable and vest as follows: 178,125 shares at issuance and 26,990 each month through March 1, 1998. The warrants are exercisable at $1.35 per share and expire on the earlier of May 1, 2003 or 36 months after the warrant shares are registered for public resale under the Securities Act of 1933. At December 31, 1997, 394,015 of the warrants were vested.

As a provision of the warrant agreement, the consulting firm can require the Company to repurchase the outstanding warrants between May 1998 and May 1999 for $300,000. Accordingly, it was determined that the fair value of the warrants as of December 31, 1997 was $300,000.

11. COMMITMENTS AND CONTINGENCIES

The Company leases certain office space and equipment under various noncancelable operating leases, and has options to renew and renegotiate most of the leases. The leases expire at various times through January 2007. The Company also leases equipment under month-to-month cancelable operating leases. Total rent expense was $124,000, $317,000 and $702,000 in 1995, 1996 and 1997, respectively.

Approximate future minimum rental commitments for the operating leases are as follows:

YEARS ENDING DECEMBER 31,	
1998	$ 835,000
1999	794,000
2000	717,000
2001	706,000
2002	771,000
Thereafter	3,250,000
	$ 7,073,000

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

In 1995 and 1996, the Company entered into various cancellable employment agreements with some of its key employees which provide for minimum annual salaries based on sales volume. However, in 1997 the Company terminated several of these contracts. As a result of the terminations, the Company incurred approximately $499,000 in severance of which $145,000 was accrued at December 31, 1997. In December 1997, the Company entered into a purchase commitment with a supplier to purchase approximately $2.6 million worth of raw materials over the next twelve months.

12. STOCK SPLIT

On May 14, 1997, the Board of Directors declared a 1,000-for-1 stock split of the Company's common stock. The Board also approved a change in the stated par value of common shares from $.01 per share to $.0001 per share, and increased the number of authorized shares to 100,000,000. All share and per share data have been retroactively adjusted for this split.

13. LITIGATION

In 1995, the Company entered into a settlement and mutual release agreement related to the termination of a former employee. Under the terms of the agreement, the Company agreed to pay the former employee $83,000 in cash and issued a $97,600 promissory note (note 5). In 1996, the Company paid an additional $59,000 to the former employee related to this lawsuit. The settlement is recorded in other (income) expense, net in the accompanying financial statements.

The Company has pending claims incurred in the normal course of business which, in the opinion of management, can be settled without material effect on the accompanying financial statements.

14. EARNINGS PER SHARE

The following data show the amounts used in computing earnings per share and the effect on the weighted average number of shares of dilutive common stock. The number of shares used in the calculations for 1995 and 1996 reflect the 1,000-for-1 stock split on April 15, 1997.

	1995	1996	1997
Net income available to common shareholders	$ 2,439,466	$ 7,323,809	$ 10,798,904
Weighted average number of shares in basic EPS	20,626,971	20,626,971	21,448,551
Effect of dilutive securities:			
Stock options	-	-	770,018
Stock warrants	-	-	181,815
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	20,626,971	20,626,971	22,400,383

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THE OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR BY ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY TO ANY PERSON OR BY ANYONE IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

TABLE OF CONTENTS

UNTIL , 1998 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK OFFERED HEREBY, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

8,000,000 SHARES

[LOGO]

COMMON STOCK

PROSPECTUS

Adams, Harkness & Hill, Inc.

NationsBanc Montgomery Securities LLC

Piper Jaffray Inc.

, 1998

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The estimated expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions are set forth in the following table. Each amount, except for the SEC and NASD fees, is estimated.

SEC registration fees	$ 32,568
NASD filing fees	11,540
Nasdaq National Market application and listing fees	40,500
Transfer agents' and registrar's fees and expenses	12,000
Printing and engraving expenses	200,000
Legal fees and expenses	400,000
Accounting fees and expenses	300,000
Blue sky fees and expenses	11,800
Miscellaneous	91,592
Total	$ 1,100,000

The Company intends to pay all expenses of registration, issuance and distribution, excluding underwriters' discounts and commissions, with respect to the shares being sold by the Selling Shareholders.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company, a Texas corporation, is empowered by Article 2.02-1 of the Texas Business Corporation Act (the "TBCA"), subject to the procedures and limitations stated therein, to indemnify certain persons, including any person who was, is or is threatened to be made a named defendant or respondent in a threatened, pending, or completed action, suit or proceeding because the person is or was a director or officer, against judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including court costs and attorneys' fees) actually incurred by the person in connection with the threatened, pending, or completed action, suit or proceeding. The Company is required by Article 2.02-1 to indemnify a director or officer against reasonable expenses (including court costs and attorneys' fees) incurred by him in connection with a threatened, pending, or completed action, suit or proceeding in which he is a named defendant or respondent because he is or was a director or officer if he has been wholly successful, on the merits or otherwise, in the defense of the action, suit or proceeding. Article 2.02-1 provides that indemnification pursuant to its provisions is not exclusive of other rights of indemnification to which a person may be entitled under the corporation's articles of incorporation or any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise. The Amended and Restated Bylaws of the Company provide for indemnification by the Company of its directors and officers to the fullest extent permitted by the TBCA. In addition, the Company has, pursuant to Article 1302-7.06 of the Texas Miscellaneous Corporation Laws Act, provided in its Articles that a director of the Company shall not be liable to the Company or its shareholders for monetary damages for an act or omission in a director's capacity as director of the Company.

Furthermore, the Company has entered into individual indemnification agreements with each director of the Company that contractually obligate the Company to provide to the directors indemnification for liabilities they may incur in the performance of their duties and insurance or self-insurance in lieu

thereof. The form of such indemnification agreements with a schedule of director signatories is filed as Exhibit 10.11 hereto.

The Underwriting Agreement among the Company and the Underwriters provides for the indemnification by the Underwriters of the Company, certain of its officers and any controlling person against any liabilities and expenses incurred by any of them in certain stated proceedings and under certain stated conditions.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

The following sets forth information regarding all sales of unregistered securities of the Company during the past three years. All such shares were issued in reliance upon an exemption from registration under the Securities Act by reason of Section 4(2) or 3(b) of the Securities Act and/or the rules and regulations promulgated thereunder. In connection with each of these transactions, the shares were sold to a very limited number of persons and such persons were provided access either through employment or other relationships to all relevant information regarding the Company and/or represented to the Company that they were "sophisticated" investors. No underwriters were involved in the sales of securities set forth below. Appropriate legends are affixed to the certificates evidencing such shares and such persons represented to the Company that the shares were purchased for investment purposes only and with no view toward distribution. All of the securities described below are deemed restricted securities for purposes of the Securities Act.

1. Issuance of an aggregate of 10,000,000 shares of Common Stock on June 1, 1997 in exchange for (i) all the outstanding common stock of each of Eight Point Services, Inc., Triple Gold Business, Inc., Five Small Fry, Inc. and Beta Nutrient Technology, Inc., held by the individuals listed below, and (ii) all of the limited partnership interests in Dynamic Eight Partners, Ltd., Power Three Partners, Ltd., Beta M. Partners, Ltd. and Eleven Point Partners, Ltd. held by the individuals listed below.

NAME	NUMBER OF SHARES
Samuel L. Caster	3,094,946
William C. Fioretti	3,094,946
Charles E. Fioretti	2,867,284
Patrick D. Cobb	235,706
Dick R. Hankins	235,706
Don W. Herndon	235,706
Gary L. Watson	235,706

2. Issuance of an aggregate of 2,027,571 shares of Common Stock to the individuals set forth below on June 1, 1997 in exchange for the cancellation of certain incentive compensation agreements.

NAME	NUMBER OF SHARES
Ray Robbins	607,333
H. Reginald McDaniel	546,600
Bill H. McAnalley, Ph.D	303,667
Peter E. Hammer	228,206
Charles E. Fioretti	227,662
Kim Snyder	114,103

3. Issuance of 74,167 shares of Common Stock on March 3, 1998 to Richard Howard in exchange for the cancellation of his incentive compensation agreement.

4. The Company has granted a warrant to purchase 475,015 shares of Common Stock at a price of $1.35 per share.

5. The Company has granted options to purchase an aggregate of 1,700,000 shares of Common Stock at a weighted average exercise price of $1.48.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) EXHIBITS

EXHIBIT NO.	EXHIBITS
1.1	Form of Underwriting Agreement.*
3.1	Amended and Restated Articles of Incorporation of the Company.*
3.2	Amended and Restated Bylaws of the Company.+
3.3	Amendment to the Bylaws of the Company.*
4.1	Specimen Certificate.*
4.2	Warrant dated May 1, 1997 issued to Christopher A. Marlett.+
5	Opinion and Consent of Akin, Gump, Strauss, Hauer & Feld, L.L.P.*
10.1	1997 Stock Option Plan dated May 20, 1997.+
10.2	1998 Incentive Stock Option Plan dated April 8, 1998.+
10.3	Agreement and Plan of Merger dated as of June 1, 1997 among the Company and Eight Point Services, Inc., Triple Gold Business, Inc., Five Small Fry, Inc., and Beta Nutrient Technology, Inc.+
10.4	Exchange Agreement dated June 1, 1997 among the Company and the limited partners of Power Three Partners, Ltd., Eleven Point Partners, Ltd. and Beta M. Partners, Ltd.+
10.5	Plan and Agreement of Reorganization dated June 1, 1997 by and among the Company, Dynamic Eight Partners, Ltd., Power Three Partners, Ltd., Eleven Point Partners, Ltd. and Beta M. Partners, Ltd. and the general and limited partners of the partnerships.+
10.6	Exchange Agreement by and among Gary Watson, Patrick Cobb, Samuel Caster, Charles Fioretti and William Fioretti and the Company dated August 31, 1997.+
10.7	Option Agreement dated July 1, 1997 with Multi-Venture Partners, Ltd.*
10.8	Form of Indemnification Agreement with a schedule of director signatures.+
10.9	Secured Promissory Note dated December 31, 1997 in the amount of $162,051.90 made by Bill McAnalley.+
10.10	Secured Promissory Note dated December 31, 1997 in the amount of $121,782.14 made by Peter E. Hammer.+
10.11	Master Lease Agreement dated December 23, 1997 by and between Banc One Leasing Corporation and the Company.+
10.12	Letter of Understanding Regarding Development of Proprietary Information for the Company effective as of August 1, 1997, as amended, by and between Bill H. McAnalley, Ph.D. and the Company.+
10.13	Commercial Lease Agreement dated November 7, 1996 between MEPC Quorum Properties II Inc. and the Company, as amended by the First Amendment thereto dated May 29, 1997 and the Second Amendment thereto dated November 13, 1997.+
10.14	Commercial Lease Agreement dated May 29, 1997 between MEPC Quorum Properties II Inc. and the Company, as amended by the First Amendment thereto dated November 6, 1997.+

