

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
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 (Primary Standard Industrial (I.R.S. Employer
Incorporation or Organization) Classification Code Number) 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)

COPY TO:

J. KENNETH MENGES, JR., P.C.
Akin, Gump, Strauss, Hauer & Feld, L.L.P.
1700 Pacific, Suite 4100
Dallas, Texas 75201
(214) 969-2800

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. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, par value \$0.0001 per share.....	4,955,000	\$8.00	\$39,640,000	\$11,694

(1) Estimated pursuant to Rule 457 solely for purpose of calculating the amount of the registration fee.

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 SEPTEMBER 10, 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.

A MINIMUM OF 1,500,000 SHARES
AND
A MAXIMUM OF 4,955,000 SHARES

[LOGO]

COMMON STOCK

A minimum of 1,500,000 shares and a maximum of 4,955,000 shares at the price of \$8 per share are being offered by the Company and certain selling shareholders (the "Selling Shareholders") to the Company's Associates and employees. The first 1,500,000 shares are being offered by the Company, the next 2,055,000 are being offered by the Selling Shareholders and sales of an amount of shares in excess of 3,555,000 shares up to the maximum of 4,955,000 will be divided equally between the Company and the Selling Shareholders. During the 30 business days subsequent to the commencement of the offering, each subscriber may subscribe for a minimum of 100 shares.

The offering will continue until _____, 1998, unless terminated by the Company prior thereto, and at the option of the Company, may be extended through _____, 1999 (as extended, the "Termination Date"), at the election of the Company. All subscription proceeds will be deposited in an escrow account at _____, subject to a closing on such escrowed funds once the Company has accepted subscriptions for at least 1,500,000 shares and, if all shares offered hereby are not sold at such time, to subsequent closings on such escrowed funds from time to time as determined by the Company. Escrowed funds will be promptly returned to subscribers, without interest or deduction, if the minimum subscriptions are not received by the Termination Date. After the minimum subscriptions have been received, the Company may accept subscriptions at any time or from time to time during the offering. No shares of Common Stock will be issued until subscription proceeds are released from escrow to the Company or the Selling Shareholders.

After this offering, there will be a restricted public market for the Common Stock, and there are significant restrictions on the transfer of the Common Stock for a minimum of two years. Moreover, the shares of Common Stock offered hereby will not be listed on any national securities exchange or on the Nasdaq Stock Market. See "Plan of Distribution" for information on the limited liquidity and transferability of the Common Stock and for restrictions on the purchase of Common Stock. See "Plan of Distribution" for factors considered in determining the initial public offering price.

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	NUMBER OF SHARES OFFERED	PROCEEDS TO COMPANY (1)	PROCEEDS TO SELLING SHAREHOLDERS(1)
Per Share.....	\$	\$	\$	\$
Total Minimum.....	\$	\$	\$	\$
Total Maximum.....	\$	\$	\$	\$

(1) Before deducting expenses payable by the Company estimated at \$ _____.

The date of this Prospectus is _____, 1998.

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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 231,000 active Associates (an "active" Associate has purchased products from the Company within the last 12 months) as of June 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 \$8.4 million in 1994 to approximately \$150.6 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-Registered Trademark- 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-Registered Trademark- 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-Registered Trademark- and Bulk Ambrotose-Registered Trademark-, are designed to support cell-to-cell communication. For immune system support, the Company offers Phyt-Aloe-Registered Trademark-, for adults, and Phyt-Bears-Registered Trademark-, a chewable gummy-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-Registered Trademark-. 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-Registered Trademark-Complex, Phyt-Aloe-Registered Trademark- and Plus. In September 1998 the Company plans to introduce Manna-C-TM-, a nutritional support for nasal and sinus health containing Ambrotose-Registered Trademark- Complex, monosaccharides necessary to the manufacture of glycoproteins and an herbal blend of Vitamin C and other nutrients which support cell functions. In addition to MannaBAR-TM- and Manna-C-TM-, the Company plans to release 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:	
Minimum.....	1,500,000 shares
Maximum.....	4,955,000 shares
Common Stock to be outstanding after this offering:	
Minimum.....	23,601,738(1)
Maximum.....	24,436,738(2)
Restrictions on Transfer of Common Stock.....	No transfer of the Common Stock is permitted, except to Associates or employees of the Company or by descent, devise or gift to immediate family members. This restriction on transfer ceases to apply upon the later of (i) two years from the date of the last closing relating to the shares of Common Stock offered hereby or (ii) 90 days after the completion of a subsequent public offering resulting in the listing of the Common Stock on a registered national securities exchange.
Use of proceeds.....	For international expansion, capital investments, working capital and other general corporate purposes. See "Use of Proceeds."

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- (1) 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 June 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 June 30, 1998 at an exercise price of \$2.00 per share and (iii) 475,015 shares of Common Stock reserved for issuance subject to a warrant outstanding as of June 30, 1998 at an exercise price of \$1.35 per share.
- (2) Includes 135,000 shares of Common Stock which may be sold in this 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 June 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 June 30, 1998 at an exercise price of \$2.00 per share and (iii) 340,015 shares of Common Stock reserved for issuance subject to a warrant outstanding as of June 30, 1998 at an exercise price of \$1.35 per share.

SUMMARY FINANCIAL INFORMATION

	UNAUDITED					
	YEAR ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,	
	1994(1)	1995	1996	1997	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)					
STATEMENT OF INCOME DATA:						
Net sales.....	\$ 8,445	\$ 32,071	\$ 86,311	\$ 150,570	\$ 71,356	\$ 83,725
Cost of sales.....	1,499	4,880	13,406	24,735	11,542	13,544
Commissions.....	3,256	12,339	35,155	61,677	29,271	33,872
Gross profit.....	3,690	14,852	37,750	64,158	30,543	36,309
Operating expenses:						
Selling and administrative expenses.....	2,063	7,012	17,764	27,846	13,589	14,941
Other operating costs.....	2,115	5,253	11,746	19,402	8,717	10,038
Cancellation of incentive compensation agreements.....	-	-	-	2,192(2)	1,821	-
Total operating expenses.....	4,178	12,265	29,510	49,440	24,127	24,979
Income (loss) from operations.....	(488)	2,587	8,240	14,718	6,416	11,330
Other (income) expense, net.....	22	181	(116)	(43)	259	(21)
Income (loss) before income taxes.....	(510)	2,406	8,356	14,761	6,157	11,351
Income tax (benefit) expense.....	(168)	67	1,194	4,139	1,723	4,370
Net income (loss).....	\$ (342)	\$ 2,339	\$ 7,162	\$ 10,622	\$ 4,434	\$ 6,981
Earnings (loss) per common share:(3)						
Basic.....	\$ (0.02)	\$ 0.11	\$ 0.35	\$ 0.50	\$ 0.21	\$ 0.31
Diluted.....	\$ (0.02)	\$ 0.11	\$ 0.35	\$ 0.47	\$ 0.20	\$ 0.29
Weighted average common and common equivalent shares outstanding:(3)						
Basic.....	20,627	20,627	20,627	21,449	21,089	22,102
Diluted.....	20,627	20,627	20,627	22,400	21,747	23,698
PRO FORMA INFORMATION:(4)						
Income (loss) before income taxes, as reported.....	\$ (510)	\$ 2,406	\$ 8,356	\$ 14,761	\$ 6,157	
Pro forma provision for income tax (benefit) expense.....	(191)	902	3,134	5,683	2,370	
Pro forma net income (loss).....	\$ (319)	\$ 1,504	\$ 5,222	\$ 9,078	\$ 3,787	
PRO FORMA EARNINGS (LOSS) PER COMMON SHARE:(3)						
Basic.....	\$ (0.02)	\$ 0.07	\$ 0.25	\$ 0.42	\$ 0.18	
Diluted.....	\$ (0.02)	\$ 0.07	\$ 0.25	\$ 0.41	\$ 0.17	
OTHER FINANCIAL DATA:						
Depreciation and amortization.....	\$ 4	\$ 75	\$ 414	\$ 1,189	\$ 487	\$ 958
Capital expenditures(5).....	\$ 72	\$ 769	\$ 2,660	\$ 9,135	\$ 5,501	\$ 3,727
Dividends declared per common share.....	\$ 1.00(6)	\$ 1.00(6)	\$ 10.00(6)	\$ 0.37	\$ 0.01	\$ 0.30

JUNE 30, 1998

	ACTUAL	AS ADJUSTED(7)	AS ADJUSTED(8)
(IN THOUSANDS)			
BALANCE SHEET DATA:			
Cash and cash equivalents.....	\$ 69	\$ 11,129	\$ 15,668
Working capital.....	(11,351)	(291)	4,284
Total assets.....	22,764	31,724	36,263
Total liabilities.....	20,865	20,865	19,210
Redeemable warrants.....	300	300	215
Total shareholders' equity.....	1,599	10,559	16,838

- (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 and \$1,367,457 for the six months ended June 30, 1998.
- (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 1,500,000 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of \$8.00 per share and the application of the estimated net proceeds therefrom. See "Use of Proceeds" and "Capitalization." In addition, as of June 30, 1998, the Company had recorded \$2,100,000 of deferred offering cost relating to an offering which terminated in July 1998. Total assets and shareholders' equity have been reduced by this amount as well.
- (8) Adjusted to give effect to the sale of a maximum of 2,200,00 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of \$8.00 per share and the application of the estimated net proceeds therefrom. See "Use of Proceeds" and "Capitalization." Also reduced for the \$2,100,000 in deferred offering costs noted in (7) above.

TRADEMARKS

The tradename Mannatech-TM- 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-Registered Trademark-; Bulk Ambrotose-Registered Trademark-; Man-Aloe-Registered Trademark-; Manna-C-TM-; 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.

BEST EFFORTS OFFERING; MINIMUM NUMBER OF SHARES TO BE SOLD. The Company is offering its Common Stock on a "best efforts" basis. There can be no assurance that all of the 2,200,000 shares of Common Stock offered by the Company hereby will be sold and that the estimated net proceeds generated from such a sale of all such Common Stock will actually be received by the Company. If the Company is unable to sell at least 1,500,000 shares of the Common Stock offered hereby, the Company will cancel this offering and return all monies collected from subscribers and held in escrow without interest or deduction. Furthermore, if all of the 2,200,000 shares of Common Stock offered by the Company hereby are not sold, the Company may be unable to fund all the intended uses described herein for the net proceeds anticipated from this offering without obtaining funds from alternative sources or using working capital generated by the Company. Alternative sources of funds may not be available to the Company at a reasonable cost, and the working capital generated by the Company may not be sufficient to fund any uses not financed by offering proceeds. See "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" and "Plan of Distribution."

RELATIONSHIP OF OFFERING PRICE TO MARKET PRICE. The initial public offering price of the Common Stock has been arbitrarily determined by the Company and may not be indicative of the price at which shares of Common Stock will sell after this offering or its value, in general. In determining the offering price, the Board of Directors considered, among other things, the Company's earnings, its view of the Company's prospects, the earnings of comparable publicly traded nutritional supplement companies and the trading price of the stock of those companies. See "Plan of Distribution-Determination of Offering Price." The Company makes no representations as to any objectively reasonable value of the Common Stock. Since the Company has not retained an underwriter for purposes of this offering, the offering price has not been subject to evaluation by any third party as would be the case in an underwritten offering. Prices for the shares of Common Stock after this offering will be determined in the available, restricted market limited to Associates and employees of the Company for at least two years and may be influenced by many factors, including the restrictions on transfer of the Common Stock, the depth and liquidity of the market for the Common Stock, the perception of the Company by other shareholders, the nutritional supplement industry as a whole, and general economic and market conditions. There can be no assurance that the market price of the Common Stock will not decline below the initial public offering price.

NO PRIOR MARKET FOR COMMON STOCK; LIMITED TRANSFERABILITY; PRICE VOLATILITY. Before this offering, there has been no public market for the Common Stock. There is little likelihood that an active trading market for the Common Stock will develop or be sustained at any time after this offering given the significant restrictions on transfer associated with the shares of Common Stock offered hereby. Moreover, the shares of Common Stock offered hereby will not be listed on any national securities exchange or on the Nasdaq Stock Market. The market price of the Common Stock could be subject to significant fluctuations in response to variations in anticipated or actual operating results and other events or factors such as food and labor costs and weather conditions. In addition, the market prices of the stock of small capitalization companies have experienced significant price fluctuations in recent years. These fluctuations often have been unrelated to the operating performance of the specific companies whose stocks are

traded. Broad market fluctuations, as well as general economic conditions, in the United States or internationally, may adversely affect the market price of the Common Stock. There can be no assurance that the market price of the Common Stock will not decline below the initial public offering price. See "Plan of Distribution" and "Management's Discussion and Analysis of Results of Operations and Financial Condition."

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."

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, there is expected to be a minimum of 23,601,738 shares and a maximum of 24,436,738 shares of Common Stock outstanding. All of the shares offered hereby will not be freely tradeable until the lapse of the significant restrictions on transfer applicable to such shares, but will, upon such lapse, 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 remaining 22,101,738 shares or 19,481,738 shares, respectively, 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, 21,982,571 shares or 19,362,571 shares, respectively, will be eligible for sale in the open market after the effective date of the Registration Statement, all under and subject to the restrictions contained in Rule 144 and Rule 701.

The shares of Common Stock offered hereby may not be transferred other than to Associates or employees of the Company. This restriction upon transfer will cease to apply upon the later of (i) two years from the date of the last closing relating to the shares of Common Stock offered hereby or (ii) 90 days after the completion of a subsequent public offering resulting in the listing of the Common Stock on a registered national securities exchange (the "Restriction Termination Date"). The certificates representing the shares of Common Stock offered hereby shall bear a legend setting forth the restrictions upon transfer relating to the Common Stock. Moreover, prior to the completion of this offering, the Company intends to enter into lock-up agreements (the "Lock-up Agreements") with each of the Company's shareholders and holders of options to purchase Common Stock. Pursuant to the Lock-up Agreements, each such shareholder will agree, subject to certain exceptions, not to sell or otherwise dispose of any of its shares of Common Stock until the Restriction Termination Date.

Under the Company's 1997 Stock Option Plan (the "1997 Stock Option Plan"), as of June 30, 1998 options to purchase 1,600,000 shares of Common Stock were 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 Company's 1998 Incentive Stock Option Plan (the "1998 Stock Option Plan"), as of June 30, 1998 there were 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.

As of June 30, 1998, an additional 100,000 shares of Common Stock were 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 June 30, 1998, a warrant (the "Warrant") to purchase 475,015 shares of Common Stock was outstanding, which is currently exercisable and of which a maximum of 135,000 shares may be sold in this offering. The holder of the Warrant possesses registration rights with respect to the shares of Common Stock underlying the Warrant. 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-Warrant Shares" and "Shares Eligible for Future Sale."

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 commissions paid, and public perception of the quality of the Company's products. For 1997, the Company's commission expense comprised approximately 56% of its total expenses exclusive of cost of sales and income taxes. 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 monitoring, compliance enforcement and discipline, it is difficult to detect and correct all instances of Associate misconduct. 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 occasionally filed with state attorneys 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 or enforcement actions 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 regarding network marketing plans, and 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. There can be 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 such statutes, regulations and related court decisions, and the considerable interpretive and enforcement discretion statutorily granted to regulatory authorities and the courts. 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, 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 or the Company's network marketing system, 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 with the Company. See "Business-Product Distribution System-Associate Development."