EXHIBIT NO.	EXHIBITS
10.15	Assignment of Patent Rights dated October 30, 1997 by and among Bill H. McAnalley, H. Reginald McDaniel, D. Eric Moore, Eileen P. Vennum and William C. Fioretti and the Company.+
10.16	Supply Agreement effective as of March 31, 1995 by and between the Company and Caraloe, Inc.+
10.17	Supply Agreement effective as of August 14, 1997 by and between the Company and Caraloe, Inc.+
10.18	Trademark License Agreement effective as of March 31, 1995 by and between the Company and Caraloe, Inc.+
10.19	Trademark License Agreement effective as of August 14, 1997 by and between the Company and Caraloe, Inc.+
10.20	Letter of Agreement from the Company to Michael L. Finney of LAREX, Incorporated dated December 23, 1997.+
10.21	Product Development and Distribution Agreement effective as of September 15, 1997 between New Era Nutrition Inc. and the Company.+
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10.23	Summary of Management Bonus Plan.+
10.24	Promissory Note dated August 31, 1997 in the amount of $45,907.40 made by Patrick D. Cobb.+
10.25	Promissory Note dated August 31, 1997 in the amount of $275,444.42 made by Samuel L. Caster.+
10.26	Promissory Note dated August 31, 1997 in the amount of $275,444.42 made by Charles E. Fioretti.+
10.27	Individual Guaranty of Samuel L. Caster dated January 5, 1998.+
10.28	Individual Guaranty of Charles E. Fioretti dated January 5, 1998.+
16	Letter of Belew Averitt LLP, former accountants to the Company.*
23.1	Consent of Price Waterhouse LLP.*
23.2	Consent of Belew Averitt LLP.*
23.3	Consent of Akin, Gump, Strauss, Hauer & Feld, L.L.P. (included in its opinion filed as Exhibit 5 to this Registration Statement).
24	Power of Attorney (included on signature page of this Registration Statement).+

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* Filed herewith

** To be filed by amendment

\+ Previously filed

(B) FINANCIAL STATEMENT SCHEDULES

None.

Schedules not listed above have been omitted because they are not required, are not applicable, or the information is included in the Financial Statements or Notes thereto.

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the registrant pursuant to Item 14 herein, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of the registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 1 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dallas, State of Texas on May 20, 1998.

MANNATECH, INCORPORATED

By: /s/ SAMUEL L. CASTER
Samuel L. Caster
PRESIDENT

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to Registration Statement has been signed below by the following persons in the capacities and as of the dates indicated.

SIGNATURE	TITLE	DATE
* Charles E. Fioretti	Chairman of the Board and Chief Executive Officer (principal executive officer)	May 20, 1998
/s/ SAMUEL L. CASTER Samuel L. Caster	President and Director	May 20, 1998
/s/ PATRICK D. COBB Patrick D. Cobb	Vice President, Chief Financial Officer and Director (principal accounting and financial officer)	May 20, 1998
* Chris T. Sullivan	Director	May 20, 1998
* Steven A. Barker	Director	May 20, 1998

*By: /s/ SAMUEL L. CASTER
Samuel L. Caster
ATTORNEY-IN-FACT

INDEX TO EXHIBITS

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* Filed herewith

** To be filed by amendment

\+ Previously filed

MANNATECH, INCORPORATED

9,200,000 Shares (1)
Common Stock
(par value $.0001 per share)

Underwriting Agreement

, 1998

Adams, Harkness & Hill, Inc.
NationsBanc Montgomery Securities LLC
Piper Jaffray Inc.
As representatives of the several
Underwriters named in Schedule I hereto,
c/o Adams, Harkness & Hill, Inc.
60 State Street
Boston, Massachusetts 02109

Dear Sirs:

Mannatech, Incorporated, a Texas corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to you and the several Underwriters named in Schedule I hereto (collectively, the "Underwriters"), for whom you are acting as representatives (the "Representatives"), an aggregate of 6,000,000 shares (the "Company Firm Shares") and, at the election of the Underwriters, up to 900,000 additional shares (the "Company Optional Shares") of common stock of the Company, $.0001 par value per share ("Common Stock"), and the Selling Shareholders named in Schedule II hereto (the "Selling Shareholders"), propose, subject to the terms and conditions stated herein, to sell to the Underwriters an aggregate of 2,000,000 shares (the "Selling Shareholder Firm Shares", and together with the Company Firm Shares, the "Firm Shares") and at the election of the

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(1) Includes 1,200,000 shares subject to an option to purchase additional shares to cover over-allotments.

Underwriters, up to an additional 300,000 shares (the "Selling Shareholder Optional Shares", and together with the Company Optional Shares, the "Optional Shares") of Common Stock. The Firm Shares and the Optional Shares which the Underwriters elect to purchase pursuant to Section 3 hereof are herein collectively called the "Shares".

As part of the offering contemplated by this Agreement, the Underwriters have agreed to reserve out of the Shares set forth on Schedule I to this Agreement, up to 600,000 shares, for sale to the Company's employees, officers, directors and certain other parties associated with the Company (collectively, "Participants"), as set forth in the Prospectus under the heading "Underwriting" (the "Directed Share Program"). The Shares to be sold by the Underwriters pursuant to the Directed Share Program (the "Directed Shares") will be sold by the Underwriters pursuant to this Agreement at the public offering price. Any Directed Shares not orally confirmed for purchase by any Participants will be offered to the public by the Underwriters as set forth in the Prospectus.

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) A registration statement on Form S-1 (File No. 333-49851) (the "Initial Registration Statement") in respect of the Shares has been filed with the Securities and Exchange Commission (the "Commission"); the Initial Registration Statement, including any pre-effective amendments thereto and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto, to you for each of the other Underwriters, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Act"), which became effective upon filing, no other document with respect to the Initial Registration Statement has heretofore been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose has been initiated or, to the Company's knowledge, threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement and incorporated by reference in the Rule 462(b) Registration Statement, if any, or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act is hereinafter called a "Preliminary Prospectus"; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in

accordance with Section 6(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective or the Rule 462(b) Registration Statement, if any, at the time it became effective, each as amended at the time such part of such registration statement became effective, are hereinafter collectively called the "Registration Statement"; and such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, is hereinafter called the "Prospectus");

(b) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through you expressly for use therein. The Company acknowledges that the statements set forth in the last paragraph of the cover page, in the paragraph beneath the graphics on page 2 and under the heading "Underwriting" in the Prospectus constitute the only information relating to any Underwriter furnished in writing to the Company by the Representatives specifically for inclusion in the Registration Statement;

(c) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through you expressly for use therein;

(d) There are no contracts or other documents required to be described in the Registration Statement or to be filed as exhibits to the Registration Statement by the Act or by the rules and regulations thereunder which have not been described or filed as required; the contracts so described in the Prospectus to which

the Company is a party have been duly authorized, executed and delivered by the Company, constitute valid and binding agreements of the Company and are enforceable against and by the Company in accordance with their respective terms, and, to the extent any party has any remaining or future obligation thereunder or otherwise remains bound thereby, are in full force and effect on the date hereof; and neither the Company nor, to the best of the Company's knowledge, any other party is in breach of or default under any of such contracts, except to the extent that such breach or default would not have a material adverse effect on the business, assets, management, financial position, shareholders' equity or results of operations of the Company;

(e) The Company has not sustained since the date of the latest audited financial statements included in the Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any change in the capital stock or long-term debt of the Company or any material adverse change, or any development involving a prospective material adverse change, in or affecting the business, assets, management, financial position, shareholders' equity or results of operations of the Company, otherwise than as set forth or contemplated in the Prospectus;

(f) The Company has good and indefeasible title in fee simple to all real property and good and indefeasible title to all other properties and assets described in the Prospectus as owned by it, in each case free and clear of all liens, charges, encumbrances or restrictions, except such as are described in the Prospectus or which are not material to the business of the Company; any real property and buildings held under lease by the Company are held by it under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company; the Company owns or leases all such properties as are necessary to its operations as now conducted or as proposed to be conducted, except where the failure to so own or lease would not result in a material adverse change in or affecting the business, assets, management, financial position, shareholders' equity or results of operations of the Company;

(g) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of organization, with full corporate power and authority to own its properties and conduct its business as described in the Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of

each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction;

(h) The Company has an authorized capitalization as set forth in the Prospectus, and all the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and conform to the description of the Common Stock contained in the Prospectus; the Company does not have any subsidiaries; except as disclosed in or contemplated by the Prospectus and the financial statements of the Company, and the related notes thereto, included in the Prospectus, the Company does not have outstanding any options to purchase, or any preemptive rights or other rights to subscribe for or to purchase any securities or obligations convertible into, or any contracts or commitments to issue or sell, shares of its capital stock or any such options, rights, convertible securities or obligations; and the description of the Company's stock option and stock purchase plans and the options or other rights granted and exercised thereunder set forth in the Prospectus accurately and fairly presents in all material respects the information required to be shown with respect to such plans, options and rights;

(i) The unissued Shares to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform to the description of the Common Stock contained in the Prospectus; no preemptive rights or other rights to subscribe for or purchase exist with respect to the issuance and sale of the Shares by the Company pursuant to this Agreement; no shareholder of the Company has any right which has not been waived or satisfied to require the Company to register the sale of any shares of capital stock owned by such shareholder under the Act in the public offering contemplated by this Agreement (except with respect to the Shares to be sold by the Selling Shareholders pursuant to this Agreement); and no further approval or authority of the shareholders or the Board of Directors of the Company will be required for the issuance and sale of the Shares to be sold by the Company as contemplated herein;

(j) The Company has full corporate power and authority to enter into this Agreement; this Agreement has been duly authorized, executed and delivered by the Company, constitutes a valid and binding obligation of the Company and is enforceable against the Company in accordance with its terms;

(k) The issue and sale of the Shares by the Company and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions herein contemplated will not conflict with or result

in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property or assets of the Company is subject, nor will such action result in any violation of the provisions of the Articles of Incorporation or By-laws of the Company or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its properties, except for any such breach, violation or default that would not result in a material adverse effect in the business, assets, management, financial position, shareholders' equity or results of operations of the Company; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except the registration under the Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as may be required under state or foreign securities or Blue Sky laws or the by-laws and rules of the National Association of Securities Dealers, Inc. (the "NASD") in connection with the purchase and distribution of the Shares by the Underwriters;

(l) Except as described in the Prospectus, there are no legal or governmental actions, suits or proceedings pending or, to the best of the Company's knowledge, threatened to which the Company is or may be a party or of which property owned or leased by the Company is or may be the subject, or related to environmental or discrimination matters, which actions, suits or proceedings, might, individually or in the aggregate, prevent or adversely affect the transactions contemplated by this Agreement or result in a material adverse change in or affecting the business, assets, management, financial position, shareholders' equity or results of operations of the Company; no labor disturbance by the employees of the Company exists or, to the knowledge of the Company, is imminent which could be reasonably likely to have a material adverse effect on such business, assets, management, financial position, shareholders' equity or results of operations; and the Company is not a party or subject to the provisions of any material injunction, judgment, decree or order of any court, regulatory body, administrative agency or other governmental body;

(m) The Company possesses all licenses, certificates, authorizations or permits issued by the appropriate governmental or regulatory agencies or authorities that are necessary to enable it to own, lease and operate its properties and to carry on its business as presently conducted and which are material to the Company, and the Company has not received any notice of proceedings relating to the revocation or modification of any such license, certificate, authority or permit which, singly or in the aggregate, would reasonably be expected to materially and adversely affect the

business, assets, management, financial position, shareholders' equity or results of operations of the Company;

(n) Each of Price Waterhouse LLP and Belew Averitt LLP, who have certified certain financial statements of the Company, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder;

(o) The financial statements and schedules of the Company, and the related notes thereto, included in the Registration Statement and the Prospectus present fairly in all material respects the financial position of the Company on the basis stated as of the respective dates of such financial statements and schedules, and the results of operations and cash flows of the Company for the respective periods covered thereby; such statements, schedules and related notes have been prepared in accordance with generally accepted accounting principles applied on a consistent basis as certified by the independent public accountants named in paragraph (n) above; no other financial statements or schedules are required to be included in the Registration Statement; and the selected financial data set forth in the Prospectus under the captions "Capitalization" and "Selected Financial Data" fairly present in all material respects the information set forth therein on the basis stated in the Registration Statement;

(p) Except as disclosed in or specifically contemplated by the Prospectus, the Company has sufficient trademarks, trade names, patent rights, copyrights, licenses, approvals and governmental authorizations to conduct its business as now conducted; the Company has no knowledge of any material infringement by the Company of trademark, trade name rights, patent rights, copyrights, licenses, trade secret or other similar rights of others; and, to the knowledge of the Company, there is no claim being made against the Company regarding trademark, trade name, patent, copyright, license, trade secret or other infringement which is reasonably likely to have a material adverse effect on the business, assets, management, financial position, shareholders' equity or results of operations of the Company;

(q) The Company has filed all necessary federal, state and foreign income and franchise tax returns and have paid all taxes shown as due thereon; and the Company has no knowledge of any tax deficiency which has been or might be asserted or threatened against the Company which is reasonably likely to materially and adversely affect the business, assets, management, financial position, shareholders' equity or results of operation of the Company;

(r) The Company is not an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended (the "Investment Company Act");

(s) The Company maintains insurance of the types and in the amounts which it deems adequate for its business, including, but not limited to, insurance covering real and personal property owned or leased by the Company against theft, damage, destruction, acts of vandalism and all other risks customarily insured against, all of which insurance is in full force and effect;

(t) The Company has not at any time during the last five years (i) made any unlawful contribution to any candidate for foreign office, or failed to disclose fully any contribution in violation of law, or (ii) made any payment to any foreign, federal or state governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States or any jurisdiction thereof;

(u) The Company has not taken and will not take, directly or indirectly through any of its directors, officers or controlling persons, any action which is designed to, or which has constituted or which might reasonably be expected to, cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(v) The Company has filed a registration statement pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to register the Common Stock, has filed an application to list the Common Stock on the Nasdaq National Market and has received notification that the listing has been approved, subject to notice of issuance of the Shares; and

(w) The Company is conducting its business in compliance with all the laws, rules and regulations of the jurisdictions in which it is conducting business, including, without limitation, those of the United States Federal Trade Commission, except where the failure to so comply would not materially and adversely affect the business, assets, management, financial position, shareholders' equity or results of operations of the Company.

Furthermore, the Company represents and warrants to the Underwriters that the Registration Statement, the Prospectus and any Preliminary Prospectus comply, and any further amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the Prospectus or any

Preliminary Prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program.

The Company has not offered, or caused the Underwriters to offer, Shares to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company, or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

2. REPRESENTATIONS OF THE SELLING SHAREHOLDERS. Each of the Selling Shareholders, severally and not jointly, represents and warrants to, and agrees with, each of the Underwriters that:

(a) All consents, approvals, authorizations and orders necessary for the execution and delivery by such Selling Shareholder of this Agreement, the Power of Attorney and Custody Agreement (the "Custody Agreement") hereinafter referred to, and for the sale and delivery of the Shares to be sold by such Selling Shareholder hereunder, have been obtained; and such Selling Shareholder has the requisite power and authority to enter into this Agreement and the Custody Agreement and to sell, assign, transfer and deliver the Shares to be sold by such Selling Shareholder hereunder;

(b) This Agreement and the Custody Agreement have each been duly authorized, executed and delivered by such Selling Shareholder and each such document constitutes a valid and binding obligation of such Selling Shareholder, enforceable in accordance with its terms;

(c) No consent, approval, authorization or order of, or any filing or declaration with, any court or governmental agency or body is required in connection with the sale of the Shares by such Selling Shareholder or the consummation by such Selling Shareholder of the transactions on his part contemplated by this Agreement and the Custody Agreement, except such as have been obtained under the Act or the rules and regulations thereunder and such as may be required under state or foreign securities or Blue Sky laws or the by-laws and rules of the NASD in connection with the purchase and distribution by the Underwriters of the Shares;

(d) The sale of the Shares to be sold by such Selling Shareholder hereunder and the performance by such Selling Shareholder of this Agreement and the Custody Agreement and the consummation of the transactions contemplated hereby and thereby will not result in a breach or violation of any of the terms or provisions of, or constitute a default under, or give any party a right to terminate any

of its obligations under, or result in the acceleration of any obligation under, any material indenture, mortgage, deed of trust, voting trust agreement, loan agreement, bond, debenture, note agreement or other evidence of indebtedness, lease, contract or other agreement or instrument to which the Selling Shareholder is a party or by which such Selling Shareholder or any of his or its properties is bound or affected, or violate or conflict with the Certificate of Incorporation or By-laws of such Selling Shareholder if such Selling Shareholder is a corporation, the Articles of Partnership of such Selling Shareholder if such Selling Shareholder is a partnership or any judgment, ruling, decree, order, statute, rule or regulation of any court or other governmental agency or body applicable to such Selling Shareholder;

(e) Such Selling Shareholder has, and at the Closing Date will have, good and valid title to the Shares to be sold by such Selling Shareholder hereunder, free and clear of any claim, lien, encumbrance, security interest, equity right, community property right, restriction on transfer or other defect in title, other than pursuant to this Agreement; and, upon delivery of such Shares and payment therefor pursuant hereto, good and valid title to such Shares, free and clear of any claim, lien, encumbrance, security interest, equity right, community property right, restriction on transfer or other defect in title will pass to each of the several Underwriters who have purchased such Shares in good faith and without notice of any such claim, lien, encumbrance, security interest, equity right, community property right, restriction on transfer or other defect in title or any other adverse claim within the meaning of the Uniform Commercial Code;

(f) Such Selling Shareholder will not, directly or indirectly, offer, sell or otherwise dispose of any shares of Common Stock within 180 days after the date of the Prospectus otherwise than hereunder or with your written consent;

(g) Such Selling Shareholder has not taken and will not at any time take, directly or indirectly, any action designed, or which might reasonably be expected, to cause or result in, or which will constitute, stabilization of the price of shares of Common Stock to facilitate the sale or resale of any of the Shares;

(h) To the extent that any statements or omissions made in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto are made in reliance upon and in conformity with written information furnished to the Company by such Selling Shareholder expressly for use therein, such Preliminary Prospectus and the Registration Statement did, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will, when they become effective or are filed with the Commission, as the case may be, conform in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and not

contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(i) Such Selling Shareholder has reviewed the Registration Statement and Prospectus and, although such Selling Shareholder has not independently verified the accuracy or completeness of all the information contained therein, nothing has come to the attention of such Selling Shareholder that would lead such Selling Shareholder to believe that on the Effective Date, the Registration Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and, on the Effective Date the Prospectus contained and, at each Time of Delivery, contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 with respect to the transactions herein contemplated, each of the Selling Shareholders agrees to deliver to you prior to or at the Closing Date a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof).

Each of the Selling Shareholders represents and warrants that a certificate in negotiable form representing all of the Shares to be sold by such Selling Shareholder has been placed in custody under the Custody Agreement, in the form heretofore furnished to you, duly executed and delivered by such Selling Shareholder to the Custodian (as defined in the Custody Agreement), and that such Selling Shareholder has duly executed and delivered a power of attorney, in the form contained in the Custody Agreement (the "Power of Attorney"), appointing William C. Fioretti and Deanne Varner, and each of them, as such Selling Shareholder's attorney-in-fact (the "Attorney-in-Fact") with authority to execute and deliver this Agreement on behalf of such Selling Shareholder, to determine (subject to the provisions of the Custody Agreement) the purchase price to be paid by the Underwriters to such Selling Shareholder as provided in Section 3 hereof, to authorize the delivery of the Shares to be sold by such Selling Shareholder hereunder and otherwise to act on behalf of the Selling Shareholder in connection with the transactions contemplated by this Agreement and the Custody Agreement.

Each of the Selling Shareholders specifically agrees that the Shares represented by the certificates held in custody for such Selling Shareholder under the Custody Agreement are subject to the interests of the Underwriters hereunder, and that the

arrangements made by such Selling Shareholder for such custody, and the appointment by such Selling Shareholder of the Attorneys-in-Fact by the Power of Attorney, are to that extent irrevocable. Each of the Selling Shareholders specifically agrees that the obligations of such Selling Shareholder hereunder shall not be terminated by operation of law, whether by the death or incapacity of such Selling Shareholder or, in the case of an estate or trust, by the death or incapacity of any executor or trustee or the termination of such estate or trust, or in the case of a partnership or corporation, by the dissolution of such partnership or corporation, or by the occurrence of any other event. If such Selling Shareholder or any such executor or trustee should die or become incapacitated, or if any such estate or trust should be dissolved, of if such corporation or partnership should be dissolved, or if any other such event should occur, before the delivery of the Shares hereunder, certificates representing the Shares to be sold by such Selling Shareholder shall be delivered by or on behalf of such Selling Shareholder in accordance with the terms and conditions of this Agreement and of the Custody Agreement, and actions taken by the Attorneys-in-Fact pursuant to the Powers of Attorney shall be as valid as if such death, incapacity, termination, dissolution or other event had not occurred, regardless of whether or not the Custodian, the Attorneys-in-Fact, or any of them, shall have received notice of such death, incapacity, termination, dissolution or other event.

3. SHARES SUBJECT TO SALE. (a) On the basis of the representations, warranties and agreements of the Company and the Selling Shareholders contained herein, and subject to the terms and conditions of this Agreement, (i) the Company agrees to issue and sell the Company Firm Shares to the several Underwriters, (ii) each of the Selling Shareholders agrees to sell its Selling Shareholder Firm Shares to the several Underwriters, and (iii) each of the Underwriters agrees, severally and not jointly, to purchase from the Company and the Selling Shareholders, at a purchase price per share of $____, the respective number of Firm Shares (to be adjusted by you so as to eliminate fractional shares) determined by multiplying the aggregate number of Firm Shares by a fraction, the numerator of which is the aggregate number of Firm Shares to be purchased by such Underwriter as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the aggregate number of Firm Shares to be purchased by all the Underwriters and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, (i) the Company agrees to issue and sell the Company Optional Shares to the several Underwriters, (ii) each of the Selling Shareholders agree to sell its Selling Shareholder Optional Shares to the several Underwriters, and (iii) each of the Underwriters agrees, severally and not jointly, to purchase from the Company and the Selling Shareholders, at the purchase price per share set forth in clause (a) of this Section 3, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so

as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of the Optional Shares which all of the Underwriters are entitled to purchase hereunder.