RELIANCE ON AND CONCENTRATION OF OUTSIDE MANUFACTURERS. All of the Company's products are manufactured by outside manufacturers. 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-Registered Trademark- 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-Registered Trademark- 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-Registered Trademark- 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. Both Mr. Fioretti and Mr. Caster have executed employment agreements with an initial term of five years, but there can be no assurance that they will remain with the Company for the full term of such agreements. 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. 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. Products containing ephedrine 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. Accordingly, there can be no assurance that the Company's products, even when used as directed, will have the effects intended or will not have harmful side effects. 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. The Company's rate of growth compared to previous periods has been decreasing in recent periods and this trend is expected to continue as the Company matures. 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. Assuming the sale of 1,500,000 shares and 4,955,000 shares of Common Stock in 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, upon completion of this offering beneficially own approximately 50.3% and 47.4%, respectively, 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 to the price paid for such shares. See "Principal and Selling Shareholders."

UNSPECIFIED USE OF PROCEEDS. The principal purposes of this offering are to provide the capital for international expansion, 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. In addition, the Company intends to repay its existing capital lease debt of approximately \$1.7 million if the maximum offering level is achieved. Prior to completion of this offering, the Company intends to continue to pay approximately \$1.3 million in dividends to its existing shareholders. This dividend will be limited by the pre-offering earnings of the Company. To the extent the Company sells less than all of the shares offered by it in this offering, fewer net proceeds will be available to fund these intended uses. 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."

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 and may 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.

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, which may adversely affect the rights of the holders of Common Stock. 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.

RISKS ASSOCIATED WITH INFORMATION TECHNOLOGY. The Company is fundamentally dependent upon information technology and its related systems to manage and operate its key business functions: order processing, customer service, distribution, commission processing, and paying and receiving. The Company recently implemented an internally developed computer software system, creating certain risks to its operations. The most immediate risk to the business operations of the Company is during the implementation phase, in which the new computer software is substituted for the prior software. During this period, certain variances between business requirements and the actual software functionality have been and will continue to be identified and ameliorated in a real-time environment. Additionally, there will have been and will continue to be deviations in user job performance and efficiency of an unknown duration, resulting from lack of proficiency with respect to the requirements of the new software, diminished access to significant business information, and inherent resistance to change. There have been, and it is anticipated that there will continue to be, periods during which the software system will not be optimally functional or periods during which it will be rendered temporarily inoperative while it is adjusted to achieve required performance. Moreover, varied computational results may ensue during the period of adjustment of the software system to allow for all of the requisites of the Company's specific business environment. During this period, it can be anticipated that related adverse effects could result in other areas dependent upon information systems for functionality. Also, it is likely that during such period, reversion to manual methods, such as written order-taking and computation may be required during times of adjustment, thereby substantially decreasing the efficiency of the Company's operations, and possibly adding, temporarily, to overall costs attendant to such operations. Standard accounting and inventory functions are currently supported by an off-the-shelf software package known as CS/3, provided by Tetra International, Inc. The reliability of inventory information contained within this system is entirely dependent on the accuracy of data retained in the core custom system. However, regular manual reconciliation of inventory diminishes this risk over the long term.

In the event that the software system should fail, the Company would experience an inability to conduct its day-to-day business for a period of time dependent upon the severity of the failure and the ability of the Company to remedy the cause. Should such a failure occur, it could have a material adverse effect on the Company's business results of operations and financial condition.

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."

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 1,500,000 shares and 2,200,000 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of \$8.00 per share, after deducting the estimated sales commissions and estimated offering expenses payable by the Company, are estimated to be approximately \$940,000 million and \$1,164,000 million, respectively. The Company will not receive any proceeds from the sale of shares by the Selling Shareholders. See "Principal and Selling Shareholders."

The following table sets forth the Company's anticipated use of the net offering proceeds, assuming the sale, respectively, of the minimum of 1,500,000 shares and the maximum of 2,200,000 shares of Common Stock offered by the Company hereby. Pending application of the net proceeds, the Company will invest such proceeds in short term, interest-bearing instruments and investment grade securities.

	MINIMUM 1,500,000 SHARES SOLD	MAXIMUM 2,200,000 SHARES SOLD
	-----	-----
Sources of Funds:		
Offering proceeds.....	\$ 12,000,000	\$ 17,600,000
Offering expenses.....	(460,000)	(460,000)
Commissions(1).....	(480,000)	(704,000)
	-----	-----
TOTAL FUNDS.....	\$ 11,060,000	\$ 16,436,000
	-----	-----
Use of Funds:		
International expansion.....	\$ 6,060,000	\$ 9,736,000
Repayment of debt.....	0	1,700,000
Working capital.....	5,000,000	5,000,000
	-----	-----
TOTAL USES.....	\$ 11,060,000	\$ 16,436,000
	-----	-----

(1) Assumes a 4.0% commission is paid to the Placement Agents on sales of Common Stock in this offering. See "Plan of Distribution."

The Company intends to use proceeds from this offering to complete its expansion into Australia and to begin its expansion into the United Kingdom. The Company also intends to use proceeds from this offering to finance its working capital needs and to repay certain indebtedness, including expenses related to a previous stock offering terminated in July 1998. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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. In the six months of 1998, the Company paid an aggregate of \$6,621,620 in dividends to its shareholders. The Company currently intends to declare monthly dividends of up to \$0.06 per share until consummation of this offering. 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 June 30, 1998 and as adjusted to reflect the application of the estimated net proceeds from the sale by the Company of a minimum of 1,500,000 shares and a maximum of 2,200,000 shares, respectively, of Common Stock offered by the Company hereby at an assumed initial public offering price of \$8.00 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."

	JUNE 30, 1998		
	ACTUAL	AS ADJUSTED(1)	AS ADJUSTED(2)
	(IN THOUSANDS)		
Short-term debt, including current maturities of long-term debt.....	\$ 1,172	\$ 1,172	\$ -
Total long-term debt, less current portion.....	\$ 483	\$ 483	\$ -
Redeemable warrants.....	300	300	215
Shareholders' equity:			
Preferred Stock, \$0.01 par value, 1,000,000 shares authorized; no shares issued and outstanding.....	-	-	-
Common stock, \$0.0001 par value, 99,000,000 shares authorized (actual and as adjusted); 22,101,738 shares issued and outstanding (actual); 23,601,738 issued and outstanding as adjusted (minimum); and 24,436,738 shares issued and outstanding, as adjusted (maximum)(3).....	2	2	2
Additional paid-in capital(4).....	2,632	11,592	17,235
Notes receivable from shareholders.....	(636)	(636)	-
Retained earnings (deficit).....	(399)	(399)	(399)
Total shareholders' equity.....	1,599	10,559	16,838
Total capitalization.....	\$ 2,382	\$ 11,342	\$ 17,053

- (1) As adjusted to give effect to the sale of 1,500,000 shares of Common Stock offered by the Company hereby at an assumed offering price of \$8.00 per share and the application of the estimated net proceeds therefrom.
- (2) As adjusted to give effect to the sale of 2,200,000 shares of Common Stock offered by the Company hereby at an assumed offering price of \$8.00 per share and the application of the estimated net proceeds therefrom.
- (3) 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) 475,015 shares issuable upon the exercise of the Warrant.
- (4) Adjusted to reduce equity for the write off of \$2,100,000 of deferred offering costs recorded as of June 30, 1998 related to a previous stock offering terminated in July 1998.

DILUTION

The net tangible book value of the Common Stock as of June 30, 1998 was approximately \$(501,000) or \$(0.02) 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 minimum of 1,500,000 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 \$8.00 per share), the net tangible book value of the Common Stock as of June 30, 1998 would have been approximately \$10,599,000 million or \$0.45 per share. This represents an immediate increase in net tangible book value of \$0.47 per share to existing shareholders and an immediate dilution in net tangible book value of \$7.55 per share to purchasers of Common Stock in this offering. The following table illustrates the per share dilution as of June 30, 1998:

Assumed initial public offering price per share.....		\$	8.00
Net tangible book value per share as of June 30, 1998.....	\$	(0.02)	
Increase per share attributable to new shareholders.....		0.47	

Net tangible book value per share as of June 30, 1998 after this offering.....			0.45

Dilution per share to new shareholders.....	\$	7.55	

After giving effect to the sale of the maximum of 2,200,000 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 \$8.00 per share) the net tangible book value of the Common Stock as of June 30, 1998 would have been approximately \$16,838,000 million or \$0.69 per share. This represents an immediate increase in net tangible book value of \$7.31 per share to existing shareholders and an immediate dilution in net tangible book value of \$0.71 per share to purchasers of Common Stock in this offering. The following table illustrates the per share dilution as of June 30, 1998:

Assumed initial public offering price per share.....		\$	8.00
Net tangible book value per share as of June 30, 1998.....	\$	(0.02)	
Increase per share attributable to new shareholders.....		0.71	

Net tangible book value per share as of June 30, 1998 after this offering.....			0.69

Dilution per share to new shareholders.....	\$	7.31	

The following table sets forth as of June 30, 1998, after giving effect to the sale of the minimum number of shares of Common Stock by the Company in 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 PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing shareholders.....	22,101,738	93.6%	\$ 1,998,000	14.3%	\$ 0.09
New shareholders (minimum).....	1,500,000	6.4	12,000,000	85.7	8.00
	-----	-----	-----	-----	-----
Total.....	23,601,738	100.0%	\$ 13,988,000	100.0%	
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

The following table sets forth as of June 30, 1998, after giving effect to the sale of the maximum number of shares of Common Stock by the Company in 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 PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing shareholders.....	22,236,738	91.0%	\$ 2,183,250	11.0%	\$ 0.09
New shareholders (maximum).....	2,200,000	9.0	17,600,000	89.0	8.00
Total.....	24,436,738	100.0%	\$ 19,783,250	100.0%	

Sales by the Selling Shareholders in this offering of the maximum number of shares offered by such selling shareholders will reduce the number of shares held by existing shareholders as of June 30, 1998 to 19,346,738 or 82% or 79.6% of the total number of shares of Common Stock outstanding immediately after the sale, respectively, of the minimum number of shares of Common Stock offered hereby or the maximum number of shares of Common Stock offered hereby, and will increase the number of shares being purchased by new investors to 4,955,000, or approximately 18.3% of the total number of shares of Common Stock outstanding immediately after this offering. See "Principal and Selling Shareholders."

There have been no exercises of outstanding stock options as of the date of this Prospectus. As of June 30, 1998, there were (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 were vested or exercisable as of such date, (ii) the Non-Plan Option to purchase 100,000 shares of Common Stock at an exercise price of \$2.00 per share, which was not vested or exercisable as of such date, (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 (iv) 400,000 and 500,000 shares of Common Stock available for grant under the 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 PricewaterhouseCoopers 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 six months ended June 30, 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,				UNAUDITED SIX MONTHS ENDED JUNE 30,	
	1994(1)	1995	1996	1997	1997	1998
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)					
STATEMENT OF INCOME DATA:						
Net sales.....	\$ 8,445	\$32,071	\$86,311	\$150,570	\$71,356	\$83,725
Cost of sales.....	1,499	4,880	13,406	24,735	11,542	13,544
Commissions.....	3,256	12,339	35,155	61,677	29,271	33,872
	-----	-----	-----	-----	-----	-----
Gross profit.....	3,690	14,852	37,750	64,158	30,543	36,309
	-----	-----	-----	-----	-----	-----
Operating expenses:						
Selling and administrative expenses.....	2,063	7,012	17,764	27,846	13,589	14,941
Other operating costs.....	2,115	5,253	11,746	19,402	8,717	10,038
Cancellation of incentive compensation agreements.....	-	-	-	2,192(2)	1,821	-
	-----	-----	-----	-----	-----	-----
Total operating expenses.....	4,178	12,265	29,510	49,440	24,127	24,979
	-----	-----	-----	-----	-----	-----
Income (loss) from operations.....	(488)	2,587	8,240	14,718	6,416	11,330
Other (income) expense, net.....	22	181	(116)	(43)	259	(21)
	-----	-----	-----	-----	-----	-----
Income (loss) before income taxes.....	(510)	2,406	8,356	14,761	6,157	11,351
Income tax (benefit) expense.....	(168)	67	1,194	4,139	1,723	4,370
	-----	-----	-----	-----	-----	-----
Net income (loss).....	\$ (342)	\$ 2,339	\$ 7,162	\$ 10,622	\$ 4,434	\$ 6,981
	-----	-----	-----	-----	-----	-----
Earnings (loss) per common share:(3)						
Basic.....	\$ (0.02)	\$ 0.11	\$ 0.35	\$ 0.50	\$ 0.21	\$ 0.31
	-----	-----	-----	-----	-----	-----
Diluted.....	\$ (0.02)	\$ 0.11	\$ 0.35	\$ 0.47	\$ 0.20	\$ 0.29
	-----	-----	-----	-----	-----	-----
Weighted average common and common equivalent shares outstanding:(3)						
Basic.....	20,627	20,627	20,627	21,449	21,089	22,102
	-----	-----	-----	-----	-----	-----
Diluted.....	20,627	20,627	20,627	22,400	21,747	23,698
	-----	-----	-----	-----	-----	-----
PRO FORMA INFORMATION:(4)						
Income (loss) before income taxes, as reported.....	\$ (510)	\$ 2,406	\$ 8,356	\$ 14,761	\$ 6,157	
Pro forma provision for income tax (benefit) expense.....	(191)	902	3,134	5,683	2,370	
	-----	-----	-----	-----	-----	-----
Pro forma net income (loss).....	\$ (319)	\$ 1,504	\$ 5,222	\$ 9,078	\$ 3,787	
	-----	-----	-----	-----	-----	-----
PRO FORMA EARNINGS (LOSS) PER COMMON SHARE:(3)						
Basic.....	\$ (0.02)	\$ 0.07	\$ 0.25	\$ 0.42	\$ 0.18	
	-----	-----	-----	-----	-----	-----
Diluted.....	\$ (0.02)	\$ 0.07	\$ 0.25	\$ 0.41	\$ 0.17	
	-----	-----	-----	-----	-----	-----
OTHER FINANCIAL DATA:						
Depreciation and amortization.....	\$ 4	\$ 75	\$ 414	\$ 1,189	\$ 487	\$ 958
Capital expenditures(5).....	\$ 72	\$ 769	\$ 2,660	\$ 9,135	\$ 5,501	\$ 3,727
Dividends declared per common share.....	\$ 1.00(6)	\$ 1.00(6)	\$ 10.00(6)	\$ 0.37	\$ 0.04	\$ 0.30

	DECEMBER 31,				UNAUDITED
	1994	1995	1996	1997	JUNE 30, 1998
(IN THOUSANDS)					
BALANCE SHEET DATA:					
Cash and cash equivalents.....	\$ 283	\$ 953	\$ 1,160	\$ 61	\$ 69
Working capital.....	(423)	(1,228)	(2,580)	(9,239)	(11,351)
Total assets.....	1,577	5,712	11,410	19,558	22,764
Total liabilities.....	1,928	6,103	10,579	18,015	20,865
Redeemable warrants.....	-	-	-	300	300
Total shareholders' equity (deficit).....	(351)	(391)	831	1,244	1,599

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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 and \$1,367,457 for the six months ended June 30, 1998.
 - (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 231,000 active Associates as of June 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 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, sales of Associate starter and renewal kits, which include products, promotional materials, and free admission to the Company events and promotional materials. To become an Associate of the Company, a person may enroll as a Preferred Customer and subsequently execute an Associate Application, sponsor new Associates or purchase a starter kit. Alternatively, one can become an Associate by purchasing one of the Associate starter kits. Each starter kit includes some combination of nutritional products, promotional materials, and free admission to events. Each pack also allows the Associate to purchase product at the Company's wholesale price. The components, purchase price of the pack, and wholesale value of the included items for the periods for which financial data is presented are detailed in the table below.