The Company and the Selling Shareholders, as and to the extent indicated in Schedule II hereto, each hereby grant, severally and not jointly, to the Underwriters the right to purchase at their election up to 900,000 Company Optional Shares and 300,000 Selling Shareholder Optional Shares, respectively, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering over-allotments in the sale of the Firm Shares. Any such election to purchase Optional Shares shall be made in proportion to the maximum number of Optional Shares to be sold by the Company and each of the Selling Shareholders. Any such election to purchase Optional Shares may be exercised by written notice from you to the Company and the Selling Shareholders, given within a period of 30 calendar days after the date of this Agreement and setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 5 hereof) or, unless you, the Company and the Selling Shareholders otherwise agree in writing, earlier than two or later than three business days after the date of such notice.

4. OFFERING. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus.

5. CLOSING. Certificates in definitive form for the Shares to be purchased by each Underwriter hereunder, and in such denominations and registered in such names as Adams, Harkness & Hill, Inc. may request upon at least forty-eight hours' prior notice to the Company and the Attorneys-in-Fact, shall be delivered by or on behalf of the Company and each of the Selling Shareholders to you for the account of such Underwriter, against payment by such Underwriter or on its behalf of the purchase price therefor by wire transfer of same day funds all at the office of Adams, Harkness & Hill, Inc., 60 State Street, Boston, Massachusetts 02109. The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., Boston time, on _____, 1998 or such other time and date as you and the Company may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., Boston time, on the date specified by you in the written notice given by you of the Underwriters' election to purchase such Optional Shares, or at such other time and date as you and the Company may agree upon in writing. Such time and

date for delivery of the Firm Shares is herein called the "First Time of Delivery," such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery," and each such time and date for delivery is herein called a "Time of Delivery." Such certificates will be made available for checking and packaging at least twenty four hours prior to each Time of Delivery at such location as you may specify.

6. COVENANTS OF THE COMPANY. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act not later than Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or Prospectus which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when the Registration Statement, or any amendment thereto, has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish you copies thereof; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or Prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus or suspending any such qualification, to use promptly reasonable efforts to obtain its withdrawal;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) To furnish the Underwriters with copies of the Prospectus in such quantities as you may from time to time reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the

time of issuance of the Prospectus in connection with the offering or sale of the Shares and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus in order to comply with the Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than fifteen months after the effective date of the Registration Statement (as defined in Rule 158(c)), an earning statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including at the option of the Company Rule 158);

(e) During the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus, not to offer, sell, contract to sell or otherwise dispose of any securities of the Company which are substantially similar to the Shares, without your prior written consent other than (i) the sale of the Shares to be sold by the Company hereunder and (ii) the Company's issuance of shares and the award of options under its stock plans in amounts not in excess of the amount shown as available for grant in the Prospectus;

(f) During a period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus, not to grant options to purchase shares of Common Stock at a price less than the initial public offering price;

(g) To furnish to its shareholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, shareholders' equity and cash flow of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable

after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to furnish or make available to its shareholders (within the meaning of Rule 158(b) under the Act) consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail;

(h) During a period of five years from the effective date of the Registration Statement, to furnish to you copies of all reports or other communications (financial or other) furnished to shareholders generally, and deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission, the Nasdaq National Market or any national securities exchange on which any class of securities of the Company is listed; and (ii) such additional information concerning the business and financial condition of the Company as you may from time to time reasonably request (such financial statements to be on a combined or consolidated basis to the extent the accounts of the Company and its subsidiaries are combined or consolidated in reports furnished to its shareholders generally or to the Commission);

(i) To use the net proceeds acquired by it from the sale of the Shares in the manner specified in the Prospectus under the caption "Use of Proceeds" and in a manner such that the Company will not become an "investment company" as that term is defined in the Investment Company Act;

(j) Not to file with the Commission any registration statement on Form S-8 relating to shares of its Common Stock prior to 180 days after the effective date of the Registration Statement;

(k) Except as described in the Prospectus, not to accelerate the vesting of any option issued under any stock option plan such that any such option may be exercised within 180 days from the date of the Prospectus;

(l) That in connection with the Directed Share Program, the Company will comply with reasonable instructions from the Underwriters to ensure that the Directed Shares will be restricted to the extent required by the NASD or the NASD rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of the effectiveness of the Registration Statement. The Underwriters will notify the Company as to which Participants will need to be so restricted. At the request of the Underwriters, the Company will direct the transfer agent to place stop transfer restrictions upon such securities for such period of time; and

(m) To pay all fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program.

Furthermore, the Company covenants with the Underwriters that the Company will comply with all applicable securities and other applicable laws, rules and regulations in each foreign jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

7. COVENANTS OF THE SELLING SHAREHOLDERS. Each of the Selling Shareholders agree to pay or cause to be paid all taxes, if any, on the transfer and sale of the Shares to be sold by such Selling Shareholder hereunder and the fees and expenses, if any, of counsel and accountants retained by such Selling Shareholder. The Company agrees with such Selling Shareholders to pay all costs and expenses incident to the performance of the obligations of the Selling Shareholders under this Agreement (except as set forth above), including, but not limited to, all expenses incident to the delivery of the certificates for the Shares to be sold by the Selling Shareholders, the costs and expenses incident to the preparation, printing and filing of the Registration Statement (including all exhibits thereto) and the Prospectus and any amendments or supplements thereto, the expenses of qualifying the Shares to be sold by the Selling Shareholders under the state securities or Blue Sky laws, all filing fees and the reasonable fees and expenses of counsel for the Underwriters payable in connection with the review of the offering of the Shares by the NASD, and the cost of furnishing to the Underwriters the required copies of the Registration Statement and Prospectus and any amendments or supplements thereto; PROVIDED that each Selling Shareholder agrees to pay or cause to be paid his or its pro rata share (based on the percentage which the number of Shares sold by such Selling Shareholder bears to the total number of Shares sold) of all underwriting discounts and commissions.

8. EXPENSES. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the Blue Sky Memoranda and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 6(b) hereof, including the reasonable fees and

disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey; (iv) the filing fees and the reasonable fees and expenses of counsel to the Underwriters incident to securing any required review by the NASD of the terms of the sale of the Shares; (v) the cost of preparing stock certificates; (vi) the cost and charges of any transfer agent or registrar; and (vii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, Section 10 and Section 13 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

9. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company and each Selling Shareholder herein are, at and as of such Time of Delivery, true and correct in all material respects, the condition that the Company and each Selling Shareholder shall each have performed all of their respective obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 6(a) hereof; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Hale and Dorr LLP, counsel to the Underwriters, shall have furnished to you such opinion or opinions, dated such Time of Delivery, with respect to this Agreement, the Registration Statement, the Prospectus, and other related matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Akin, Gump, Strauss, Hauer & Feld, L.L.P., counsel to the Company and the Selling Shareholders, shall have furnished to you their written opinion, dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Texas, with corporate power and authority to own its properties and conduct its business as described in the Registration Statement and Prospectus;

(ii) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued and outstanding shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and, to the best of such counsel's knowledge, were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase any securities which have not been waived; the Shares have been duly authorized and when issued and paid for as contemplated by this Agreement will be validly issued, fully paid and non-assessable; and the Shares conform to the description of the Common Stock contained in the Prospectus;

(iii) The Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties, or conducts any business, so as to require such qualification, except where the failure to so qualify in any such jurisdiction would not have a material adverse effect on the Company (such counsel being entitled to rely in respect of the opinion in this clause upon certificates of public officials and in respect of matters of fact upon certificates of officers of the Company, provided that such counsel shall state that they believe that both you and they are justified in relying upon such certificates);

(iv) To the best of such counsel's knowledge and other than as set forth in the Prospectus, there are no legal or governmental proceedings, actions or suits pending or threatened to which the Company is or may be a party or of which property owned or leased by the Company is or may be the subject, or related to environmental or discrimination matters, which actions, suits or proceedings, might reasonably be expected to, individually or in the aggregate, prevent or adversely affect the transactions contemplated by this Agreement or result in a material adverse change in or affecting the business, assets, management, financial position, shareholders' equity or results of operations of the Company; no labor disturbance by the employees of the Company or any of its subsidiaries exists or is imminent which

could be reasonably likely to have a material adverse on such business, assets, management, financial position, shareholders' equity or results of operations; and the Company is not a party or subject to the provisions of any material injunction, judgment, decree or order of any court, regulatory body, administrative agency or governmental body;

(v) The Company has full corporate power and authority to enter into this Agreement and this Agreement has been duly authorized, executed and delivered by the Company;

(vi) The issuance and sale of the Shares being delivered at such Time of Delivery by the Company and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions herein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement or other agreement or instrument known to such counsel to which the Company is a party or to which the Company is bound or to which any of the property or assets of the Company is subject, nor will such action result in any violation of the provisions of the Articles of Incorporation or By-laws of the Company or any statute or any order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over the Company or any of its properties, except for such breach, violation or default that would not result in a material adverse effect on the business, assets, management, financial position, shareholders' equity or results of operations of the Company ("Material Adverse Effect");

(vii) No consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except the registration under the Act of the Shares, and such consents, approval, authorizations, registrations or qualifications as may be required under state or foreign securities or Blue Sky laws or the by-laws and rules of the NASD in connection with the purchase and distribution of the Shares by the Underwriters;

(viii) To the best of such counsel's knowledge, there are no contracts or other documents required to be described in the Registration Statement or to be filed as exhibits to the Registration Statement by the Act or by the rules and regulations thereunder which

have not been described or filed as required; and the Company is not in breach of or default under any such contract, which breach or default would have a Material Adverse Effect;

(ix) The statements under the captions "Risk Factors - Anti-Takeover Matters"; "Risk Factors - Shares Eligible for Future Sale"; "Management - Stock Option Plans"; "Management - 401(k) Plan"; "Description of Capital Stock"; and "Shares Eligible for Future Sale" in the Prospectus, insofar as such statements constitute a summary of documents referred to therein or matters of law, are accurate summaries and fairly and correctly present, in all material respects, the information called for with respect to such documents and matters (provided, however, that such counsel may rely on representations of the Company with respect to the factual matters contained in such statements, and provided further that such counsel shall state that nothing has come to the attention of such counsel which leads them to believe that such representations are not true and correct in all material respects);

(x) The Company is not an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" as defined in the Investment Company Act;

(xi) The Shares have been duly authorized for inclusion on the Nasdaq National Market System, subject to notice of issuance;

(xii) The Registration Statement and the Prospectus and any further amendments and supplements thereto made by the Company prior to such Time of Delivery (other than the financial statements, financial data and related schedules therein and other statistical data, as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Act and the rules and regulations thereunder;

(xiii) To such counsel's knowledge, this Agreement and the Custody Agreement have been duly authorized, executed and delivered by or on behalf of each of the Selling Shareholders; the Custody Agreement is a valid and binding agreement of such Selling Shareholder, enforceable in accordance with its terms; the Custodian has been duly and validly authorized to act as the custodian of the Shares to be sold by each of the Selling Shareholders; to such counsel's knowledge, the performance of this Agreement and the Custody Agreement and the consummation of the transactions therein

contemplated by each of the Selling Shareholders does not conflict with, result in a breach of, or constitute a default under, any indenture, mortgage, deed of trust, voting trust agreement, loan agreement, bond, debenture, note agreement or other evidence of indebtedness, lease, contract or other agreement or instrument to which any Selling Shareholder is a party or by which any Selling Shareholder or any of his or its properties are bound or affected, or violate or conflict with the Certificate of Incorporation or By-laws of any Selling Shareholder which is a corporation, the Articles of Partnership of any Selling Shareholder which is a partnership, any judgment, ruling, decree or order known to such counsel or any statute, rule or regulation of any court or other governmental agency or body applicable to the Selling Shareholder (except that such counsel need express no opinion as to state or foreign securities or Blue Sky laws or as to compliance with the antifraud provisions of federal and state securities laws); and, to such counsel's knowledge, no consent, approval, authorization or order of, or any filing or declaration with, any court or governmental agency or body is required for consummation by any of the Selling Shareholders of the transactions on his or its part contemplated by this Agreement and the Custody Agreement, except such as may be required under state or foreign securities or Blue Sky laws or the by-laws and rules of the NASD in connection with the purchase and distribution by the Underwriters of the Shares (as to which such counsel need express no opinion) and such as have been obtained or made under the Act or the rules and regulations thereunder;

(ii) To such counsel's knowledge, each of the Selling Shareholders has full power and authority to enter into this Agreement and the Custody Agreement and to sell, transfer and deliver the Shares to be sold by such Selling Shareholder; immediately prior to the date hereof, such Selling Shareholder was the sole registered owner of the Shares to be sold by such Selling Shareholder on the date hereof; each Underwriter that is a "bona fide purchaser" within the meaning of Article 8 of the Massachusetts Uniform Commercial Code (the "Code") will acquire, upon payment for the Shares as provided in the Underwriting Agreement's, its interest in the Shares, free of any adverse claim, as defined in the Code.

Such counsel shall also state that they have participated in conferences with officers and other representatives of the Company and representatives of the independent public accountants for the Company and the Underwriters and representatives of legal counsel for the Underwriters, at which conferences the

contents of the Registration Statement and the Prospectus relating to the Company were discussed and, although such counsel is not passing upon and does not assume any responsibility for and shall not be deemed to have independently verified the accuracy, completeness or fairness of the statements contained in the Registration Statement and the Prospectus, on the basis of the foregoing (relying as to matters of fact upon representations of officers and other representatives of the Company), no facts have come to their attention that would lead them to believe that, as of its effective date, the Registration Statement or any further amendment thereto made by the Company prior to such Time of Delivery (other than the financial statements, financial data and related schedules therein or other statistical data, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of its date, the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements, financial data and related schedules therein or other statistical data, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading or that, as of such Time of Delivery, either the Registration Statement or the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements, financial data and related schedules therein or other statistical data, as to which such counsel need express no opinion) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; and they do not know of any amendment to the Registration Statement required to be filed.

Such counsel shall also include a statement in such opinion as to the matters set forth in this paragraph. The Registration Statement has been declared effective under the Act. To the best of such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued by the Commission nor has any proceeding been instituted or contemplated for that purpose under the Act. The Prospectus has been filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations under the Act within the time period required thereby.

(e) King & Spalding, regulatory counsel to the Company, shall have furnished to you their written opinion, dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The statements under the captions "Risk Factors - Government Regulation of Products and Marketing; Import Restrictions"; "Risk

Factors - Government Regulation of Direct Selling Activities"; "Risk Factors - Product Liability"; and "Business - Government Regulation" in the Prospectus, insofar as such statements constitute a summary of documents referred to therein or matters of law, are accurate summaries and fairly and correctly present, in all material respects, the information called for with respect to such documents and matters (provided, however, that such counsel may rely on representations of the Company with respect to the factual matters contained in such statements and provided, further, that such counsel shall state that nothing has come to the attention of such Counsel which leads them to believe that such representations are not true and correct in all material respects); and

(ii) They have no reason to believe that, with respect only to the portions of the Registration Statement and Prospectus set forth in clause (i) of this subsection (e), as of its effective date, the Registration Statement or any further amendment made thereto by the Company prior to such Time of Delivery contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of its date, the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading or that, as of such Time of Delivery, either the Registration Statement or the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery contains an untrue statement of a material fact, or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(f) At 10:00 a.m., Boston time, on the effective date of the Registration Statement and the effective date of the most recently filed post-effective amendment to the Registration Statement and also at each Time of Delivery, Price Waterhouse LLP and Belew Averitt LLP shall each have furnished to you a letter or letters, dated the respective date of delivery thereof, in form and substance satisfactory to you, to the effect set forth in Annex 1 hereto;

(g) (i) The Company has not sustained since the date of the latest audited financial statements included in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus, and (ii) since the respective dates as of which information is given in the Prospectus there shall not have been any change in the capital stock or long-term debt of the Company or any change, or any development involving a prospective change, in or affecting the

business, assets, management, financial position, shareholders' equity or results of operations of the Company, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in your judgment so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(h) On or after the date hereof there shall not have occurred any of the following: (i) additional material governmental restrictions, not in force and effect on the date hereof, shall have been imposed upon trading in securities generally or minimum or maximum prices shall have been generally established on the New York Stock Exchange or on the American Stock Exchange or in the over the counter market by the NASD, or trading in securities generally shall have been suspended on either such Exchange or in the over the counter market by the NASD, or a general banking moratorium shall have been established by federal or New York authorities, (ii) an outbreak of major hostilities or other national or international calamity or any substantial change in political, financial or economic conditions shall have occurred or shall have accelerated or escalated to such an extent, as, in the judgment of the Representatives, to affect adversely the marketability of the Shares, or (iii) there shall be any action, suit or proceeding pending or threatened, or there shall have been any development or prospective development involving particularly the business or properties or securities of the Company or the transactions contemplated by this Agreement, which, in the judgment of the Representatives, may materially and adversely affect the Company's business or earnings and make it impracticable or inadvisable to offer or sell the Shares;

(i) The Shares to be sold by the Company at such Time of Delivery shall have been accepted for quotation, subject to notice of issuance, on the Nasdaq National Market System; and

(j) Each director, executive officer and shareholder holding more than 5% of the Company's capital stock shall have executed and delivered to you agreements in which such holder undertakes, for 180 days after the date of the Prospectus, not to offer, sell, contract to sell or otherwise dispose of any shares of Common Stock, without the prior written consent of the Representatives of the Underwriters; and

(k) The Company and each Selling Shareholder shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company and of each Selling Shareholder, respectively, satisfactory to you, as to the accuracy of the representations and warranties of the Company and each of the Selling Shareholders, respectively, herein at and as of such Time of Delivery, as to the

performance by the Company and each of the Selling Shareholders of all of their obligations hereunder to be performed at or prior to such Time of Delivery, and as to such other matters as you may reasonably request and the Company shall have furnished or caused to be furnished certificates as to the matters set forth in subsections (a) and (g) of this Section, and as to such other matters as you may reasonably request.

10. INDEMNIFICATION AND CONTRIBUTION. (a) The Company and the Selling Shareholders, jointly and severally, will indemnify and hold harmless each Underwriter and each person, if any, who controls such Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter or controlling person may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and will reimburse each Underwriter for any reasonable and documented legal or other expenses incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company and the Selling Shareholders shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through you expressly for use therein; and, provided further, that the liability of each of the Selling Shareholders under the indemnity agreement in this Section 8 shall not exceed the total initial public offering price of the Shares sold by such Selling Shareholder under this Agreement, less underwriters' discounts.

The foregoing indemnity with respect to any untrue statement contained in or omission from a Preliminary Prospectus shall not inure to the benefit of any Underwriter (or any person controlling such Underwriter) from whom the person asserting any such loss, claim, damage, liability or expense purchased any of the Shares which are the subject thereof if the Company or the Selling Shareholders shall sustain the burden of proving that such person was not sent or given a copy of the Prospectus (or the Prospectus as amended or supplemented) at or prior to the written confirmation of the sale of such Shares to such person and the untrue statement

contained in or omission from such Preliminary Prospectus was corrected in the Prospectus (or the Prospectus as amended or supplemented).

The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls such Underwriter against any losses, claims, damages and liabilities (or actions in respect thereof) that arise out of or are based on (i) any untrue statement or alleged untrue statement of a material fact contained in the prospectus wrapper material prepared by or with the consent of the Company for distribution in foreign jurisdictions in connection with the Directed Share Program attached to the Prospectus or any Preliminary Prospectus, or arise out of or are based on any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statement therein, when considered in conjunction with the Prospectus or any applicable Preliminary Prospectus, not misleading; and (ii) caused by the failure of any Participant to pay for and accept delivery of the shares which, immediately following the effectiveness of the Registration Statement, were subject to a properly confirmed agreement to purchase.

(b) Each Underwriter will indemnify and hold harmless the Company and each Selling Shareholder against any losses, claims, damages or liabilities to which the Company, its directors and officers or each Selling Shareholder may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through you expressly for use therein; and will reimburse the Company, its directors and officers and each Selling Shareholder for any reasonable and documented legal or other expenses incurred by the Company, its directors and officers or such Selling Shareholder in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing

of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

Notwithstanding anything contained herein to the contrary, if indemnity may be sought pursuant to subsection (a) above hereof in respect of such action or proceeding, then in addition to such separate firm for the indemnified parties, the indemnifying party shall be liable for the reasonable fees and expenses of not more than one separate firm (in addition to any local counsel) for the Underwriters for the defense of any losses, claims, damages and liabilities arising out of the Directed Share Program, and all persons, if any, who control such Underwriters.

(d) If the indemnification provided for in this Section 10 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the

indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Selling Shareholders on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and the Selling Shareholders, respectively, bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Shareholders on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Shareholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company and the Selling Shareholders under this Section 10 shall be in addition to any liability which the Company and the Selling Shareholders may otherwise have and shall extend, upon the same terms and

conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 10 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the Act.

11. TERMINATION. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company and the Selling Shareholders shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company and the Selling Shareholders that you have so arranged for the purchase of such Shares, or the Company and the Selling Shareholders notify you that they have so arranged for the purchase of such Shares, you or the Company and the Selling Shareholders shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of Shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company and the Selling Shareholders to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter, the Company or any Selling Shareholder, except for the expenses to be borne by the Company and the Underwriters as provided in Section 8 hereof and the indemnity and contribution agreements in Section 10 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

12. SURVIVAL. The respective indemnities, agreements, representations, warranties and other statements of the Company, each Selling Shareholder and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company or any Selling Shareholder, or any officer or director or controlling person of the Company or any Selling Shareholder, and shall survive delivery of and payment for the Shares.