PACKS SOLD PRIOR TO JUNE 1998

	ALL STAR BUSINESS PACK	MASTER ASSOCIATE AND ALL STAR TRAINING PACK	ALL STAR TRAINING PACK	MASTER STARTER PACK	NEW ASSOCIATE PROMO PACK	PREFERRED CUSTOMER PACK
	-----	-----	-----	-----	-----	-----
Associate Cost.....	\$1,000.00	\$ 568.00	\$ 339.00	\$ 229.00	\$ 49.00	\$ 29.00
Number of Nutritional Products Included.....	27	15	9	6	1	-
Wholesale Value of Nutritional Products.....	\$ 736.00	\$ 412.50	\$ 253.00	\$ 166.00	\$ 28.50	-
Number of Promotional Materials Included.....	108	26	3	23	15	15
Wholesale Value of Promotional Materials.....	\$ 345.99	\$ 298.04	\$ 186.90	\$ 111.14	\$ 12.59	\$ 14.50
Event Admission Included....	Yes	Yes	Yes	No	No	No
Implied Admission Value....	\$ 50.00	\$ 50.00	\$ 50.00	\$ -	\$ -	\$ -
Total Wholesale and Implied Value.....	\$1,131.99	\$ 760.54	\$ 489.90	\$ 277.14	\$ 41.09	\$ 14.50

PACKS SOLD BEGINNING IN JUNE 1998

	ALL STAR BUSINESS PACK	MASTER ASSOCIATE AND ALL STAR TRAINING PACK	MASTER STARTER PACK	NEW ASSOCIATE PROMO PACK	PREFERRED CUSTOMER PACK
Associate Cost.....	\$1,000.00	\$ 664.00	\$ 289.00	\$ 49.00	\$ 29.00
Number of Nutritional Products Included...	26	17	9	1	-
Wholesale Value of Nutritional Products...	\$ 750.50	\$ 491.00	\$ 216.74	\$ 28.50	-
Number of Promotional Materials Included.....	131	26	23	14	14
Whole Value of Promotional Materials.....	\$ 357.52	\$ 276.32	\$ 115.37	\$ 16.12	\$ 16.12
Events Admission Included.....	Yes	Yes	No	No	No
Implied Admission Value.....	\$ 50.00	\$ 50.00	\$ -	\$ -	\$ -
Total Wholesale and Implied Value.....	\$1,158.02	\$ 817.32	\$ 332.11	\$ 44.62	\$ 16.12

The Company views the nutritional product sale included in the "New Associate Promo Pack" as a retail sale. Viewed as a retail sale the value of the product would be \$39.00 and the total value of the pack would be \$51.59. The Company adopted this view as purchasers of the "New Associate Promo Pack" were often previously retail customers of other Associates before seeking Associate status themselves.

The Company also requires an Associate to renew status each year by renewing as a Preferred Customer and continuing to sponsor New Associates or by purchasing a renewal pack. Prior to June 1998 the Associates renewed at the \$49.00, \$229.00, and \$568.00 levels. The renewal packs were identical to the starter packs in the table above sold at the same price. If an Associate chose not to renew his Associate status he could continue to purchase the Company's products at the wholesale price and resell the products if he desired; however, he would not be qualified to earn commissions or bonuses under the Company's compensation plan. In May, 1998 the Company instituted its \$29.00 Preferred Customer Pack, which also provides a method of renewal of Associate status.

Associates are also eligible to purchase upgrade packs. Historically, upgrade packs were purchased at the \$229.00, \$339.00, \$568.00 and \$1,000.00 levels. Beginning June 1998 upgrade packs are priced at \$289.00, \$375.00, \$664.00 and \$1,000.00. Upgrade packs are accounted for as renewal packs as they renew an Associates membership for one year from the time of upgrade.

In May 1998, the Company introduced a new starter and renewal kit priced at \$29.00 which consists of 15 promotional materials which would cost \$14.50 if purchased separately at their wholesale value.

Revenues are generally 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 defers revenue received from the sale of promotional kits which is in excess of the wholesale value of the individual items included in such kits. Revenues from promotional kits are allocated between products and events admission based on the proportionate fair value of these items. Allocated event revenues are also deferred. All deferred revenue is amortized over a twelve-month period. Total deferred revenue was approximately \$521,000 and \$809,000 at December 31, 1996 and 1997, respectively and was \$679,000 for the six-month period ended June 30, 1998. 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 38.5, 40.7, 41.0 and 40.5 for 1995, 1996, 1997 and the six months ended June 30, 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 and 1998. 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,			SIX MONTHS ENDED JUNE 30,	
	1995	1996	1997	1997	1998
Net sales.....	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales.....	15.2	15.5	16.4	16.2	16.2
Commissions.....	38.5	40.7	41.0	41.0	40.5
Gross profit.....	46.3	43.8	42.6	42.8	43.3
Operating expenses:					
Selling and administrative expenses.....	21.9	20.6	18.5	19.0	17.8
Other operating costs.....	16.4	13.6	12.9	12.2	12.0
Cancellation of incentive compensation agreements.....	-	-	1.5	2.6	-
Income from operations.....	8.0	9.6	9.7	9.0	13.5
Other (income) expense, net.....	0.5	(0.1)	(0.0)	0.4	(0.0)
Income before income taxes.....	7.5	9.7	9.7	8.6	13.5
Income tax expense.....	0.2	1.4	2.7	2.4	5.2
Net income.....	7.3%	8.3%	7.0%	6.2%	8.3%
Number of starter kits sold.....	66,623	97,813	133,461	68,681	59,437
Number of renewal kits sold.....	907	19,875	41,219	18,922	22,528
Total number of kits sold.....	67,530	117,688	174,680	87,603	81,965
Total Associates canceling Associate status.....	930	2,503	5,163	2,458	2,973

NET SALES. Net sales increased 17.3% to \$83.7 million for the six months ended June 30, 1998 from \$71.4 million for the six months ended June 30, 1997. This increase was primarily attributable to the following:

- \$13.3 million, or 108.1% was due to the sale of several products which were not available for sale during the first six months of 1997.
- \$4.0 million, or 32.5% was due to an increase in existing product sales, which increase resulted solely from increases in the volume of products sold.
- \$(5.0) million, or (40.6)% was due to a decrease in Associate kit sales. A decrease of approximately \$4.9 million in Associate kits related to a decrease in kits sold with respect to enrollment of new Associates and a \$100,000 decrease in kits sold to Associates renewing their association with the Company. The Company's fee structure remained constant throughout this period. Associate kit sales decreased due to a delay in introducing new Associate kits or starter kits until the second quarter of 1998. The Company believes, based upon information received from many of its Associates, that many Associates delayed signing up new Associates and their own renewal until the new kits were available. As the new Associate kits were not available until May 1998, it is not possible to determine if the decrease in Associate kit sales is a deferral of such revenue or a permanent loss.

COST OF SALES. Cost of sales increased 17.3% to \$13.5 million for the six months ended June 30, 1998 from \$11.5 million for the comparable period in 1997. As a percentage of net sales, costs of sales remained the same at 16.2% for the six months ended June 30, 1998 and 1997.

COMMISSIONS. Commissions consist of payments to Associates for sales activity and downline growth. Commissions increased 15.7% to \$33.9 million for the six months ended June 30, 1998 from \$29.3 million for the comparable period in 1997. As a percentage of net sales, commissions were 40.5% for the six months ended June 30, 1998 and 41.0% for the comparable period in 1997.

GROSS PROFIT. Gross Profit increased 18.9% to \$36.3 million for the six months ended June 30, 1998 from \$30.5 million for the comparable period in 1997. As a percentage of net sales, gross profit increased to 43.4% for the six months ended June 30, 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 10.0% to \$14.9 million for the six months ended June 30, 1998 from \$13.6 million for the comparable period in 1997. As a percentage of net sales, selling and administrative expenses decreased to 17.9% for the six months ended June 30, 1998 from 19.0% for the comparable period in 1997. The dollar amount increase was due primarily to sales increases, and \$1.0 million expended on the Company's first large scale annual Associate meeting. The decrease as a percentage of net sales resulted from the Company decreasing executive bonuses and continuing to achieve sales volume-based efficiencies relating to human resources and marketing expenses.

OTHER OPERATING EXPENSES. Other operating costs include utilities, depreciation, travel, office supplies and printing expenses. Other operating costs increased 15.2% to \$10.0 million for the six months ended June 30, 1998 from \$8.7 million for the comparable period in 1997. As a percentage of net sales, other operating costs decreased to 12.0% for the six months ended June 30, 1998 from 12.2% for the comparable period in 1997. The dollar amount increase was primarily related to sales and to additional facilities costs related to the addition of the laboratory located in the Company's worldwide headquarters, relocation of the distribution center to its current location in January 1998 and the incurrence of costs associated with the Company's planned international expansion. The decrease as a

percentage of net sales related to the Company achieving sales volume-based efficiencies relating to other operating expenses.

OTHER (INCOME) EXPENSE, NET. Other (income) expense consists of interest income, royalties from vendors and settlement of lawsuits. Other (income) expense decreased (108.2%) to \$21,000 for the six months ended June 30, 1998 from (\$259,000) for the comparable period in 1997. As a percentage of net sales, other (income) expense decreased to 0.0% in the first six months ended June 30, 1998 from (0.4%) for the comparable period in 1997. The expense for the first six months ended June 30, 1997 related primarily to legal actions and related charges for the settlement of lawsuits that did not occur for the comparable period in 1998.

INCOME TAX EXPENSE. Income tax expense increased 158.8% to \$4.4 million for the six months ended June 30, 1998 compared to \$1.7 million for the comparable period in 1997. The effective tax rate increased to 38.5% for the six months ended June 30, 1998 from 28.0% 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 59.0% to \$7.0 million for the six months ended June 30, 1998 from \$4.4 million for the comparable period in 1997. As a percentage of net sales, net income increased to 7.9% for the six months ended June 30, 1998 from 6.2% for the comparable period in 1997. The increase was primarily related to the increase in sales offset by the reduction in expenses achieved by the obtainment of certain sales-volume-based efficiencies.

YEARS ENDED DECEMBER 31, 1997 AND DECEMBER 31, 1996

NET SALES. Net sales increased 74.4% to \$150.6 million in 1997 from \$86.3 million in 1996. This increase was primarily attributable to the following:

- \$46.9 million, or 72.9%, was due to an increase in existing product sales, which increase resulted solely from increases in the volume of products sold.
- \$11.1 million, or 17.3%, was due to an increase in Associate kit sales. Associate kit sales increased due to the enrollment of new Associates and the sale of renewal kits to existing Associates. Approximately \$5.9 million of the increase in Associate kit sales related to the sign up of new Associates and \$5.2 million related to the renewal of existing Associates. The Company's fee structure remained constant throughout this period.
- \$6.3 million, or 9.8%, was due to the introduction in July 1997 of MannaCleanse-TM-, an intestinal support product, and Bulk Ambrotose-Registered Trademark-, 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 41.0% for 1997 from 40.7% in 1996.

GROSS PROFIT. Gross profit increased 70.0% to \$64.2 million in 1997 from \$37.8 million in 1996. As a percentage of net sales, gross profit decreased to 42.6% in 1997 from 43.8% in 1996. These changes were primarily attributable to the factors described above.

SELLING AND ADMINISTRATIVE EXPENSES. Selling and administrative expenses increased 56.8% 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 20.6% 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 relocation of its worldwide headquarters to its current location in March 1997. As a result of the relocation the Company had capital expenditures of approximately \$9.6 million, which resulted in an increase in depreciation expense of approximately \$900,000. In addition, other expenses, comprised of supplies, rent and miscellaneous equipment purchases, increased by approximately \$1.8 million. Utility and telephone expense increased by approximately \$2.0 million with the majority of the increase related to telephone expense. The increase in telephone expense is related to the increase in sales as the majority of the Company's sales are made by telephone or fax. The increased sales volume leads to increased phone usage, which results in higher costs. As a percentage of net sales, other operating costs decreased to 12.9% 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 62.9% 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 (0.1)% 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 \$4.1 million in 1997 compared to \$1.2 million in 1996. The effective tax rate increased significantly to 28.0% in 1997 from 14.3% 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 48.3% to \$10.6 million in 1997 from \$7.2 million in 1996. As a percentage of net sales, net income decreased to 7.0% in 1997 compared to 8.3% 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 169.1% to \$86.3 million in 1996 from \$32.1 million in 1995. This increase was primarily attributable to the following:

- \$29.4 million, or 54.3%, 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 33.2%, was due to an increase in Associate kit sales. Associate kit sales increased due to the enrollment of new Associates and the sale of renewal kits to existing Associates. Approximately \$13.3 million of the increase in Associate kit sales related to the sign up of new

Associates and \$4.7 million related to the renewal of existing Associates. The Company's fee structure remained constant throughout this period.

- \$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-Registered Trademark-, in October 1996.
- \$3.2 million, or 5.9%, was due to the commencement of operations in Canada in April 1996, excluding Associate kit sales.

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 15.2% 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 40.7% in 1996 from 38.5% 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 4.3% increase (as a percentage of net sales) in total commissions.

GROSS PROFIT. Gross profit increased 154.2% to \$37.8 million in 1996 from \$14.9 million in 1995. As a percentage of net sales, gross profit decreased to 43.8% in 1996 from 46.3% 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 20.6% in 1996 from 21.9% 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 16.4% 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 \$1.1 million to \$1.2 million in 1996 compared to \$67,000 in 1995. The effective tax rate increased to 14.3% in 1996 from 2.7% 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 206.2% to \$7.2 million in 1996 from \$2.3 million in 1995. As a percentage of net sales, net income increased to 8.3% in 1996 as compared to 7.3% 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 June 30, 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.....	\$ 14,432	\$ 19,651	\$ 23,424	\$ 28,804	\$ 33,383	\$ 37,973	\$ 39,746
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	16,189
Gross profit.....	6,631	8,583	10,705	11,831	14,197	16,346	17,233
Operating expenses:							
Selling and administrative expenses.....	2,640	4,447	3,811	6,866	5,827	7,762	6,351
Other operating costs.....	1,590	2,260	2,550	5,346	3,743	4,974	4,684
Cancellation of incentive compensation agreements(3)....	--	-	-	-	-	1,821	-
Income (loss) from operations.....	2,401	1,876	4,344	(381)	4,627	1,789	6,198
Other (income) expense, net.....	(9)	(16)	-	(91)	139	120	(85)
Income (loss) before income taxes.....	2,410	1,892	4,344	(290)	4,488	1,669	6,283
Income tax (benefit) expense.....	349	263	637	(55)	1,261	462	1,784
Net income (loss)	\$ 2,061	\$ 1,629	\$ 3,707	\$ (235)	\$ 3,227	\$ 1,207	\$ 4,499
PRO FORMA INFORMATION:(4)							
Income (loss) before income taxes, as reported.....	\$ 2,410	\$ 1,892	\$ 4,344	\$ (290)	\$ 4,488	\$ 1,669	\$ 6,283
Pro forma provision for income tax (benefit) expense.....	904	710	1,629	(109)	1,727	644	2,419
Pro forma net income (loss).....	\$ 1,506	\$ 1,182	\$ 2,715	\$ (181)	\$ 2,761	\$ 1,025	\$ 3,864
Number of starter kits sold.....	21,114	24,368	25,613	26,718	32,547	36,134	34,881
Number of renewal kits sold.....	1,419	5,930	6,808	5,718	8,000	10,922	10,675
Total number of kits sold.....	22,533	30,298	32,421	32,436	40,547	47,056	45,556
Total Associates canceling Associate status.....	405	545	762	791	1,178	1,280	1,187
	DEC. 31, 1997(2)	MAR. 31, 1998	JUNE 30, 1998				
STATEMENT OF INCOME DATA:							
Net sales.....	\$ 39,468	\$ 41,088	\$ 42,637				
Cost of sales.....	6,869	6,060	7,484				
Commissions.....	16,217	16,884	16,988				
Gross profit.....	16,382	18,144	18,165				
Operating expenses:							
Selling and administrative expenses.....	7,906	7,684	7,257				
Other operating costs.....	6,001	4,696	5,342				
Cancellation of incentive compensation agreements(3)....	371	-	-				
Income (loss) from operations.....	2,104	5,764	5,566				
Other (income) expense, net.....	(217)	(62)	41				
Income (loss) before income taxes.....	2,321	5,826	5,525				
Income tax (benefit) expense.....	632	2,209	2,161				
Net income (loss)	\$ 1,689	\$ 3,617	\$ 3,364				

PRO FORMA INFORMATION:(4)

Income (loss) before income taxes, as reported.....	\$	2,321		
Pro forma provision for income tax (benefit) expense.....		893		
Pro forma net income (loss).....	\$	1,427		

Number of starter kits sold.....		29,899	30,261	29,176
Number of renewal kits sold.....		11,622	13,892	8,636

Total number of kits sold.....		41,521	44,153	37,812

Total Associates canceling Associate status.....		1,518	1,376	1,597

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- (1) For the fourth quarter of 1996 cost of sales included various book-to-physical inventory adjustments and write off of identified obsolete 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 an adjustment for the abnormal conversion of approximately \$133,000 of raw materials by a manufacturer and a write-off of identified obsolete inventory. The Company now sells raw materials to its manufacturers and repurchases finished goods, which should prevent future losses on abnormal conversions. 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.

As the table above indicates, the Company has experienced a declining rate of growth in recent quarters. The decreased rate results primarily from the increased base on which the growth rate is computed and a shrinking base of potential new Associates in its existing markets. The Company has relied on its historical growth to provide the operating cash flows used to fund its current infrastructure in property, equipment and personnel. The Company believes it currently has an infrastructure capable of supporting its historical growth for the next three to five years. The Company does not anticipate that future rates of growth will be equal to historic rates of growth due to the increased base on which the rate of growth is computed. The Company's inability to maintain its historic rate of growth is not expected to have an adverse effect on operations due to the relatively high gross profit margins and current sales base. The Company expects expansion into international markets to provide expanded growth opportunities. If the Company is unable to maintain current levels of growth, seasonal declines in sales revolving around the holiday period in the fourth quarter may become apparent.

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 June 30, 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	15.3	13.5	18.5	16.5	15.9	15.9
Commissions.....	40.8	41.0	40.8	40.4	41.0	41.0	40.7
Gross profit.....	46.0	43.7	45.7	41.1	42.5	43.1	43.4
Operating expenses:							
Selling and administrative expenses.....	18.3	22.6	16.3	23.8	17.5	20.4	15.9
Other operating costs.....	11.0	11.5	10.9	18.6	11.2	13.1	11.7
Cancellation of incentive compensation agreements.....	--	-	-	-	-	4.8	-
Income (loss) from operations.....	16.7	9.6	18.5	(1.3)	13.8	4.8	15.8
Other (income) expense, net.....	--	-	-	0.3	0.4	0.3	(0.2)
Income (loss) before income taxes, as reported.....	16.7	9.6	18.5	(1.0)	13.4	4.5	16.0
Income tax (benefit) expense.....	2.4	1.3	2.7	(0.2)	3.8	1.2	4.4
Net income (loss).....	14.3%	8.3%	15.8%	(0.8%)	9.6%	3.3%	11.6%
	DEC. 31, 1997	MAR. 31, 1998	JUNE 30, 1998				
AS A PERCENTAGE OF NET SALES:							
Net sales.....	100.0%	100.0%	100.0%				
Cost of sales.....	17.4	14.7	17.6				
Commissions.....	41.1	41.0	39.8				
Gross profit.....	41.5	44.3	42.6				
Operating expenses:							
Selling and administrative expenses.....	20.1	18.7	17.0				
Other operating costs.....	15.2	11.4	12.5				
Cancellation of incentive compensation agreements.....	0.9	-	-				
Income (loss) from operations.....	5.3	14.2	13.1				
Other (income) expense, net.....	(0.5)	(0.1)	0.1				
Income (loss) before income taxes, as reported.....	5.8	14.3	13.0				
Income tax (benefit) expense.....	1.6	5.3	5.0				
Net income (loss).....	4.2%	9.0%	8.0%				

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 \$2.6 million, \$9.2 million and \$11.7 million as of December 31, 1996, December 31, 1997 and June 30, 1998, respectively. During 1997 and the first six months of 1998, the Company invested approximately \$7.5 million and \$3.7 million, respectively in its property and equipment. These projects were funded primarily from operating cash flow which negatively impacted working capital. The Company also distributed approximately \$4.0 million during 1997 to the Partnerships and approximately \$6.9 million and \$6.6 million in dividends to its shareholders in 1997 and the first six months of 1998, respectively. Additionally, current liabilities increased due to increased commissions, income taxes and inventory purchases, all of which are directly related to increased sales volume in 1997 and the first three months of 1998. The Company believes its current facilities are sufficient to support near-term growth. The reduction in capital spending, combined with the Company's intention to cease future distributions to shareholders, is expected to reduce or eliminate the Company's working capital deficiencies in the future.

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 and August 1998, the Company converted \$631,000 and \$840,000, respectively 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.

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, \$19.8 million and \$9.6 million in 1995, 1996, 1997 and for the six months ended June 30, 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, \$9.3 million and \$2.9 million in 1995, 1996, 1997 and the six months ended June 30, 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 \$6.7 million in 1995, 1996, 1997 and for the six months ended June 30, 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) \$6.12 to \$9.82 million, depending upon the number of shares sold in this offering, for international expansion primarily to be used for product registration, initial inventory requirements, and similar items, (ii) \$5 million for working capital and general corporate purposes and (iii) the repayment of \$1.7 million in debt, assuming the sale of maximum number of shares offered by the Company hereby. 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 have any items of other comprehensive income for any period presented.

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.

In June 1998, the FASB issued FAS No. 133, "Accounting for Derivatives, Investments and Hedging Activities." This statement establishes accounting and reporting standards for derivative financial instruments, including certain derivative financial instruments imbedded in other contracts and for hedging activities. FAS 133 is effective for all fiscal quarters beginning after June 15, 1999. As the Company does not have any derivative financial instruments, 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. The Company has not yet assessed the potential impact of Year 2000 failures from vendors and other third parties upon its business. Because these assessments have not yet been made, the Company cannot determine if such failures would have a material impact on its operations. In the event that Year 2000 causes disruptions in the Company's accounting systems, the Company intends to resort to manual processing, which is not expected to cause significant disruption to its operations.

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 231,000 active Associates (an "active" Associate has purchased products from the Company within the last 12 months) as of June 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 \$8.4 million in 1994 to approximately \$150.6 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-Registered Trademark- 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-Registered Trademark- 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-Registered Trademark- and Bulk Ambrotose-Registered Trademark-, 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-Registered Trademark-. 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-Registered Trademark-Complex, Phyt-Aloe-Registered Trademark- and Plus. In September 1998 the Company plans to introduce Manna-C-TM-, a nutritional support for nasal and sinus health containing Ambrotose-Registered Trademark- Complex, monosaccharides necessary to the manufacture of glycoproteins and an herbal blend of Vitamin C and other nutrients which support most cell functions. In addition to MannaBAR-TM- and Manna-C-TM-, the Company plans to release 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. According to the "Survey of Attitudes toward Direct Selling," commissioned by the Direct Selling Association (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-Registered Trademark-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 motivation 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 38.5%, 40.7%, 41.0%, and 40.5% for 1995, 1996, 1997 and the six months ended June 30, 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 events 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 are 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-Registered Trademark- 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-Registered Trademark- Complex, is a component of each of the Company's products.

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

	CELL-TO-CELL COMMUNICATION	IMMUNE SYSTEM	ENDOCRINE SYSTEM	INTESTINAL SYSTEM	DERMAL SYSTEM
Ambrotose-Registered Trademark-.....	X				
Bulk Ambrotose-Registered Trademark-.....	X				
Bulk Em-Pact.....					
Em-Pact.....					
Emprizone-Registered Trademark-..					X
Firm.....					X
Man-Aloe-Registered Trademark-..	X				
MannaBAR-TM-Carbohydrate Formula.....	X	X	X		
MannaBAR-TM-Protein Formula.....	X	X	X		
Manna-C-TM-.....		X			
MannaCleanse-TM-.....				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-Registered Trademark-.....					
	SPORTS PERFORMANCE	NUTRITIONAL NEEDS			
Ambrotose-Registered Trademark-.....					
Bulk Ambrotose-Registered Trademark-.....					
Bulk Em-Pact.....	X				
Em-Pact.....	X				
Emprizone-Registered Trademark- Firm.....					

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Man-Aloe-Registered Trademark-.
      MannaBAR-TM-
Carbohydrate Formula.....
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      MannaBAR-TM-
Protein Formula.....
Manna-C-TM-.....
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MannaCleanse-TM-.....
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-Registered
Trademark-..... X

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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-Registered Trademark-, Mannatonin, Profile 1, 2 and 3, Sport with Ambrotose-Registered Trademark-
1997	Bulk Ambrotose-Registered Trademark-, Bulk Em-Pact-TM-, MannaCleanse-TM-
1998	MannaBAR-TM- Carbohydrate Formula, MannaBAR-TM- Protein Formula, Manna-C-TM-

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. To become an Associate of the Company, a person may enroll as a Preferred Customer and subsequently execute an Associate Application, sponsor new Associates or purchase a starter kit. Alternatively, one can become an Associate by purchasing one of the Associate starter kits. Each starter kit includes some combination of nutritional products, promotional materials, and free admission to the Company's events. Each pack also allows the Associate to purchase product at the Company's wholesale price. The components, purchase price of the pack, and wholesale value of the included items for the periods for which financial data is presented are detailed in the table below.

SUMMATION OF PACKS FOR MAY 1998 AND PRIOR YEARS

	ALL STAR BUSINESS PACK	MASTER ASSOCIATE AND ALL STAR TRAINING PACK	ALL STAR TRAINING PACK	MASTER STARTER PACK	NEW ASSOCIATE PROMO PACK	PREFERRED CUSTOMER PACK
Associate Cost.....	\$ 1,000.00	\$ 568.00	\$ 339.00	\$ 229.00	\$ 49.00	\$ 29.00
Number of Nutritional Products Included.....	27	15	9	6	1	-
Wholesale Value of Nutritional Products.....	\$ 736.00	\$ 412.50	\$ 253.00	\$ 166.00	\$ 28.50	\$ -
Number of Promotional Materials Included.....	108	26	3	23	15	15
Whole Value of Promotional Materials.....	\$ 345.99	\$ 298.04	\$ 186.90	\$ 111.14	\$ 12.59	\$ 14.50
Events Admission Included.....	Yes	Yes	Yes	No	No	No
Implied Admission Value.....	50	50	50	-	-	-
Total Wholesale and Implied Value.....	\$ 1,131.99	\$ 760.54	\$ 489.90	\$ 277.14	\$ 41.09	\$ 14.50

SUMMATION OF PACKS BEGINNING JUNE 1998

	ALL STAR BUSINESS PACK	MASTER ASSOCIATE AND ALL STAR TRAINING PACK	MASTER STARTER PACK	NEW ASSOCIATE PROMO PACK	PREFERRED CUSTOMER PACK
Associate Cost.....	\$ 1,000.00	\$ 664.00	\$ 289.00	\$ 49.00	\$ 29.00
Number of Nutritional Products Included.....	26	17	9	1	-
Wholesale Value of Nutritional Products.....	\$ 750.50	\$ 491.00	\$ 216.74	\$ 28.50	\$ -
Number of Promotional Materials Included.....	131	26	23	14	14
Whole Value of Promotional Materials.....	\$ 357.52	\$ 276.32	\$ 115.37	\$ 16.12	\$ 16.12
Events Admission Included.....	Yes	Yes	No	No	No
Implied Admission Value.....	\$ 50.00	\$ 50.00	\$ -	\$ -	\$ -
Total Wholesale and Implied Value.....	\$ 1,158.02	\$ 817.32	\$ 332.11	\$ 44.62	\$ 16.12

The Company also requires Associates to renew their status each year by either renewing as a Preferred Customer and continuing to sponsor New Associates or by purchasing a renewal pack. Prior to June 1998 the Associates renewed at the \$49.00, \$229.00 and \$568.00 levels. The renewal packs were identical to the starter packs in the table above sold at the same price. Beginning June 1998 the Associates renew at the \$29.00, \$200.00 or \$350.00 level. If an Associate chose not to renew his Associate status he could continue to purchase the Company's products at the wholesale price and resell the products if he desired; however, he would not be qualified to earn commissions or bonuses under the Company's compensation plan.

In May 1998 the Company introduced a new starter kit priced at \$29.00 which consists of 15 promotional materials which would cost \$14.50 if purchased separately at their wholesale value, which can also be used to renew Associate status, if elected.

Total associate kits sold were 67,530, 117,688, 174,680 and 81,965 for 1995, 1996, 1997 and the six months ended June 30, 1998 respectively. Sales of renewal kits were 907, 19,875, 41,219, and 22,528 respectively for the same periods. The number of starter kits sold were 66,623, 97,813, 133,461, and 59,437 during the respective periods. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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 events 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, 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 Associates 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 motivational 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, the achievement of certain leadership levels and the training of other Associates. 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. All commissions are based on wholesale prices. Associates may, at their discretion, determine the resale price of products purchased at wholesale. 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 based on downline growth. Associates who have completed "accredited training" can receive a commission of \$25 for each additional Associate they train. Bonuses or commissions ranging from \$10 to \$200 are also earned on products included in starter or introductory kits. 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 38.5%, 40.7%, 41.0% and 40.5% for 1995, 1996, 1997 and the six months ended June 30, 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 breadth 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, refer 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 Company-related 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 1.1% in 1995, 1996, 1997 and the six month period ended June 30, 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. 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-Registered Trademark- 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 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 addition to regulation of its direct selling activities, the Company, in both the 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 "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 grandfathered, 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 FDCA. 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, which includes its compensation plan, is subject to a number of federal and state statutes and regulations administered by the FTC and various state agencies. The legal requirements 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 compensation derived principally from the recruitment of additional associates, 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 distribution channels. 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 June 30, 1998, the Company employed approximately 270 people, ten 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. The Company also leases approximately 9,000 square feet in St. Leonards, Australia for its Australian operation. The lease is for a term of five years, expiring in August 2003.

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.

The Company received a demand letter (the "Demand Letter") from Dr. Joe Glickman, Jr. an Associate of the Company, alleging that the Company had, among other things, breached various contracts, agreements and promises, and stating an intention to pursue these claims in the United States District Court for Montana. In March 1998, the Company commenced an arbitration proceeding against

Dr. Glickman 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 the Demand Letter, 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. In May 1998, Alotek filed an amended complaint in Montana naming Charles E. Fioretti, William C. Fioretti and Samuel L. Caster individually as defendants in addition to the Company. In September 1998, the Montana Court dismissed in full the claims of Alotek against the Company and its officers as individuals. 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 litigation is in its earliest stages and discovery has not yet begun. The Company believes that Alotek's claims are without merit and that the defendants have valid defenses to all allegations raised by Alotek. Nevertheless, an adverse resolution of this matter would have a material adverse effect on the Company's business, results of operations and financial condition.

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.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

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

NAME	AGE	POSITION
Charles E. Fioretti.....	52	Chairman of the Board and Chief Executive Officer
Samuel L. Caster.....	48	President and Director
Anthony E. Canale.....	46	Chief Operating Officer
Patrick D. Cobb.....	46	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
Ronald D. Norman.....	39	Vice President of Accounting and Controller
Eoin Redmond.....	33	Vice President of Information Technology
Steven A. Barker.....	49	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.