13. EXPENSES OF TERMINATION. If this Agreement shall be terminated pursuant to Section 11 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Section 8 and Section 10 hereof; but, if for any other reason this Agreement is terminated, the Company will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company shall then be under no further liability to any Underwriter in respect of the Shares not so delivered except as provided in Section 8 and Section 10 hereof.

14. NOTICE. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Adams, Harkness & Hill, Inc. on behalf of you as the Representatives; and in dealing with any Selling Shareholder hereunder, you and the Company shall be entitled to act and rely upon any statement, request, notice or

agreement on behalf of such Selling Shareholder made or given by any or all of the Attorneys-in-Fact for such Selling Shareholder.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the Representatives in care of Adams, Harkness & Hill, Inc., 60 State Street, Boston, MA 02109, Attention: Joseph W. Hammer and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: President; and if to any Selling Shareholder shall be delivered or sent by mail, telex or facsimile transmission to the Selling Shareholder at the address of such Selling Shareholder set forth in Schedule II hereto; provided, however, that any notice to an Underwriter pursuant to Section 10(d) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriter's Questionnaire or telex constituting such Questionnaire, which address will be supplied to the Company by you on request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

14. MISCELLANEOUS. (a) This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and the Selling Shareholders and, to the extent provided in Sections 10 and 12 hereof, the officers and directors of the Company and each person who controls the Company, any Selling Shareholder or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

(b) Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

(c) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

(d) This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us six counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall

constitute a binding agreement among each of the Underwriters, the Company and the Selling Shareholders. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Company and the Selling Shareholders for examination, upon request, but without warranty on your part as to the authority of the signors thereof.

Any person executing and delivering this Agreement as Attorney-in-Fact for the Selling Shareholders represents by so doing that he has been duly appointed as Attorney-in-Fact by each Selling Shareholder pursuant to a validly existing and binding Power of Attorney which authorizes such Attorney-in-Fact to take such action.

Very truly yours,

MANNATECH, INCORPORATED

By:

Name:

Title:

SELLING SHAREHOLDERS
(Names in Schedule II to the Agreement)

By:

Name:

Title: Attorney-in-Fact

Accepted as of the date
hereof at Boston, Massachusetts

ADAMS, HARKNESS & HILL, INC.
NATIONSBANC MONTGOMERY SECURITIES LLC
PIPER JAFFRAY INC.

By:

(Adams, Harkness & Hill, Inc.
On behalf of each of
the Underwriters)

SCHEDULE I

	Total Number of Firm Shares to be Purchased	Number of Optional Shares to Purchased if Maximum Option Exercised
Adams, Harkness & Hill, Inc....		
NationsBanc Montgomery Securities LLC.....		
Piper Jaffray Inc.....		
TOTAL.....	8,000,000	1,200,000

SCHEDULE II

	Total Number of Firm Shares to be Sold	Total Number of Optional Shares to be Sold
The Company	6,000,000	900,000
The Selling Shareholders:		
Samuel L. Caster	200,000	
William C. Fioretti	800,000	
Charles E. Fioretti	200,000	
Chris T. Sullivan	80,000	
Patrick D. Cobb	70,000	
H. Reginald McDaniel	35,000	
Christopher A. Marlett	50,000	
Dick Hankins, Jr.	200,000	
Don Herndon	64,000	
Gary Watson	156,000	
Bill H. McAnalley	60,000	
Peter E. Hammer	40,000	
Kim Snyder	25,000	
Kathy Schiffer	20,000	
TOTAL.....	8,000,000	1,200,000

ANNEX I

Pursuant to Section 9(f) of the Underwriting Agreement, Price Waterhouse LLP shall furnish letters to the Underwriters to the effect that:

(i) They are independent certified public accountants with respect to the Company and its subsidiaries within the meaning of the Act and the applicable published rules and regulations thereunder;

(ii) In their opinion, the consolidated financial statements and any supplementary financial information and schedules (and, if applicable, prospective financial statements and/or pro forma financial information) examined by them and included in the Prospectus or the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations thereunder; and, if applicable, they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited consolidated interim financial statements, selected consolidated financial data, pro forma financial information, prospective financial statements and/or condensed financial statements derived from audited consolidated financial statements of the Company for the periods specified in such letter, as indicated in their reports thereon, copies of which have been furnished to the representatives of the Underwriters (the "Representatives");

(iii) The unaudited selected financial information with respect to the consolidated results of operations and financial position of the Company for the five most recent fiscal years included in the Prospectus agrees with the corresponding amounts (after restatements where applicable) in the audited consolidated financial statements for such five fiscal years;

(iv) On the basis of limited procedures, not constituting an examination in accordance with generally accepted auditing standards, consisting of a reading of the unaudited consolidated financial statements and other information referred to below, a reading of the latest available interim consolidated financial statements of the Company and its subsidiaries, inspection of the minute books of the Company and its subsidiaries since the date of the latest audited consolidated financial statements included in the Prospectus, inquiries of officials of the Company and its subsidiaries responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) the unaudited consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules

and regulations thereunder, or are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with the basis for the audited consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus;

(B) any other unaudited consolidated income statement data and consolidated balance sheet items included in the Prospectus do not agree with the corresponding items in the unaudited consolidated financial statements from which such data and items were derived, and any such unaudited data and items were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited consolidated financial statements included in the Prospectus;

(C) the unaudited consolidated financial statements which were not included in the Prospectus but from which were derived any unaudited condensed consolidated financial statements referred to in Clause (A) and any unaudited consolidated income statement data and consolidated balance sheet items included in the Prospectus and referred to in Clause (B) were not determined on a basis substantially consistent with the basis for the audited consolidated financial statements included in the Prospectus;

(D) any unaudited pro forma consolidated condensed financial statements included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements;

(E) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the consolidated capital stock (other than issuances of capital stock upon exercise of options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest financial statements included in the Prospectus) or any increase in the combined long-term debt of the Company and its subsidiaries, or any decreases in combined net current assets or net assets or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(F) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in Clause (E) there were any decreases in consolidated net revenues or operating profit or the total or per share amounts of consolidated net income or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representatives, except in each case for decreases or increases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(v) In addition to the examination referred to in their report(s) included in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraphs (iii) and (iv) above, they have carried out certain specified procedures, not constituting an examination in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the representatives, which are derived from the general accounting records of the Company and its subsidiaries, which appear in the Prospectus, or in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Representatives, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries and have found them to be in agreement.

Pursuant to Section 9(f) of the Underwriting Agreement, Belew Averitt LLP shall furnish letters to the Underwriters with respect to the matters set forth in paragraphs (i), (ii) and (iii).

AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
MANNATECH, INCORPORATED

CHARTER NUMBER 01289187-0

ARTICLE I

Mannatech, Incorporated, pursuant to the provisions of Article 4.07 of the Texas Business Corporation Act, hereby adopts these Restated Articles of Incorporation which accurately copy the Articles of Incorporation and all amendments thereto that are in effect to date and as further amended by such Restated Articles of Incorporation as hereinafter set forth and which contain no other change in any provision thereof.

ARTICLE II

The Articles of Incorporation of the corporation, as previously amended, are further amended by these Restated Articles of Incorporation as follows:

ARTICLE FOUR is amended and restated as set forth in Article V hereof to change the capitalization of the corporation to include 1,000,000 shares of preferred stock, par value $0.01 per share and to allow the board of directors of the corporation to fix the designation, preferences and other rights of any new series of capital stock.

ARTICLE EIGHT is deleted.

ARTICLE ELEVEN is renumbered as ARTICLE TEN and is amended and restated as set forth in Article V hereof to modify the provisions regarding liability of directors of the corporation.

ARTICLE TWELVE is renumbered as ARTICLE ELEVEN.

ARTICLE TWELVE is added as set forth in Article V hereof to provide greater indemnification to directors of the corporation.

ARTICLE THIRTEEN is added as set forth in Article V hereof to allow the directors and officers of the corporation to engage in certain transactions with related parties.

ARTICLE III

Each such amendment made by these Restated Articles of Incorporation has been effected in conformity with the provisions of the Texas Business Corporation Act, and such Restated Articles of Incorporation and each such amendment made by these Restated Articles of Incorporation were duly adopted by written consent of certain shareholders of the corporation on the 14th day of May, 1998.

ARTICLE IV

The number of shares outstanding at the time of such adoption was 22,101,738, and the number of shares entitled to vote on these Restated Articles of Incorporation as so amended was 22,101,738. The holders of 15,767,889 shares (approximately 71.3%) of the common stock of the corporation outstanding and entitled to vote on said amendments have signed a consent in writing pursuant to Article 9.10 of the Texas Business Corporation Act adopting said amendments and any written notice required by Article 9.10 of the Texas Business Corporation Act has been given.

ARTICLE V

The Articles of Incorporation and all amendments and supplements thereto are hereby superseded by the following Restated Articles of Incorporation which accurately copy the entire text thereof and as amended as above set forth:

- ---

ARTICLE ONE

The name of the corporation is MANNATECH, INCORPORATED.

ARTICLE TWO

The period of its duration is perpetual.

ARTICLE THREE

The purpose for which the corporation is organized is the transaction of any or all lawful business for which corporations may be incorporated under the Texas Business Corporation Act.

ARTICLE FOUR

The total number of shares of stock which the corporation shall have authority to issue is One Hundred Million (100,000,000) shares, of which Ninety-Nine Million shares (99,000,000) shall be Common Stock having a par value of $0.0001 per share and One Million shares (1,000,000) shall be Preferred Stock having a par value of $0.01 per share. The board of directors may establish series of unissued shares of any class of capital stock by fixing and determining the designation and preferences, limitations and relative rights, including voting rights, of the shares of any series so established and may increase or decrease the number of shares within each such series; PROVIDED, HOWEVER, that the board of directors may not decrease the number of shares within a series to less than the number of shares within such series that are then issued.

ARTICLE FIVE

The corporation will not commence business until it has received for the issuance of its shares consideration of a value of not less than One Thousand Dollars ($1,000.00), consisting of money, labor done or property actually received.

ARTICLE SIX

The street address of the registered office of the corporation is 106 S. St. Mary's, Suite 800, San Antonio, Texas 78205, and the name of its registered agent at such address is James M. Doyle, Jr.

ARTICLE SEVEN

The number of directors constituting the current Board of Directors shall be five (5), and the number of directors hereafter shall be as fixed in the manner provided in the by-laws of the corporation. The names and addresses of the current Board of Directors are as follows:

Name	Address
Charles E. Fioretti	2510 Beacon Crest Drive, Plano, TX 75093
Samuel L. Caster	818 Timber Ridge, Cedar Hill, TX 75014
Patrick D. Cobb	4712 Lakeside Drive, Colleyville, TX 76034
Steven A. Barker	914 Drehr Ave., Baton Rouge, LA 70806
Chris T. Sullivan	c/o Outback Steakhouse, Inc., 550 N. Reo St. #200 Tampa, FL 33609

ARTICLE EIGHT

The shareholders of this corporation shall have no pre-emptive rights to subscribe to or to acquire any additional, unissued or treasury shares of any class of the corporation, or any securities, bonds or debentures of the corporation convertible into or carrying a right to subscribe to or acquire shares, whether presently or hereinafter authorized, and all such rights are hereby expressly denied. Stock or other securities of the corporation may be issued or disposed of to such persons and on such terms as the Board of Directors of the corporation deems advisable, but at not less than the par value thereof.