Ronald D. Norman joined the Company in May 1996 and since August 1997 has served as Controller. In June 1998 Mr. Norman was promoted to Vice President of Accounting. From September 1994 to April 1996 Mr. Norman was a tax manager with Belw Averitt LLP, a public accounting firm in Dallas, Texas. From January 1989 until September 1994 Mr. Norman worked for Coopers & Lybrand LLP (now PricewaterhouseCoopers LLP), an international public accounting firm. Mr. Norman holds an M.A. in Tax and a B.B.A. in Accounting from Baylor University and is a Certified Public Accountant.

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

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION		LONG-TERM COMPENSATION	ALL OTHER COMPENSATION
	SALARY	BONUS	NUMBER OF SHARES UNDERLYING OPTIONS GRANTED(#)	
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)

- (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

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2)	
	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

- (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(1)		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.

EMPLOYMENT AGREEMENTS

The Company intends to enter into employment agreements with each of Charles E. Fioretti, Samuel L. Caster, Patrick D. Cobb, Anthony E. Canale, Bill H. McAnalley and Deanne Varner, effective as of September 1, 1998, which will entitle each such employee to receive their current base salary and bonus compensation based upon the Management Bonus Plan formula. See "--Management Bonus Plan." The agreements will have an initial term of five years and extend automatically each year for one additional year unless both parties agree to termination prior to the end of any term. If the Company terminates the employment agreement for any reason other than specified events, the executive is entitled to receive an amount equal to the sum of all salary and bonus which would have been paid in the five years subsequent to such termination.

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 June 30, 1998, options to purchase 1,600,000 shares of Common Stock were outstanding, with a weighted average exercise price of \$1.45 per share, none of which were vested or exercisable at such date 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 Incentive Stock Options. 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 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 the bonuses paid pursuant to the bonus plan, prior to this offering, has 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.

CERTAIN TRANSACTIONS

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. The rights conferred to Cion under the agreement also included the right to relicense the rights conferred in various international territories. 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, exclusive of certain licenses covering a number of Far Eastern countries which were granted by Cion.

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 June 30, 1998, and as adjusted to reflect the sale by the Company of, respectively, 1,500,000 shares and 2,200,000 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.

NAME AND ADDRESS	SHARES BENEFICIALLY OWNED			SHARES BENEFICIALLY OWNED AFTER OFFERING(1)(2)		NUMBER OF SHARES OFFERED(3)	SHARES BENEFICIALLY OWNED AFTER OFFERING(1)(3)
	PRIOR TO OFFERING(1)		NUMBER OF SHARES OFFERED(2)	NUMBER	PERCENT		NUMBER
	NUMBER	PERCENT					
Samuel L. Caster c/o Mannatech, Incorporated 600 S. Royal Lane, Suite 200 Coppell, Texas 75019	5,886,946	26.6%	300,000	5,586,946	23.6%	400,000	5,486,946
William C. Fioretti(4) c/o Agritech Labs, Inc. 6333 N. St. Highway 161, Suite 350 Irving, Texas 75063	5,896,946	26.7	700,000(5)	5,196,946	22.0	800,000(6)	5,096,946
Charles E. Fioretti c/o Mannatech, Incorporated 600 S. Royal Lane, Suite 200 Coppell, Texas 75019	5,584,946	25.3	300,000	5,284,946	22.4	400,000	5,184,946
Chris T. Sullivan(7)	399,000	1.8	80,000	319,000	1.3	105,000	294,000
Patrick D. Cobb(8)	376,456	1.7	100,000	306,456	1.3	150,000	256,456
H. Reginald McDaniel	546,600	2.5	35,000	511,600	2.2	35,000	511,600
Christopher A. Marlett(9)	475,015	2.1	35,000	440,015	1.9	35,000	440,015
Dick Hankins, Jr.	458,956	2.1	200,000	258,956	*	300,000	158,956
Don Herndon	458,956	2.1	60,000	398,956	1.7	60,000	394,956
Gary Watson	366,456	1.7	100,000	266,456	1.1	200,000	166,456
Bill H. McAnalley(10)	298,667	1.3	60,000	238,667	1.0	60,000	238,667
Peter E. Hammer	228,206	1.0	40,000	188,206	*	65,000	163,206
Kim Snyder	114,103	*	25,000	89,103	*	25,000	89,103
Kathy Schiffer	30,000	*	20,000	10,000	*	20,000	10,000
To be determined	TBD	*	0	TBD	*	100,000	0
All executive officers and directors as a group (12 persons)	12,763,721	57.7	880,000	11,883,721	50.3	1,180,000	11,583,721

NAME AND ADDRESS	PERCENT
Samuel L. Caster c/o Mannatech, Incorporated 600 S. Royal Lane, Suite 200 Coppell, Texas 75019	22.5%
William C. Fioretti(4) c/o Agritech Labs, Inc. 6333 N. St. Highway 161, Suite 350 Irving, Texas 75063	20.8
Charles E. Fioretti c/o Mannatech, Incorporated 600 S. Royal Lane, Suite 200 Coppell, Texas 75019	21.2
Chris T. Sullivan(7)	1.2
Patrick D. Cobb(8)	1.0
H. Reginald McDaniel	2.1
Christopher A. Marlett(9)	1.8
Dick Hankins, Jr.	*
Don Herndon	1.6
Gary Watson	*
Bill H. McAnalley(10)	*
Peter E. Hammer	*
Kim Snyder	*
Kathy Schiffer	*

To be determined.....	*
All executive officers and directors as a group (12 persons).....	47.4

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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) Reflects the sale of an aggregate of 2,055,000 shares of Common Stock by certain Selling Shareholders, including 35,000 Exercised Warrant Shares.
- (3) Reflects the sale of an aggregate of 2,755,000 shares of Common Stock by certain Selling Shareholders, including 135,000 Exercised Warrant Shares.
- (4) 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.
- (5) Of the 800,000 shares offered by William C. Fioretti, 469,000 are held of record by William C. Fioretti and 231,000 are held of record by the Fioretti Family Partnership, Ltd.

- (6) Of the 800,000 shares offered by William C. Fioretti, 536,000 are held of record by William C. Fioretti and 264,000 are held of record by the Fioretti Family Partnership, Ltd.
- (7) 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.
- (8) 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.
- (9) Includes 475,015 shares of Common Stock subject to the Warrant, all of which are currently exercisable, and up to 135,000 of which may be exercised and sold in this offering.
- (10) Includes 15,000 shares of Common Stock held by Dr. McAnalley's children.

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 36 holders of record. Following this offering, a minimum of 23,601,738 shares and a maximum of 24,436,738 shares of Common Stock will be issued and outstanding. 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

GENERAL. 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.

RESTRICTIONS UPON TRANSFER. The shares of Common Stock offered hereby may not be transferred other than to Associates or employees of the Company. This restriction upon transfer will cease to apply upon the later of (i) two years from the date of the last closing relating to the shares of Common Stock offered hereby or (ii) 90 days after the completion of a subsequent public offering resulting in the listing of the Common Stock on a registered national securities exchange. The certificates representing the shares of Common Stock offered hereby shall bear a legend setting forth the restrictions upon transfer relating to the Common Stock. Moreover, prior to the completion of this offering, the Company intends to enter into the Lock-up Agreements with each of the Company's shareholders and holders of options to purchase Common Stock. Pursuant to the Lock-up Agreements, each such shareholder will agree, subject to certain exceptions, not to sell or otherwise dispose of any of its shares of Common Stock until the Restriction Termination Date.

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, 135,000 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 a minimum of 74,563,262 shares and a maximum of 75,398,262 shares of Common Stock available for future issuance without shareholder approval, depending on the actual amount sold in this offering. 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 First Chicago Trust Company of New York.

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 a minimum of 23,601,738 shares and a maximum of 24,436,738 shares of Common Stock outstanding. All of the shares offered hereby will not be freely tradeable until the lapse of the significant restrictions on transfer applicable to such shares, but will, upon such lapse, 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. Moreover, the shares of Common Stock offered hereby will not be listed on any national securities exchange or on the Nasdaq Stock Market.

SALES OF RESTRICTED SHARES

The shares of Common Stock which are not being sold in this offering are "restricted securities" within the meaning of Rule 144. Depending on whether the minimum or maximum number of shares of Common Stock offered hereby are sold, there will be, respectively, 22,101,738 or 19,481,738 Restricted Shares outstanding upon the completion of this offering. Of such Restricted Shares, 21,982,571 shares or 19,362,571 shares, respectively, will be eligible for sale in the public market after the date of this Prospectus, all under and subject to the restrictions contained in Rule 144.

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 236,517 shares or 244,367 shares, respectively, 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.

LOCK-UP ARRANGEMENT

Prior to the completion of this offering, the Company intends to enter into the Lock-up Agreements with each of its shareholders and option holders. Under the Lock-up Agreements, such shareholders will agree, subject to certain exceptions, not to offer, sell, contract to sell or otherwise dispose of any shares of Common Stock until the Restriction Termination Date. Upon the expiration of the Lock-up Agreements, those shares subject to Lock-up Agreements will not, absent registration, be freely tradeable, but will become eligible for sale under Rule 144 on various dates in the future.

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 June 30, 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. 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, a maximum of 135,000 shares of which may 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."

PLAN OF DISTRIBUTION

GENERAL

The Company and the Selling Shareholders are offering to sell up to 4,955,000 shares of the Company's Common Stock to its Associates and employees. The Common Stock will be offered by the Company on a "best efforts" basis. If the Company is unable to sell at least 1,500,000 shares of the Common Stock offered hereby, the Company will cancel this offering and return all monies collected from subscribers and held in escrow without interest or deduction. None of the employees, officers or directors of the Company will receive any compensation in connection with any offers or sales of Common Stock in this offering. The Company will also retain one or more Placement Agents to sell the Common Stock on a "best efforts" basis. There are no underwriters involved in this offering. If the Company retains Placement Agents to sell the Common Stock offered hereby, the Company will pay such Placement Agents a selling commission of up to 4.0% of the gross offering proceeds. The Company and the Placement Agents, if any, will, in all likelihood, agree to indemnify each other against certain liabilities, including liabilities under the Securities Act of 1933.

The Common Stock will be sold at the price of \$8.00 per share. The minimum number of shares a subscriber is required to purchase in order to subscribe to the offering hereby will be 100 shares. The Company reserves the right to withdraw, cancel or modify the offering hereby and to reject subscriptions, in whole or in part, for any reason, including, without limitation, any subscription, the acceptance of which may, in the opinion of counsel to the Company, require registration or qualification of the shares of Common Stock offered hereby under any state securities laws.

DETERMINATION OF OFFERING PRICE

Prior to the offering hereby, there has been no public market for the Common Stock. The offering price has been arbitrarily determined by the Company and may not be indicative of the market price for the Common Stock after this offering. In determining the offering price, the Board of Directors considered, among other things, the Company's earnings, its view of the Company's prospects, the earnings of comparable publicly traded nutritional supplement companies and the trading price of the stock of those companies. The Company makes no representations as to any objectively determinable value of the Common Stock.

SUBSCRIPTION PROCEDURES

The Company is presently soliciting non-binding offers to purchase shares of Common Stock, and will not accept binding subscriptions or accept payment for any shares until after the Registration Statement of which this Prospectus in a part has been declared effective by the Commission. After such Registration Statement has been declared effective, the Company will provide to each prospective investor an agreement to purchase shares of the Common Stock (the "Subscription Agreement") and a copy of the final Prospectus relating to this offering. The Company's acceptance of a subscription shall be evidenced solely by the delivery to the subscriber of a written confirmation of sale. Receipt by the Company of a Subscription Agreement and/or deposit with the Escrow Agent of payment for the subscribed shares as described below shall not constitute acceptance of a subscription. All subscription payments and executed Subscription Agreements will be delivered to the (the "Escrow Agent"), . The subscription payments will be deposited into an escrow account at , subject to a closing (the "Initial Closing") on such escrowed funds once the Company has accepted subscriptions for at least 1,500,000 shares and, if all shares of Common Stock offered hereby are not sold as of the date of the Initial Closing, to subsequent closings on such escrowed funds from time to time as determined by the Company. The Company, through its Placement Agents, will process and consider for acceptance all qualified subscriptions in the order received.

Stock certificates will not be issued to subscribers until such time as good funds related to the purchase of Common Stock by such subscribers are released from the escrow account to the Company by the Escrow Agent. Until such time as stock certificates are issued to the subscribers, the subscribers will not be considered shareholders of the Company.

Subscribers will have no right to a return of their subscription payment held in the escrow account until the Company decides not to accept such subscription payment and all interest earned on the escrowed proceeds will belong to the Company.

TERMINATION OF OFFERING

This offering will commence on the date of this Prospectus and will continue until the earlier of (i) the date upon which the Escrow Agent receives the proceeds for all 4,955,000 shares of Common Stock offered hereby in the specified escrow account; (ii) _____, 1998 (subject to the right of the Company to extend the offering for an additional 90 days to _____, 1999); or (iii) the date upon which the Company terminates this offering for any reason other than the sale of at least 1,500,000 shares of Common Stock. The Company has the right to terminate the offering and purchase the shares held in escrow at any time after the Escrow Agent has received the subscription proceeds for 1,500,000 shares. The Company may terminate this offering at any time until all 4,955,000 shares of Common Stock offered hereby have been sold. If the Company terminates this offering before the subscription proceeds for 1,500,000 shares have been received by the Escrow Agent, all subscription proceeds will be promptly returned to subscribers.

LOCK-UP ARRANGEMENT

Prior to the completion of this offering, the Company intends to enter into the Lock-up Agreements with each of its shareholders and option holders. Under the Lock-up Agreements, such shareholders will agree, subject to certain exceptions, not to offer, sell, contract to sell or otherwise dispose of any shares of Common Stock until the Restriction Termination Date. Upon the expiration of the Lock-up Agreements, those shares subject to Lock-up Agreements will not, absent registration, be freely tradeable, but will become eligible for sale under Rule 144 on various dates in the future.

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.

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 PricewaterhouseCoopers 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. PricewaterhouseCoopers was engaged by the Company as its independent accountants in November 1997.

ADDITIONAL INFORMATION

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
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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.

PRICEWATERHOUSECOOPERS 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 JUNE 30, 1998

	DECEMBER 31,		JUNE 30, 1998 (UNAUDITED)
	1996	1997	
ASSETS			
Cash and cash equivalents.....	\$ 1,159,937	\$ 61,148	\$ 68,955
Restricted cash.....	-	199,619	-
Accounts receivable, less allowance for doubtful accounts of \$194,000 in 1997.....	26,991	549,904	105,134
Receivable from related parties.....	502,417	148,888	131,103
Notes receivable from shareholders.....	-	934,929	979,265
Refundable income taxes.....	741,000	-	-
Inventories.....	4,947,337	5,323,056	5,709,192
Prepaid expenses and other current assets.....	166,471	542,978	587,732
Deferred tax assets.....	349,651	399,368	321,068
Total current assets.....	7,893,804	8,159,890	7,902,449
Property and equipment, net.....	3,049,572	10,583,910	13,284,939
Other assets.....	466,603	814,624	1,576,625
Total assets.....	\$ 11,409,979	\$ 19,558,424	\$ 22,764,013
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of capital lease obligations.....	\$ -	\$ 249,655	\$ 1,171,593
Current portion of note payable.....	26,400	-	-
Accounts payable.....	2,540,116	4,287,159	2,959,410
Accrued expenses.....	7,270,164	11,540,577	13,796,081
Dividends payable.....	100,000	1,321,654	1,326,104
Accounts payable to related parties.....	537,472	-	-
Total current liabilities.....	10,474,152	17,399,045	19,253,188
Capital lease obligations, excluding current portion.....	-	110,482	482,692
Deferred tax liabilities.....	105,000	505,000	1,129,000
Total liabilities.....	10,579,152	18,014,527	20,864,880
Commitments and contingencies (note 11).....	-	-	-
Redeemable warrants.....	-	300,000	300,000
Shareholders' equity			
Preferred stock, \$.01 par value, 1,000,000 shares authorized, no shares issued and outstanding, respectively.....	-	-	-
Common stock, \$.0001 par value, 99,000,000 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
Notes receivable from shareholders.....	-	(636,418)	(636,418)
Retained earnings (deficit).....	828,764	(754,133)	(398,897)
Total shareholders' equity.....	830,827	1,243,897	1,599,133
Total liabilities and shareholders' equity.....	\$ 11,409,979	\$ 19,558,424	\$ 22,764,013

See accompanying notes to financial statements.

MANNATECH, INCORPORATED

STATEMENTS OF INCOME

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

AND THE SIX MONTHS ENDED JUNE 30, 1997 AND 1998

	DECEMBER 31,			JUNE 30,	
	1995	1996	1997	1997	1998
	(UNAUDITED)				
Net sales.....	\$32,070,758	\$86,311,972	\$ 150,569,843	\$71,356,050	\$83,725,176
Cost of sales.....	4,880,331	13,406,303	24,735,616	11,542,108	13,544,007
Commissions.....	12,338,513	35,155,231	61,677,103	29,271,075	33,871,882
	17,218,844	48,561,534	86,412,719	40,813,183	47,415,889
Gross profit.....	14,851,914	37,750,438	64,157,124	30,542,867	36,309,287
Operating expenses:					
Selling and administrative expenses.....	7,012,199	17,764,415	27,845,502	13,589,255	14,940,883
Other operating costs.....	5,252,817	11,746,003	19,402,317	8,716,585	10,037,923
Cancellation of incentive compensation agreements.....	-	-	2,191,610	1,820,774	-
Total operating expenses.....	12,265,016	29,510,418	49,439,429	24,126,614	24,978,806
Income from operations.....	2,586,898	8,240,020	14,717,695	6,416,253	11,330,481
Other (income) expense, net.....	180,970	(116,009)	(43,170)	258,957	(21,237)
Income before income taxes.....	2,405,928	8,356,029	14,760,865	6,157,296	11,351,718
Income tax expense.....	67,013	1,193,640	4,138,822	1,723,185	4,370,412
Net income.....	\$ 2,338,915	\$ 7,162,389	\$ 10,622,043	\$ 4,434,111	\$ 6,981,306
Earnings per common share:					
Basic.....	\$.11	\$.35	\$.50	\$.21	\$.31
Diluted.....	\$.11	\$.35	\$.47	\$.20	\$.29
Unaudited pro forma data (note 1)					
Income before income taxes, as reported...	2,405,928	8,356,029	14,760,865	6,157,296	
Pro forma provision for income taxes.....	902,223	3,133,511	5,682,933	2,370,559	
Pro forma net income.....	\$ 1,503,705	\$ 5,222,518	\$ 9,077,932	\$ 3,786,737	
Pro forma earnings per common share:					
Basic.....	\$.07	\$.25	\$.42	\$.18	
Diluted.....	\$.07	\$.25	\$.41	\$.17	

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 SIX MONTHS ENDED JUNE 30, 1998

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	NOTES RECEIVABLE FROM SHAREHOLDERS	RETAINED EARNINGS (DEFICIT)	TOTAL SHAREHOLDERS' EQUITY (DEFICIT)
	SHARES	PAR VALUE				
Balance at December 31, 1994.....	20,626,971	\$ 2,063	\$ -	-	\$ (352,784)	\$ (350,721)
Dividends declared (\$1.00 per share)(1).....	-	-	-	-	(10,000)	(10,000)
Net income.....	-	-	-	-	2,338,915	2,338,915
Distributions to partners.....	-	-	-	-	(2,369,631)	(2,369,631)
Balance at December 31, 1995.....	20,626,971	2,063	-	-	(393,500)	(391,437)
Dividends declared (\$10.00 per share)(1).....	-	-	-	-	(100,000)	(100,000)
Net income.....	-	-	-	-	7,162,389	7,162,388
Distributions to partners.....	-	-	-	-	(5,840,125)	(5,840,124)
Balance at December 31, 1996.....	20,626,971	2,063	-	-	828,764	830,827
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
Issuance of notes receivable to shareholders.....	-	-	-	(636,418)	-	(636,418)
Dividends declared (\$.37 per share).....	-	-	-	-	(8,150,201)	(8,150,201)
Net income.....	-	-	-	-	10,622,043	10,622,043
Distributions to partners.....	-	-	-	-	(4,054,739)	(4,054,739)
Balance at December 31, 1997.....	22,101,738	2,210	2,632,238	(636,418)	(754,133)	1,243,897
Dividends declared (\$.30 per share) (unaudited).....	-	-	-	-	(6,626,070)	(6,626,070)
Net income (unaudited).....	-	-	-	-	6,981,306	6,981,306
Balance at June 30, 1998 (unaudited)..	22,101,738	\$ 2,210	\$ 2,632,238	(636,418)	\$ (398,897)	\$ 1,599,133

(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 SIX MONTHS ENDED JUNE 30, 1997 AND 1998

	DECEMBER 31			JUNE 30	
	1995	1996	1997	1997	1998
	(UNAUDITED)				
Cash flows from operating activities:					
Net income.....	\$2,338,915	\$7,162,389	\$10,622,043	\$4,434,111	\$6,981,306
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization.....	75,341	414,299	1,189,494	486,810	958,609
Loss (gain) on disposal of assets.....	46,523	3,876	411,202	114,349	67,345
Noncash charge for cancellation of incentive compensation agreements.....	-	-	2,191,610	1,519,798	-
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).....	60,013	(136,829)	350,283	121,632	702,300
Changes in operating assets and liabilities:					
Accounts and notes receivable.....	139,302	(449,899)	(1,740,731)	(832,483)	418,219
Refundable income taxes.....	(285,911)	(455,089)	741,000	-	-
Inventories.....	(2,319,350)	(1,801,879)	(375,719)	(1,465,819)	(386,136)
Prepaid expenses and other current assets.....	(106,878)	(50,330)	(376,507)	(878,474)	(44,754)
Other assets.....	(166,261)	70,798	(4,749)	(3,603)	-
Accounts payable.....	1,136,863	191,504	1,747,043	3,045,383	(1,327,749)
Accrued expenses.....	1,991,606	4,531,725	4,555,685	3,328,952	2,255,504
Net cash provided by operating activities.....	3,090,763	9,595,565	19,766,156	9,870,656	9,624,644
Cash flows from investing activities:					
Proceeds from sale of equipment.....	-	-	-	75,000	65
Acquisition of property and equipment and construction in progress.....	(768,505)	(2,660,108)	(8,737,232)	(5,500,759)	(2,359,391)
Security deposits.....	-	(460,350)	-	-	-
Deposits of restricted cash.....	-	-	(199,619)	-	199,619
Deferred offering costs.....	-	-	(343,672)	-	(762,201)
Other assets.....	(75,000)	(40,000)	-	-	-
Net cash used in investing activities.....	(843,505)	(3,160,458)	(9,280,523)	(5,425,759)	(2,921,908)
Cash flows from financing activities:					
Distributions to partners.....	(1,904,611)	(5,268,033)	(4,054,739)	(4,054,739)	-
Payment of dividends.....	-	(20,000)	(6,928,547)	(100,000)	(6,621,620)
Repayment of capital lease obligations.....	-	-	(37,265)	-	(73,309)
Advances from shareholders and employees.....	159,486	26,436	61,055	-	-
Repayments to shareholders and employees.....	-	(688,293)	(598,527)	(537,471)	-
Advances from an affiliated company.....	206,660	-	-	-	-
Repayment to an affiliated company.....	-	(206,660)	-	-	-
Payment of notes payable.....	(39,537)	(71,200)	(26,400)	(24,000)	-
Net cash used in financing activities.....	(1,578,002)	(6,227,751)	(11,584,423)	(4,718,610)	(6,694,929)
Net increase (decrease) in cash and cash equivalents.....	669,256	207,356	(1,098,789)	(273,713)	7,807
Cash and cash equivalents:					
Beginning of year.....	283,325	952,581	1,159,937	1,159,937	61,148
End of year.....	\$ 952,581	\$1,159,937	\$ 61,148	\$ 886,224	\$ 68,955
Supplemental disclosure of cash flow information:					
Income taxes paid.....	\$ 296,000	\$1,716,100	\$ 68,800	\$ 24,000	\$3,657,000
Interest paid.....	\$ 8,000	\$ -	\$ 10,885	\$ -	\$ 3,000
Interest received.....	\$ -	\$ -	\$ -	\$ 14,000	\$ 50,000
A summary of non-cash investing and financing activities follows:					
Accrued dividends and distributions.....	\$ 475,020	\$ 672,091	\$ 1,321,654	\$ 781,103	\$1,326,104
Tax benefit of shares granted for merger of partnerships....	\$ -	\$ -	\$ 285,272	\$ 285,272	\$ -
Assets acquired through capital lease obligations.....	\$ -	\$ -	\$ 397,402	\$ -	\$1,367,457

See accompanying notes to financial statements

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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. Revenues are received for promotional kits provided to Associates, which include nutritional products and sales aids.

The Company defers revenue received from the sale of promotional kits which is in excess of the wholesale value of the individual items included in such kits. Such deferrals are amortized over a twelve-month period. Revenues from promotional kits are allocated between products and event admission based on the proportionate fair value of these items. Allocated event revenue from the sales of these kits was approximately \$38,100, \$405,000 and \$906,000 in 1995, 1996 and 1997, respectively. The allocated event revenues are amortized over a twelve-month period. Total net deferred revenue was \$521,171 and \$808,749 at December 31, 1996 and 1997 respectively.

Substantially all product sales are made to Associates at a published wholesale price. Net sales also reflect product returns and the related refund.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
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, including direct and indirect sales, downline growth and training of associates. Commissions are accrued when earned and generally paid at various times within the following month.

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 June 30, 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
	-----	-----

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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
Deferred revenue.....	521,171	808,749
Customer deposits.....	536,037	216,436
Other accrued expenses.....	257,642	739,262
	\$ 7,270,164	\$ 11,540,577

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.....	54,170	(124,397)	291,223
State.....	5,843	(12,432)	59,059
	-----	-----	-----
	60,013	(136,829)	350,282
	-----	-----	-----
	\$ 67,013	\$ 1,193,640	\$ 4,138,822
	-----	-----	-----
	-----	-----	-----

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAXES (CONTINUED)

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.....	(36.1)	(23.8)	(9.6)
State income taxes, net of federal benefit.....	0.3	2.0	2.4
Nondeductible expenses.....	1.4	3.0	0.5
Other.....	3.2	(0.9)	(0.2)
	2.8%	14.3%	28.1%

Deferred taxes consisted of the following at December 31:

	1996	1997
Deferred tax assets:		
Current:		
Deferred revenue.....	\$ 200,651	\$ 311,368
Inventory capitalization.....	119,000	86,000
Capital loss carryforward.....	20,000	-
Other.....	10,000	2,000
Total current deferred tax assets.....	349,651	399,368
Noncurrent:		
Compensation expense.....	-	318,000
Capital loss carryforward.....	-	20,000
Total noncurrent deferred tax assets.....	-	338,000
Total gross deferred tax assets.....	\$ 349,651	\$ 737,368
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.....	\$ 349,651	\$ 399,368
Noncurrent deferred tax liabilities.....	(105,000)	(505,000)
Net deferred tax assets (liabilities).....	\$ 244,651	\$ (105,632)

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

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. These notes will be repaid out of the proceeds expected to be received by the shareholders from the sale of their stock in the offering. 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 May 9, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. EMPLOYEE BENEFIT PLAN (CONTINUED)
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 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. EMPLOYEE BENEFIT PLAN (CONTINUED)

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.....	\$ 10,622,043
Pro forma.....	\$ 10,542,364
Basic EPS	
As reported.....	\$ 0.50
Pro forma.....	\$ 0.49
Diluted EPS	
As reported.....	\$ 0.47
Pro forma.....	\$ 0.47

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 July 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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.

The Company utilizes royalty agreements with individuals or entities to provide compensation for items such as:

- Reprints of articles or speeches relating to the Company
- Sales of promotional videos featuring sports personalities
- Promotional efforts in product sales or attracting new associates.

In addition, the Company pays a monthly fee of \$20,000 to a research foundation for promoting and conducting health studies of Associates. The total expenses for all of these agreements were \$473,000, \$1,345,000 and \$1,568,000 in 1995, 1996 and 1997, respectively.

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.

Subsequent to year end, on April 8, 1998, the Company amended its Articles of Incorporation to reduce the number of authorized shares of common stock to 99,000,000 from 100,000,000. Additionally, the Company has authorized 1,000,000 shares of preferred stock with a par value of \$0.01 per share.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. LITIGATION (CONTINUED)

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.....	\$ 2,338,915	\$ 7,162,389	\$ 10,622,043
	-----	-----	-----
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	22,400,384
	-----	-----	-----

 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 THE SELLING SHAREHOLDERS. 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.

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A MINIMUM OF
 1,500,000 SHARES
 AND
 A MAXIMUM OF
 4,955,000 SHARES

[LOGO]

COMMON STOCK

 PROSPECTUS

 , 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 fees, is estimated.

SEC registration fees.....	\$ 11,694
Escrow agent's fees and expenses.....	*
Transfer agent's and registrar's fees and expenses.....	12,000
Printing and engraving expenses.....	*
Legal fees and expenses.....	*
Accounting fees and expenses.....	*
Blue sky fees and expenses.....	75,000
Miscellaneous.....	*

Total.....	\$ *

* To be filed by amendment.

The Company intends to pay all expenses of registration, issuance and distribution 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 10.8 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 1,000,000 shares of Common Stock at a weighted average exercise price of \$1.45 per share.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) EXHIBITS

EXHIBIT NO. EXHIBITS

- 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.
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- 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.
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- 10.9 Secured Promissory Note dated December 31, 1997 in the amount of \$162,051.90 made by Bill McAnalley.
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- 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.
- 10.15 Assignment of Patent Rights dated October 30, 1997 by and among Bill H. McAnalley, H. Reginald McDaniel, D. Eric Moore, Eileen P. Venum and William C. Fioretti and the Company.

EXHIBIT NO. EXHIBITS

- 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.
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- 10.27 Individual Guaranty of Samuel L. Caster dated January 5, 1998.
- 10.28 Individual Guaranty of Charles E. Fioretti dated January 5, 1998.
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- 10.30 Form of Employment Agreement to be entered into between the Company and each of Charles E. Fioretti, Samuel L. Caster, Patrick D. Cobb, Anthony E. Canale, Bill H. McAnalley and Deanne Varner.*
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 - 16 Letter of Belew Averitt LLP, former accountants to the Company.
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- 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).
- 27 Financial Data Schedule*

* To be filed by amendment

(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.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dallas, State of Texas on September 9, 1998.

MANNATECH, INCORPORATED

By: /s/ CHARLES E. FIORETTI

 Charles E. Fioretti
 CHAIRMAN OF THE BOARD AND
 CHIEF EXECUTIVE OFFICER

Each person whose signature appears below hereby appoints and constitutes Charles E. Fioretti and Samuel L. Caster, and each of them, as his true and lawful attorney-in-fact and agent, with full power of substitution, to execute on his or her behalf individually and in the capacity stated below and to perform any acts necessary to be done in order to file all amendments and post-effective amendments to this Registration Statement and any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(d) under the Securities Act of 1933, and any and all instruments or documents filed as a part thereof or in connection therewith, making such changes thereto as the person so acting deems appropriate, hereby ratifying and confirming all that said attorney-in-fact, or his substitute may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and as of the dates indicated.