ARTICLE NINE

Cumulative voting in the election of directors is expressly prohibited. At each election of directors every shareholder entitled to vote at such election shall have the right to vote, in person

or by proxy, the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has a right to vote. The right to cumulate votes by giving one (1) candidate as many votes as the number of such directors multiplied by his shares shall equal, or by distributing such votes on the same principal among any number of such candidates, is expressly prohibited.

ARTICLE TEN

To the fullest extent permitted by any applicable law, as the same exists or may hereafter be amended, a director of the corporation shall not be liable to the corporation or its shareholders for monetary damages for an act or omission in the director's capacity as a director. Any repeal or amendment of this Article by the shareholders of the corporation or by changes in applicable law shall, to the extent permitted by applicable law, be prospective only, and shall not adversely affect any limitation on the personal liability of any director of the corporation at the time of such repeal or amendment.

ARTICLE ELEVEN

Any action required by the Texas Business Corporation Act to be taken at any annual or special meeting of the shareholders, or any action which may be taken at any annual or special meeting of shareholders, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holder or holders of shares having not less than the minimum number of votes that would be necessary to take such action at a meeting at which the holders of all shares entitled to vote on the action were present and voted.

ARTICLE TWELVE

The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative, any appeal in such an action, suit or proceeding and any inquiry or investigation that could lead to such an action, suit or proceeding (whether or not by or in the right of the corporation), by reason of the fact that such person is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, partner, venturer, proprietor or trustee or similar functionary of another corporation, partnership, joint venture, sole proprietorship, trust, nonprofit entity, employee benefit plan or other enterprise, against all judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including attorneys' fees and court costs) actually and reasonably incurred by such person in connection with such action, suit or proceeding to the fullest extent permitted by any applicable law, and such indemnity shall inure to the benefit of the heirs, executors and administrators of any such person so indemnified pursuant to this Article. The right to indemnification under this Article shall be a contract right and shall not be deemed exclusive of any other right to which those seeking indemnification may be entitled under any law, bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. Any repeal or amendment

of this Article by the shareholders of the corporation or by changes in applicable law shall, to the extent permitted by applicable law, be prospective only, and shall not adversely affect the indemnification of any person who may be indemnified at the time of such repeal or amendment.

ARTICLE THIRTEEN

No contract or other transaction between the corporation and any other corporation and no other acts of the corporation with relation to any other corporation shall, in the absence of fraud, in any way be invalidated or otherwise affected by the fact that any one or more of the directors or officers of the corporation are pecuniarily or otherwise interested in, or are directors or officers of, such other corporation. Any director or officer of the corporation individually, or any firm or association of which any director or officer may be a member, may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction of the corporation, provided that the fact that such person individually or as a member of such firm or association is such a party or is so interested shall be disclosed or shall have been known to the board of directors or a majority of such members thereof as shall be present at any meeting of the board of directors at which action upon any such contract or transaction shall be taken; and any director of the corporation who is also a director or officer of such other corporation or who is such a party or so interested may be counted in determining the existence of a quorum at any meeting of the board of directors which shall authorize any such contract or transaction and may vote thereat to authorize any such contract or transaction, with like force and effect as if such director were not such a director or officer of such other corporation or not so interested. Any director of the corporation may vote upon any contract or any other transaction between the corporation and any subsidiary or affiliated corporation without regard to the fact that such director is also a director or officer of such subsidiary or affiliated corporation.

Any contract, transaction, act of the corporation or of the directors, which shall be ratified at any annual meeting of the shareholders of the corporation, or at any special meeting of the shareholders of the corporation, or at any special meeting called for such purpose, shall, insofar as permitted by law, be as valid and as binding as though ratified by every shareholder of the corporation; PROVIDED, HOWEVER, that any failure of the shareholders to approve or ratify any such contract, transaction or act, when and if submitted, shall not be deemed in any way to invalidate the same or deprive the corporation, its directors, officers or employees, of its or their right to proceed with such contract, transaction or act.

Subject to any express agreement which may from time to time be in effect, any shareholder, director or officer of the corporation may carry on and conduct in such person's own right and for such person's own personal account, or as a partner in any partnership, or as a joint venturer in any joint venture, or as an officer, director or shareholder of any corporation, or as a participant in any syndicate, pool, trust or association, any business which competes with the business of the corporation and shall be free in all such capacities to make investments in any kind of property in which the corporation may make investments.

IN WITNESS WHEREOF, Mannatech, Incorporated has caused these Restated Articles of Amendment to be signed on its behalf by Patrick D. Cobb, its Secretary, this 14th day of May, 1998.

/s/ Patrick D. Cobb

Patrick D. Cobb
Secretary

AMENDMENT TO THE AMENDED AND RESTATED BYLAWS
OF
MANNATECH, INCORPORATED

Article III, Section 1 shall be deleted in its entirety and replaced by the following:

"SECTION 1. POWER; NUMBER; TERM OF OFFICE; ELECTION. The powers of the Corporation shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed by its Board of Directors except as the Board of Directors shall delegate the power to so manage to the Executive Committee or other committee. Directors need not be residents of the State of Texas or shareholders of the Corporation.

Unless otherwise provided in the Amended and Restated Articles of Incorporation, the number of directors that shall constitute the entire Board of Directors, which shall be not less than three, shall be determined from time to time by resolution of the Board of Directors (provided that no decrease in the number of directors that would have the effect of shortening the term of an incumbent director may be made by the Board of Directors). As of the time of adoption of these Amended and Restated Bylaws, the number of directors shall be five. Each director shall hold office for the term for which he is elected and thereafter until his successor shall have been elected and qualified, or until his earlier death, resignation or removal.

The directors shall be divided into three classes as nearly equal in number as possible and one class of directors shall be elected by plurality vote at each annual meeting of shareholders to hold office for a three-year term. Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director."

COMMON STOCK

NUMBER

C

[Mannatech Logo]

COMMON STOCK

SHARES

THIS CERTIFICATE IS TRANSFERABLE IN NEW YORK, NY OR RIDGEFIELD PARK, NJ

INCORPORATED UNDER THE LAWS OF THE STATE OF TEXAS

SEE REVERSE FOR CERTAIN DEFINITIONS AND RESTRICTIONS ON TRANSFER

CUSIP 563771 10 4

THIS CERTIFIES THAT

IS THE RECORD HOLDER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK, PAR VALUE $.0001 PER SHARE, OF
MANNATECH, INCORPORATED

(herein called the "Corporation") transferable on the books of the Corporation by the holder hereof, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed or accompanied by a proper assignment. This Certificate and the shares represented hereby are issued under and shall be subject to all of the provisions of the Amended and Restated Articles of Incorporation and the Bylaws of the Corporation, and all amendments thereto, copies of which are on file at the principal office of the Corporation and the Transfer Agent, to all of which the holder of this Certificate by acceptance hereof, assents. This Certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar of the Corporation.

IN WITNESS WHEREOF, the Corporation has caused the facsimile signatures of its duly authorized officers and its facsimile seal to be hereunto affixed.

Dated

[Mannatech Seal]

/s/ Samuel Caster

PRESIDENT

/s/ Patrick D. Cobb

CHIEF FINANCIAL OFFICER

COUNTERSIGNED AND REGISTERED:
CHASEMELLON SHAREHOLDER SERVICES, L.L.C.
TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

MANNATECH, INCORPORATED

NO SHAREHOLDER HAS ANY PREEMPTIVE RIGHT TO ACQUIRE ANY UNISSUED OR TREASURY SECURITIES OF THE CORPORATION. A COMPLETE STATEMENT OF THE DENIAL OF PREEMPTIVE RIGHTS IS SET FORTH IN THE CORPORATION'S AMENDED AND RESTATED ARTICLES OF INCORPORATION (THE "ARTICLES OF INCORPORATION"), ON FILE IN THE OFFICE OF THE SECRETARY OF STATE OF THE STATE OF TEXAS. THE CORPORATION WILL FURNISH A COPY OF THE ARTICLES OF INCORPORATION TO THE RECORD HOLDER OF THIS CERTIFICATE, WITHOUT CHARGE, ON WRITTEN REQUEST TO THE CORPORATION AT ITS PRINCIPAL PLACE OF BUSINESS OR REGISTERED OFFICE.

THE CORPORATION IS AUTHORIZED TO ISSUE TWO CLASSES OF STOCK, COMMON STOCK AND PREFERRED STOCK. THE BOARD OF DIRECTORS OF THE CORPORATION HAS AUTHORITY TO FIX THE NUMBER OF SHARES AND THE DESIGNATION OF ANY SERIES OF CAPITAL STOCK AND TO DETERMINE OR ALTER THE RIGHTS, PREFERENCES, PRIVILEGES AND RESTRICTIONS GRANTED TO OR IMPOSED UPON ANY UNISSUED SERIES OF CAPITAL STOCK. THE CORPORATION WILL FURNISH A FULL STATEMENT OF THE DESIGNATIONS, PREFERENCES, LIMITATIONS AND RELATIVE RIGHTS OF THE SHARES OF EACH CLASS AUTHORIZED TO BE ISSUED TO THE RECORD HOLDER OF THIS CERTIFICATE, WITHOUT CHARGE, ON WRITTEN REQUEST TO THE CORPORATION AT ITS PRINCIPAL PLACE OF BUSINESS OR REGISTERED OFFICE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	--	as tenants in common	UNIF GIFT MIN ACT --	..... Custodian ..... (Cust) (Minor) under Uniform Gifts to Minors Act..... (State)
TEN ENT	--	as tenants by the entireties		
JT TEN	--	as joint tenants with right of survivorship and not as tenants in common	UNIF TRF MIN ACT --	..... Custodian (until age ....) (Cust) ..... under Uniform Transfers (Minor) to Minors Act ..... (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

_____

_____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____

_____

_____

_____ Shares of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated _____

X _____
(SIGNATURE)

NOTICE:
THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR EN-LARGEMENT OR ANY CHANGE WHATEVER.

X _____
(SIGNATURE)

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.
SIGNATURE(S) GUARANTEED BY:

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.
ATTORNEYS AT LAW

AUSTIN
BRUSSELS
HOUSTON
LONDON
LOS ANGELES
MOSCOW
NEW YORK
PHILADELPHIA
SAN ANTONIO
WASHINGTON

A REGISTERED LIMITED LIABILITY PARTNERSHIP
INCLUDING PROFESSIONAL CORPORATIONS

1700 PACIFIC AVENUE
SUITE 4100
DALLAS, TEXAS 75201-4675
(214) 969-2800
FAX (214) 969-4343

WRITER'S DIRECT DIAL NUMBER (214) 969 - 2800

May 20, 1998

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

Ladies and Gentlemen:

We have acted as counsel to Mannatech, Incorporated, a Texas corporation (the "Company"), in connection with the proposed public offering of up to 9,200,000 shares of the Company's Common Stock, par value $.0001 per share (the "Common Stock"), as described in a registration statement on Form S-1 (the "Registration Statement") filed with the Securities and Exchange Commission.

We have, as counsel, examined such corporate records, certificates and other documents and reviewed such questions of law as we have deemed necessary, relevant or appropriate to enable us to render the opinions listed below. In rendering such opinions, we have assumed the genuineness of all signatures and the authenticity of all documents examined by us. As to various questions of fact material to such opinions, we have relied upon representations of the Company.

Based upon such examination and representations, we advise you that, in our opinion:

A. The shares of Common Stock which are to be sold and delivered by the Company and certain selling shareholders of the Company (the "Selling Shareholders") as contemplated by the Underwriting Agreement (the "Underwriting Agreement"), the form of which is filed as Exhibit 1.1 to the Registration Statement, have been duly and validly authorized by the Company.

B. The shares of Common Stock which are to be sold and delivered by the Company as contemplated by the Underwriting Agreement, when issued and delivered in accordance with the terms of the Underwriting Agreement, will be validly issued, fully paid and non-assessable.

C. The shares of Common Stock which are currently held by the Selling Shareholders and which are to be sold and delivered by the Selling Shareholders as contemplated by the Underwriting Agreement have been validly issued and are fully paid and non-assessable.

We consent to the filing of this opinion as Exhibit 5 to the Registration Statement and to the reference to this firm under the caption "Legal Matters" in the Prospectus contained therein.

Sincerely,

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.

EXHIBIT 10.7

STOCK OPTION

To: Multi-Venture Partners, Ltd., A Nevada Limited Partnership
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Name

Address

Date of Grant: July 1, 1997

You are hereby granted an option, effective as of the date hereof, to purchase 100,000 shares of common stock, $0.0001 par value per share ("Common Stock"), of Mannatech, Incorporated, a Texas corporation (the "Company") at a price of $2.00 per share.

Your option may first be exercised ninety (90) days following completion by the Company of a registered public offering of its securities pursuant to the requirements of the Securities Act of 1933, as amended. Thereafter, your option may be exercised for up to 100% of the total number of shares, subject to this Option (as adjusted for stock dividends, stock splits, combinations of shares and what the Company deems in its sole discretion to be similar circumstances).

You may exercise your option by giving written notice to the Secretary of the Company on forms supplied by the Company at its then principal executive office, accompanied by payment of the option price for the total number of shares you specify that you wish to purchase. The payment may be in any of the following forms: (a) cash, which may be evidenced by a check and includes cash received from a stock brokerage firm in a so-called "cashless exercise"; (b) certificates representing shares of Common Stock of the Company, which will be valued by the Secretary of the Company at the fair market value per share of the Company's Common Stock on the date of delivery of such certificates to the Company, accompanied by an assignment of the stock to the Company; or (c) any combination of cash and Common Stock of the Company valued as provided in clause (b). Any assignment of stock shall be in a form and substance satisfactory to the Secretary of the Company, including guarantees of signature(s) and payment of all transfer taxes if the Secretary deems such guarantees necessary or desirable.

Your option will terminate at 5:00 p.m., June 1, 2003 ("Termination Date").

In the event of any change in the outstanding shares of the Common Stock of the Company by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, transfer of assets, reorganization, conversion or

what the Committee deems in its sole discretion to be similar circumstances, the number and kind of shares subject to this option and the option price of such shares shall be appropriately adjusted in a manner to be determined in the sole discretion of the Corporation.

This option is not transferable. Until the option price has been paid in full pursuant to due exercise of this option and the purchased shares are delivered to you, you do not have any rights as a shareholder of the Company. The Company reserves the right not to deliver to you the shares purchased by virtue of the exercise of this option during any period of time in which the Company deems, in its sole discretion, that such delivery would violate a federal, state, local or securities exchange rule, regulation or law.

Notwithstanding anything to the contrary contained herein, this option is not exercisable until all the following events occur and during the following periods of time:

(a) Until the issuance of the underlying shares are approved and/or registered with such federal, state and local regulatory bodies or agencies and securities exchanges as the Company may deem necessary or desirable [and agreeing that the Company shall use its best efforts to effect such registration(s)]; or

(b) During any period of time in which the Company deems that the exercisability of this option, the offer to sell the shares optioned hereunder, or the sale thereof, may violate a federal, state, local or securities exchange rule, regulation or law, or may cause the Company to be legally obligated to issue or sell more shares than the Company is legally entitled to issue or sell; or

(c) Until you have paid or made suitable arrangements to pay (which may include payment through the surrender of Common Stock, unless prohibited by the Corporation) and respecting employees of the Company only, (i) all federal, state and local income tax withholding required to be withheld by the Company in connection with the option exercise and (ii) the employee's portion of other federal, state and local payroll and other taxes due in connection with the option exercise.

The following two paragraphs shall be applicable if, on the date of exercise of this option, the issuance of the Common Stock to be purchased pursuant to such exercise has not been registered under the Securities Act of 1933, as amended, and under applicable state securities laws, and shall continue to be applicable for so long as such registration has not occurred:

(a) The optionee hereby agrees, warrants and represents that he will acquire the Common Stock to be issued hereunder for his own account for investment purposes only, and not with a view to, or in connection with, any resale or other

distribution of any of such shares, except as hereafter permitted. The optionee further agrees that it will not at any time make any offer, sale, transfer, pledge or other disposition of such Common Stock to be issued hereunder without an effective registration statement under the Securities Act of 1933, as amended, and under any applicable state securities laws or an opinion of counsel acceptable to the Company to the effect that the proposed transaction will be exempt from such registration. The optionee shall execute such instruments, representations, acknowledgements and agreements as the Company may, in its sole discretion, deem advisable to avoid any violation of federal, state, local or securities exchange rule, regulation or law.

(b) The certificates for Common Stock to be issued to the optionee hereunder shall bear the following legend:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER APPLICABLE STATE SECURITIES LAWS. THE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND UNDER ANY APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY THAT THE PROPOSED TRANSACTION WILL BE EXEMPT FROM SUCH REGISTRATION."

The foregoing legend shall be removed (i) upon any sale of such shares pursuant to an effective registration statement under the Securities Act of 1933, as amended, or Rule 144 promulgated under the Securities Act of 1933, as amended, or (ii) at such time as such shares become eligible for resale under Rule 144(k) promulgated under the Securities Act of 1933, as amended.

The sole purpose of the agreements, warranties, representations and legend set forth in the two immediately preceding paragraphs is to prevent violations of the Securities Act of 1933, as amended, and any applicable state securities laws.

IT IS THE INTENTION OF THE COMPANY AND YOU THAT THIS OPTION SHALL NOT BE AN "INCENTIVE STOCK OPTION" AS THAT TERM IS USED IN SECTION 422 OF THE CODE AND THE REGULATIONS THEREUNDER.

Any dispute or disagreement between you and the Company with respect to any portion of this option or its validity, construction, meaning, performance or your rights hereunder shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor, as amended from time to time. However, prior to submission to arbitration you will attempt to resolve any disputes or disagreements with the Company over this option amicably and informally, in good faith, for a period not to exceed two weeks.

Thereafter, the dispute or disagreement will be submitted to arbitration. At any time prior to a decision from the arbitrator(s) being rendered, you and the Company may resolve the dispute by settlement. You and the Company shall equally share the costs charged by the American Arbitration Association or its successor, but you and the Company shall otherwise be solely responsible for your own respective counsel fees and expenses. The decision of the arbitrator(s) shall be made in writing, setting forth the award, the reasons for the decision and award and shall be binding and conclusive on you and the Company. Further, neither you nor the Company shall appeal any such award. Judgment of a court of competent jurisdiction may be entered upon the award and may be enforced as such in accordance with the provisions of the award.

This option constitutes the entire understanding between the Company and you with respect to the subject matter hereof and no amendment, supplement or waiver of this option, in whole or in part, shall be binding upon the Company unless in writing and signed by the President of the Company. This option and the performances of the parties hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

Notwithstanding any provision contained herein to the contrary, you agree to be bound by the underwriting agreements or requirements by and between Mannatech, Inc. and any Underwriter which might provide services to it in connection with any public offering of its capital stock ("Underwriter"). Further, should such Underwriter impose any restrictions upon the exercise, registration or other rights, concerning the option upon the shares of stock conferred hereby, otherwise granted under this Agreement, you agree to further be bound by such requirements, limitations, restrictions, and/or agreements as agreed to by Mannatech. You hereby appoint Mannatech as your attorney-in-fact to execute all documents on your behalf concerning agreements offering the and/or shares of stock which are the subject of the option conferred hereby, including, without limitation, those agreements with the Underwriter, referenced above.

Please sign the copy of this option and return it to the Company's secretary, thereby indicating your understanding of and agreement with its terms and conditions.

MANNATECH, INCORPORATED,
a Texas corporation

By /s/ Anthony E. Canale

Its C.O.O.

I hereby acknowledge receipt of a copy of the foregoing stock option and, having read it hereby signify my understanding of, and my agreement with, its terms and conditions.

MULTI-VENTURE PARTNERS, LTD.

A Nevada Limited Partnership

/s/ Tony Grappo 10/20/97
- ---
Its: (Date)

ACKNOWLEDGEMENT

THE STATE OF _____)
)
COUNTY OF _____)

BEFORE ME, the undersigned Notary Public, personally appeared _____, the _____, of Multi-Venture Partners, Ltd., a Nevada Limited Partnership and known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the above instrument for the purposes and consideration expressed therein.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this ____ day of _____, 1997.

- ---
Notary Public, State of

My Commission Expires:

EXHIBIT 16

[LETTERHEAD]

May 19, 1998

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20540

Ladies and Gentlemen:

We have read the third paragraph of the item titled "Experts" in the Form S-1 Registration Statement of Mannatech, Incorporated, filed with the Securities and Exchange Commission on April 10, 1998, and are in agreement with the statements contained therein.

Yours very truly,

BELEW AVERITT LLP

By: /s/ Terry L. Orr, Partner

Terry L. Orr, Partner

TO/cgc

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-1 of our report dated March 26, 1998, relating to the financial statements of Mannatech, Incorporated, which appears in such Prospectus. We also consent to the references to us under the headings "Experts" and "Selected Financial Data" in such Prospectus. However, it should be noted that Price Waterhouse LLP has not prepared or certified such "Selected Financial Data."

/s/ Price Waterhouse LLP
- ------------------------------
Price Waterhouse LLP

Dallas, Texas
May 20, 1998

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-1 of our report dated August 21, 1997, relating to the financial statements of Mannatech, Incorporated (formerly Emprise International, Inc. in 1995). We also consent to the references to us under the headings "Experts" and "Selected Financial Data" in such Prospectus. However, it should be noted that Belew Averitt LLP has not prepared or certified such "Selected Financial Data."

/s/ Belew Averitt LLP
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Belew Averitt LLP

Dallas, Texas
May 20, 1998