SIGNATURE	TITLE	DATE
/s/ CHARLES E. FIORETTI ----- Charles E. Fioretti	Chairman of the Board and Chief Executive Officer (principal executive officer)	September 9, 1998
/s/ SAMUEL L. CASTER ----- Samuel L. Caster	President and Director	September 9, 1998
/s/ PATRICK D. COBB ----- Patrick D. Cobb	Vice President, Chief Financial Officer and Director (principal accounting and financial officer)	September 9, 1998
/s/ CHRIS T. SULLIVAN ----- Chris T. Sullivan	Director	September 9, 1998
/s/ STEVEN A. BARKER ----- Steven A. Barker	Director	September 9, 1998

INDEX TO EXHIBITS

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- 27 Financial Data Schedule*

* To be filed by amendment

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

AMENDED AND RESTATED BYLAWS
OF
MANNATECH, INCORPORATED

A TEXAS CORPORATION

DATE OF ADOPTION:

May 14, 1997

AMENDED AND RESTATED BYLAWS

OF

MANNATECH, INCORPORATED

A TEXAS CORPORATION

ARTICLE I

REGISTERED OFFICE

The registered office of the Corporation required by the Texas Business Corporation Act (the "TBCA") to be maintained in the State of Texas shall be the registered office named in the Amended and Restated Articles of Incorporation of the Corporation or such other office (which need not be a place of business of the Corporation) as may be designated from time to time by the Board of Directors in the manner provided by law.

ARTICLE II

SHAREHOLDERS

SECTION 1. PLACE OF MEETINGS. All meetings of the shareholders shall be held at the principal place of business of the Corporation or at such other place within or without the State of Texas as shall be specified or fixed in the notices or waivers of notice thereof; provided that any or all shareholders may participate in any such meeting by means of conference telephone or similar communications equipment pursuant to Article II, Section 12 of these bylaws.

SECTION 2. QUORUM; REQUIRED VOTE FOR SHAREHOLDER ACTION; ADJOURNMENT OF MEETINGS.

(a) Quorum. A quorum shall be present at a meeting of shareholders if the holders of a majority of the shares entitled to vote are represented at the meeting in person or by proxy.

(b) Voting on Matters Other than the Election of Directors. With respect to any matter, other than the election of directors or a matter for which the affirmative vote of the holders of a specified portion of the shares entitled to vote is required by the TBCA, the affirmative vote of the holders of a majority of the shares entitled to vote on that matter and represented in person or by proxy at a meeting of shareholders at which a quorum is present shall be the act of the shareholders, unless otherwise provided in the Amended and Restated Articles of Incorporation or these bylaws in accordance with the TBCA.

(c) Voting in the Election of Directors. Subject to any agreements among shareholders now and hereafter existing regarding the election of directors, directors shall be elected only if the director receives the vote of the holders of a majority of the shares entitled to vote in the election of directors.

(d) Adjournment. Notwithstanding the other provisions of the Amended and Restated Articles of Incorporation or these bylaws, the chairman of the meeting or the holders of a majority of the shares entitled to vote that are represented in person or by proxy at any meeting of shareholders, whether or not a quorum is present, shall have the power to adjourn such meeting from time to time, without any notice other than announcement at the meeting of the time and place of the holding of the adjourned meeting. If such meeting is adjourned by the shareholders, such time and place shall be determined by a vote of the holders of a majority of the shares entitled to vote that are represented in person or by proxy in such meeting. Upon the resumption of such adjourned meeting, any business may be transacted that might have been transacted at the meeting as originally called.

SECTION 3. ANNUAL MEETINGS. An annual meeting of the shareholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, within or without the State of Texas, on such date and at such time as the Board of Directors shall fix and set forth in the notice of the meeting, which date shall be within 13 months subsequent to the last annual meeting of shareholders.

SECTION 4. SPECIAL MEETINGS. Special meetings of the shareholders for any proper purpose or purposes may be called at any time by (a) the Chairman of the Board; (b) the President; or (c), the Secretary, on written request of any two directors, and (d) the holders of at least ten percent of all the shares entitled to vote at the proposed special meeting. The record date for determining shareholders entitled to call a special meeting is the date any shareholder first signs the notice of that meeting. Only business within the purpose or purposes described in the notice (or waiver thereof required by these bylaws) may be conducted at a special meeting of the shareholders.

SECTION 5. CLOSING SHARE TRANSFER RECORDS; RECORD DATE. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive a distribution by the Corporation (other than a distribution involving a purchase or redemption by the Corporation of any of its own shares) or a share dividend, or in order to make a determination of shareholders for any other purpose, the Board of Directors of the Corporation may provide that the share transfer records shall be closed for a stated period but not to exceed, in any case, 60 days. If the share transfer records shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such records shall be closed for at least ten days immediately preceding such meeting.

In lieu of closing the share transfer records, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than 60 days and, in the case of a meeting of shareholders, not less than ten days, prior to the date on which the particular action requiring such determination of shareholders is to taken.

If the share transfer records are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive a distribution (other than a distribution involving a purchase or redemption by the Corporation of any of its own shares) or a share dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such distribution or share dividend is adopted, as the case may be, shall be the record date for such determination of shareholders.

When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided herein, such determination shall also apply to any adjournment thereof except where the determination has been made through the closing of share transfer records and the stated period of closing has expired.

SECTION 6. NOTICE OF MEETINGS. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary or the officer or person calling the meeting, to each shareholder entitled to vote at such meeting. If mailed, any such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the share transfer records of the Corporation, with postage thereon prepaid.

SECTION 7. VOTING LIST. The officer or agent having charge of the share transfer records of the Corporation shall make, at least ten days before each meeting of shareholder, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office or principal place of business of the Corporation and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original share transfer records shall be prima facie evidence as to who are the shareholders entitled to examine such list or transfer records or to vote at any meeting of shareholders. Failure to comply with the requirements of this Section shall not affect the validity of any action taken at such meeting.

SECTION 8. PROXIES. A shareholder may vote either in person or by proxy executed in writing by the shareholder. A telegram, telex, cablegram, telecopy or similar

transmission by the shareholder, or a photographic, photostatic, facsimile or similar reproduction of a writing executed by the shareholder shall be treated as an execution in writing for purposes of this Section. Proxies for use at any meeting of shareholders or in connection with the taking of any action by written consent shall be filed with the Secretary, or such other officer as the Board of Directors may from time to time determine by resolution, before or at the time of the meeting or execution of the written consent as the case may be. No proxy shall be valid after 11 months from the date of its execution unless otherwise provided in the proxy.

SECTION 9. VOTING; INSPECTORS; ELECTIONS. Unless otherwise required by law or provided in the Amended and Restated Articles of Incorporation, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders.

At any meeting at which a vote is taken, the chairman of the meeting may appoint one more inspectors, each of whom shall subscribe an oath or affirmation to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of such person's ability. Such inspector shall receive the ballots, count the votes and make and sign a certificate of the result thereof. The chairman of the meeting may appoint any person to serve as inspector, except no candidate for the office of director shall be appointed as an inspector.

SECTION 10. CONDUCT OF MEETINGS. All meetings of the shareholders shall be presided over by the chairman of the meeting, who shall be the Chairman of the Board, or if the Chairman of the Board is not present, the President or if neither the Chairman of the Board nor President is present, a chairman elected at the meeting. The Secretary of the Corporation, if present, shall act as secretary of such meetings, or if the Secretary is not present an Assistant Secretary (if any) shall so act; if neither the Secretary nor an Assistant Secretary (if any) is present then a secretary shall be appointed by the chairman of the meeting. The chairman of any meeting of shareholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to the chairman of the meeting in order.

SECTION 11. TREASURY SHARES. Neither the Corporation nor any other person shall vote, directly or indirectly, at any meeting, Treasury Shares, as defined in the TBCA, shares of the Corporation's own stock owned by another corporation the majority of the voting stock of which is owned or controlled by the Corporation, and shares of the Corporation's own stock held by the Corporation in a fiduciary capacity; and such shares shall not be counted in determining the total number of outstanding shares at any given time.

SECTION 12. ACTION BY WRITTEN CONSENT OR TELEPHONE CONFERENCE. Any action required or permitted to be taken at a meeting of shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to

the subject matter thereof, and such consent shall have the same force and effect as a unanimous vote of the shareholders. Such writing, which may be in counterparts, shall be manually executed if practicable; provided, however, that if circumstances so require, effect shall be given to written consent transmitted by telegraph, telex, telecopy or similar means of visual data transmission. Meetings of the shareholders of the Corporation may be conducted by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear and speak to each other.

SECTION 13. FIXING RECORD DATES FOR CONSENTS TO ACTION. Whenever action by shareholders is proposed to be taken by consent in writing without a meeting of shareholders, the Board of Directors may fix a record date for the purpose of determining shareholders entitled to consent to that action, which record date shall not precede, and shall not be more than ten days after, the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors and the prior action of the Board of Directors is not required by law or these bylaws, the record date for determining shareholders entitled to consent to action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office, its principal place of business, or an officer or agent of the Corporation having custody of the books in which proceedings of meetings of shareholders are recorded. Delivery shall be by hand or by certified or registered mail, return receipt requested. Delivery to the Corporation's principal place of business shall be addressed to the President or the chief executive officer of the Corporation. If no record date shall have been fixed by the Board of Directors and prior action of the Board of Directors is required by the TBCA or these bylaws, the record date for determining shareholders entitled to consent to action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts a resolution taking such prior action.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. POWER; NUMBER; TERM OF OFFICE. 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 the 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 option of these Amended and Restated Bylaws, the number of directors 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.

SECTION 2. QUORUM; REQUIRED VOTE FOR DIRECTOR ACTION. Unless otherwise required by law, a majority of the total number of directors fixed by, or in the manner provided in, these bylaws shall constitute a quorum for the transaction of business of the Board of Directors, and the act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 3. MEETINGS; ORDER OF BUSINESS; NOTICE. Meetings of the Board of Directors, regular or special, may be held within or outside the State of Texas. At all meetings of the Board of Directors, business shall be transacted in such order as shall from time to time be determined by the Chairman of the Board, or in his absence by the President (if the President is a director), or by resolution of the Board of Directors.

Notice of any special meeting shall be given at least two days prior thereto by written notice delivered personally or mailed to each director at his business address, or by telecopy or similar means of visual data transmission.

Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

SECTION 4. REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of such regular meetings shall not be required.

SECTION 5. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President or, on the written request of any two directors, by the Secretary, in each case on at least 24 hours personal, written, telegraphic, cable or wireless notice to each director. Such notice, or any waiver thereof pursuant to Article VIII, Section 3 hereof, need not state the purpose or purposes of such meeting, except as may otherwise be required by law or these bylaws.

SECTION 6. VACANCIES; INCREASES IN THE NUMBER OF DIRECTORS. Any vacancy occurring in the Board of Directors other than by reason of an increase in the number of directors may be filled (a) by election at an annual or special meeting of the shareholders called for that purpose or (b) by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy occurring other than by reason of an increase in the number of directors shall be elected for the unexpired term of his

predecessor in office. A vacancy shall be deemed to exist by reason of the death or resignation of the person elected, or upon the failure of shareholders to elect directors to fill the unexpired terms of directors removed in accordance with the provisions of Section 7 of this Article III.

Any directorship to be filled by reason of an increase in the number of directors may be filled (a) by the Board of Directors for a term of office continuing only until the next election of one or more directors by the shareholders; PROVIDED, HOWEVER, that during the period between any two successive annual meetings of shareholders, the Board of Directors may not fill more than two such directorships; or (b) by election at an annual or special meeting of shareholders entitled to vote in the election of such directors called for that purpose.

SECTION 7. REMOVAL. At any meeting of shareholders at which a quorum of shareholders is present called expressly for that purpose, or pursuant to a written consent adopted pursuant to Article II, Section 12 hereof, any director may be removed from office but only for cause, by vote of the holders of issued and outstanding shares representing a majority of the votes entitled to be cast for the election of such director.

SECTION 8. COMPENSATION. The Board of Directors shall have the authority to fix the compensation, if any, of directors.

SECTION 9. PRESUMPTION OF ASSENT. A director who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 10. ACTION BY WRITTEN CONSENT OR TELEPHONE CONFERENCE. Any action permitted or required by the TBCA, the Amended and Restated Articles of Incorporation or these bylaws to be taken at a meeting of the Board of Directors or any committee designated by the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by all the members of the Board of Directors or committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote at a meeting and may be stated as such in any document or instrument filed with the Secretary of State, and the execution of such consent shall constitute attendance or presence in person at a meeting of the Board of Directors or any such committee, as the case may be. Subject to the requirement of the TBCA or these bylaws for notice of meetings, members of the Board of Directors, or members of any committee designated by the Board of Directors, may participate in and hold a meeting of the Board of Directors or any committee of directors, as the case may be, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting

can hear each other, and participation in such meeting shall constitute attendance and presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE IV

COMMITTEES

SECTION 1. DESIGNATION; POWERS. The Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate from among its members one or more committees, each of which shall be comprised of one or more of its members, and may designate one or more of its members as alternate members of any committee, who may, subject to any limitations imposed by the Board of Directors, replace absent or disqualified members at any meeting of that committee. Committee members may be removed from committees, with or without cause, by the Board of Directors. Any such committee, to the extent provided in such resolution or in the Amended and Restated Articles of Incorporation or bylaws shall have and may exercise all of the authority of the Board of Directors, subject to the limitations set forth in the TBCA or below.

No committee of the Board of Directors shall have the authority of the Board of Directors in reference to:

- (1) amending the Articles of Incorporation, except that a committee may, to the extent provided in the resolution designating that committee or in the Articles of Incorporation or these bylaws, exercise the authority of the Board of Directors vested in it in accordance with Article 2.13 of the TBCA;
- (2) proposing a reduction in the stated capital of the Corporation in the manner permitted by Article 4.12 of the TBCA;
- (3) approving a plan of merger or share exchange of the Corporation;
- (4) recommending to the shareholders the sale, lease or exchange of all or substantially all of the property and assets of the Corporation otherwise than in the usual and regular course of its business;
- (5) recommending to the shareholders a voluntary dissolution of the Corporation or a revocation thereof;
- (6) amending, altering or repealing the bylaws of the Corporation or adopting new bylaws of the Corporation;
- (7) filling vacancies in the Board of Directors;

- (8) filling vacancies in or designating alternate members of any such committee;
- (9) filling any directorship to be filled by reason of an increase in the number of directors;
- (10) electing or removing officers of the Corporation or members or alternate members of any such committee;
- (11) fixing the compensation of any member, or alternate members of such committee; or
- (12) altering or repealing any resolution of the Board of Directors that by its terms provided that it shall not be so amendable or repealable.

Unless the resolution designating a particular committee, the Amended and Restated Articles of Incorporation or these bylaws expressly so provide, no committee of the Board of Directors shall have the authority to authorize a distribution (as such term is defined in the TBCA) or to authorize the issuance of shares of the Corporation.

SECTION 2. PROCEDURE; MEETINGS; QUORUM. Any committee designated pursuant to Section I of this Article shall choose its own chairman and secretary, shall keep regular minutes of its proceedings and report the same to the Board of Directors when requested, shall fix its own rules or procedures, and shall meet at such times and at such place or places as may be provided by such rules, or by resolution of such committee or of the Board of Directors. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members shall be necessary for the adoption by it of any resolution.

SECTION 3. DISSOLUTION. The Board of Directors may dissolve any committee at any time, unless otherwise provided in the Amended and Restated Articles of Incorporation or these bylaws.

ARTICLE V

OFFICERS

SECTION 1. NUMBER, TITLES AND TERM OF OFFICE. The officers of the Corporation shall be a Chairman of the Board, Chief Executive Officer, a President and a Secretary and such other officers as the Board of Directors may from time to time elect or appoint. Each officer shall hold office until his successor shall be duly elected and shall qualify or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same person. Except for the Chairman of the Board, no officer need be a director.

SECTION 2. SALARIES. The salaries or other compensation, if any, of the officers of the Corporation shall be fixed from time to time by the Board of Directors.

SECTION 3. REMOVAL. Any officer or agent may be removed, either with or without cause, by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

SECTION 4. VACANCIES. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

SECTION 5. POWERS AND DUTIES OF THE CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside at all meetings of the shareholders and of the Board of Directors and shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned to that office by the Board of Directors.

SECTION 6. POWERS AND DUTIES OF THE CHIEF EXECUTIVE OFFICER. The Chairman or other officer shall be the chief executive officer of the Corporation unless the Board of Directors designates the Chairman of the Board or other officer as chief executive officer. Subject to the control of the Board of Directors, the chief executive officer shall have general executive charge, management and control of the properties, business and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; subject to any limitations placed by the Board of Directors, the chief executive officer may agree upon and execute on behalf of the Corporation leases, contracts, evidences of indebtedness and other obligations in the name of the Corporation and may sign certificates for shares of capital stock of the Corporation. The chief executive officer shall have such other powers and duties as designated in accordance with these bylaws and as from time to time may be assigned by the Board of Directors.

SECTION 7. POWERS AND DUTIES OF THE PRESIDENT. Unless the Board of Directors otherwise determines, the President shall have the authority, subject to any limitations placed by the Board of Directors, to agree upon and execute leases, contract, evidences of indebtedness and other obligations in the name of the Corporation; and, unless the Board of Directors otherwise determines, the President shall, in the absence of the Chairman of the Board or if there be no Chairman of the Board, preside at all meetings of the shareholders and (should he be a director) of the Board of Directors; and the President shall have such other powers and duties as designated in accordance with these bylaws and as from time to time may be assigned by the Board of Directors.

SECTION 8. VICE PRESIDENTS. The Vice President(s), if any, shall perform such duties and have such powers as of the Board of Directors may from time to time prescribe. In addition, in the absence of the Chairman of the Board or

President, or in the event of their inability or refusal to act, (a) a Vice President designated by the Board of Directors or (b) in the absence of such designation, the Vice President who is present and who is senior in terms of rank (or in the absence of a senior rank, time) as a Vice President of the Corporation, shall perform the duties of the Chairman of the Board, or the President as the case may be, and when so acting shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board, or the President; provided that such person shall not preside at meetings of the Board of Directors unless such person is a director.

SECTION 9. TREASURER. The Treasurer, if any, shall have responsibility for the custody and control of all the funds and securities of the Corporation, and shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned by the Board of Directors. The Treasurer shall perform all acts incident to the position of Treasurer subject to the control of the chief executive officer and the Board of Directors; and the Treasurer shall, if required by the Board of Directors, give such bond for the faithful discharge of the Treasurer's duties in such form as the Board of Directors may require.

SECTION 10. ASSISTANT TREASURERS. The Assistant Treasurers shall assist the Treasurer and shall exercise the powers of the Treasurer during that officer's absence or inability or refusal to act. Each Assistant Treasurer, if any, shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned by the chief executive officer, the Board of Directors or the Treasurer.

SECTION 11. SECRETARY. The Secretary shall keep the minutes of all meetings of the Board of Directors, and the minutes of all meetings of the shareholders, in books provided for that purpose; shall attend to the giving and serving of all notices; may be the name of the Corporation affix the seal (if any) of the Corporation to all contracts of the Corporation and attest thereto; may sign with the other appointed officers all certificates for shares of capital stock of the Corporation; shall have charge of the certificate books, transfer books and stock ledgers, and such other books and papers as the Board of Directors may direct, all of which shall at all reasonable times be open to inspection of any director upon application at the office of the Corporation during business hours. The Secretary shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned by the chief executive officer or the Board of Directors; and shall in general perform all duties incident to the office of Secretary, subject to the control of the chief executive officer of the Board of Directors.

SECTION 12. ASSISTANT SECRETARIES. The Assistant Secretaries shall assist the Secretary and shall exercise the powers of the Secretary during that officer's absence or inability or refusal to act. Each Assistant Secretary, if any, shall have such other powers and duties as designated in these bylaws and as from time to time be assigned by the chief executive officer, the Board of Directors or the Secretary.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS,
OFFICERS, EMPLOYEES AND AGENTS

SECTION 1. RIGHT TO INDEMNIFICATION. Subject to the limitations and conditions as provided in this Article VI, and in Section 2.02-1 of the TBCA (relating among other matters to liability for receipt of an improper personal benefit or liability to the Corporation), as from time to time amended, each person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (hereinafter a "proceeding"), or any appeal in such a proceeding or any inquiry or investigation that could lead to such a proceeding, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or while a director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise shall be indemnified by the Corporation to the fullest extent permitted by the TBCA as the same exists or may hereafter be amended against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such person in connection with such proceeding, and indemnification under this Article VI shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. The rights granted pursuant to this Article VI shall be deemed contract rights, and no amendment, modification or repeal of this Article VI shall have the effect of limiting or denying any such rights with respect to actions taken or proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article VI could involve indemnification for negligence or under theories of strict liability.

SECTION 2. ADVANCE PAYMENT. The right to indemnification conferred in this Article VI shall include the right to be paid or reimbursed by the Corporation the reasonable expenses incurred by a person of the type entitled to be indemnified under Section 1 who was, is or is threatened to be made a named defendant or respondent in a proceeding in advance of the final disposition of the proceeding and without any determination as to the person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such person in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of a written affirmation by such director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article VI and a written undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Article VI or otherwise.

SECTION 3. INDEMNIFICATION OF EMPLOYEES AND AGENTS. The Corporation, by adoption of a resolution of the Board of Directors, may (but shall not be required to) indemnify and advance expenses to an employee or agent of the Corporation to the same extent and subject to the same conditions under which it may indemnify and advance expenses to directors and officers under this Article VI; and, the Corporation may (but shall not be required to) indemnify and advance expenses to persons who are not or were not directors, officers, employees or agents of the Corporation but who are or were serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against that person and incurred by that person in such a capacity or arising out of such individual's status as such a person to the same extent that it may indemnify and advance expenses to directors under this Article VI.

SECTION 4. APPEARANCE AS A WITNESS. Notwithstanding any other provision of this Article VI, the Corporation may pay or reimburse expenses incurred by a director or officer in connection with his or her appearance as a witness or other participation in a proceeding at a time when he or she is not a named defendant or respondent in the proceeding.

SECTION 5. NONEXCLUSIVITY OF RIGHTS. The right to indemnification and the advancement and payment of expenses conferred in this Article VI shall not be exclusive of any other right which a director or officer or other person indemnified pursuant to Section 3 of this Article VI may have or hereafter acquire under any law (common or statutory), provision of the Amended and Restated Articles of Incorporation or these bylaws, agreement, vote of shareholders or disinterested directors or otherwise.

SECTION 6. INSURANCE. The Corporation may purchase and maintain insurance and, to the extent permitted by the TBCA, similar arrangements, at its expense, to protect itself and any person who is or was serving as a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, proprietorship, employee benefit plan, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article VI.

SECTION 7. SHAREHOLDER NOTIFICATION. To the extent required by law, any indemnification of or advance of expenses to a director or officer in accordance with this Article VI shall be reported in writing to the shareholders with or before the notice or waiver of notice of the next shareholders' meeting or with or before the next submission to shareholders of a consent to action without a meeting.

SECTION 8. SAVINGS CLAUSE. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the

Corporation shall nevertheless indemnify and hold harmless each director, officer or any other person indemnified pursuant to this Article VI as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE VII

CAPITAL STOCK

SECTION 1. CERTIFICATES OF STOCK. The certificates for shares of the capital stock of the Corporation shall be in such form, consistent with that required by law and the Amended and Restated Articles of Incorporation, as shall be approved by the Board of Directors. The Chairman of Board, President or a Vice President (if any) shall cause to be issued to each shareholder one or more certificates, which shall be signed by (a) one of the Chairman of the Board, President, or a Vice President and (b) one of the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer certifying the number of shares (and, if the stock of the Corporation shall be divided into classes or series, the class and series of such shares) owned by such shareholder in the Corporation; provided however, that any of or all the signatures on the certificate may be facsimile. If the Board of Directors shall have provided for a seal, such certificates shall bear such seal or a facsimile thereof. The stock record books and the blank stock certificate books shall be kept by the Secretary, or at the office of such transfer agent or transfer agents as the Board of Directors may from time to time by resolution determine. In case any officer, transfer agent or registrar who shall have signed or have ceased to be such officer, transfer agent or registrar before such certificate is issued by the Corporation, such certificate may nevertheless be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The stock certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued and shall exhibit the holder's name and number of shares.

SECTION 2. TRANSFER OF SHARES. The shares of stock of the Corporation shall be transferable only on the books of the Corporation by the holders thereof in person or by their duly authorized attorneys or legal representatives, upon surrender and cancellation of certificates for a like number of shares (or upon compliance with the provisions of Section 4 of this Article VII, if applicable). Upon such surrender to the Corporation or a transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer (or upon compliance with the provisions of Section 4 of this Article VII, if applicable) and of compliance with any transfer restrictions applicable thereto contained in an agreement to which the Corporation is a party or of which the Corporation has knowledge by reason of legend with respect thereto placed on any such surrendered stock certificate, it shall be the duty of the Corporation to issue a new

certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

SECTION 3. REGULATIONS REGARDING CERTIFICATES. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issuance, transfer and registration or the replacement of certificates for shares of capital stock of the Corporation.

SECTION 4. LOST, STOLEN, DESTROYED OR MUTILATED CERTIFICATES. The Board of Directors may determine the conditions upon which a new certificate of stock may be issued in place of a certificate that is alleged to have been lost, stolen, destroyed or mutilated; and may, in its discretion, require the owner of such certificate or his legal representative to give bond, with sufficient surety, to indemnify the Corporation and each transfer agent and registrar against any and all losses or claims which may arise by reason of the issuance of a new certificate in the place of the one so lost, stolen, destroyed or mutilated.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

SECTION 1. FISCAL YEAR. The fiscal year of the Corporation shall be such as established from time to time by the Board of Directors.

SECTION 2. CORPORATE SEAL. The Board of Directors may provide a suitable seal, containing the name of the Corporation. The Secretary shall have charge of the seal (if any). If and when so directed by the Board of Directors, duplicates of the seal may be kept and used by the Treasurer, if any, or by any Assistant Secretary or Assistant Treasurer.

SECTION 3. NOTICE AND WAIVER OF NOTICE. Whenever any notice is required to be given by law, the Amended and Restated Articles of Incorporation or these bylaws, except with respect to notices of meetings of shareholders (with respect to which the provisions of Article II, Section 6 apply) and except with respect to notices of special meetings of directors (with respect to which the provisions of Article II, Section 6 apply), said notice shall be deemed to be sufficient if given (a) by telegraphic, cable, telecopy or wireless transmission or (b) by deposit of same in a post office box in a sealed prepaid wrapper addressed to the person entitled thereto at his address as it appears on the records of the Corporation, and such notice shall be deemed to have been given on the day of such transmission or mailing, as the case may be.

Whenever notice is required to be given by law, the Amended and Restated Articles of Incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

SECTION 4. RESIGNATIONS. Any director, member of a committee or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the chief executive officer or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

SECTION 5. FACSIMILE SIGNATURES. In addition to the provisions for the use of facsimile signatures elsewhere specifically authorized in these bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors.

SECTION 6. BOOKS AND RECORDS. The Corporation shall keep books and records of account and shall keep minutes of the proceedings of its shareholders, its Board of Directors and each committee of its Board of Directors. The Corporation shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of the original issuance of shares issued by the Corporation and a record of each transfer of those shares that have been presented to the Corporation for registration of transfer. Such records shall contain the names and addresses of all past and current shareholders of the Corporation and the number and class of shares issued by the Corporation held by each of them. Any books, records, minutes and share transfer records may be in written form or in any other form capable of being converted into written form within a reasonable time.

ARTICLE IX

AMENDMENTS

The power to alter, amend or repeal the bylaws or adopt new bylaws shall be vested in the Board of Directors.

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."

THESE WARRANTS HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO THE DISTRIBUTION HEREOF OR OF THE COMMON STOCK ISSUABLE UPON EXERCISE HEREOF WITHIN THE MEANING OF THE SECURITIES ACT OF 1933 AND THE RULES AND REGULATIONS THEREUNDER. NEITHER THESE WARRANTS NOR THE COMMON STOCK ISSUABLE UPON EXERCISE HEREOF MAY BE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933 OR UPON RECEIPT BY THE COMPANY OF AN OPINION SATISFACTORY AS TO FORM, SCOPE AND SUBSTANCE OF COUNSEL ACCEPTABLE TO THE COMPANY AS TO AN EXEMPTION THEREFROM.

Warrants to Purchase
475,015 Shares

MANNATECH INCORPORATED
CONSULTANT WARRANTS
Dated: May 1, 1997

THIS CERTIFIES THAT for \$100.00 and other good and valuable consideration, Christopher A. Marlett, his successors and assigns, 100 Wilshire Boulevard, Santa Monica, California 90401 (herein sometimes called the "Holder") is entitled to purchase from Mannatech Incorporated, a Texas corporation (hereinafter called the "Company"), at the prices and during the periods as hereinafter specified, up to two percent of the capital stock of the Company (the "Target Percentage") which after giving effect [to a one thousand for one forward split and] options currently issued or planned for issuance of the Company's Common Stock, \$0.0001 par value, as now constituted (the "Common Stock"), currently entitle the Holder to purchase up to 475,015 shares of Common Stock (the "Warrant Shares").

1. The rights represented by these Warrants shall be exercised at \$1.35 per share subject to adjustment in accordance with Section 8 of these Warrants (the "Exercise Price") and shall expire on the earlier of May 1, 2003 and 36 months after the Warrant Shares are registered for public resale under the Securities Act of 1933, as amended and the rules and regulations promulgated thereunder (the "Act").

2. The rights represented by these Warrants may be exercised at any time within the period above specified, in whole or in part, by (i) the surrender of these Warrants (with the purchase form at the end hereof properly executed) at the principal executive office of the Company or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company); (ii) payment to the Company of the Exercise Price then in effect for the number of Warrant Shares specified in the above-mentioned purchase form together with applicable

stock transfer taxes, if any; and (iii) delivery to the Company of a duly executed agreement signed by the person(s) designated in the purchase form to the effect that such person(s) agree(s) to be bound by the provisions of Section 6 and Subsections (b), (c) and (d) of Section 7 hereof. These Warrants shall be deemed to have been exercised, in whole or in part to the extent specified, immediately prior to the close of business on the date these Warrants are surrendered and payment is made in accordance with the foregoing provisions of this Section 2, and the person or persons in whose name or names the certificates for shares of Common Stock shall be issuable upon such exercise shall become the holder or holders of record of such Common Stock at that time and date. The Common Stock and the certificates for the Common Stock so purchased shall be delivered to the Holder within a reasonable time, not exceeding ten (10) days, after the rights represented by these Warrants shall have been so exercised. To the fullest extent reasonable the Company shall in good faith cooperate with Holder in effecting a "cashless exercise" of these Warrants through any stock brokerage firm selected by Holder (the effect of which will be that the Company may receive proceeds from the exercise of Warrants directly from such brokerage firm).

3. These Warrants may be transferred, sold, assigned, or hypothecated. Any such assignment shall be effected by the Holder (1) executing the form of assignment at the end hereof and (ii) surrendering these Warrants for cancellation at the office or agency of the Company referred to in Section 2 hereof; whereupon the Company shall issue, in the name or names specified by the Holder (including the Holder) a new Warrants of like tenor and representing in the aggregate rights to purchase the same number of Warrant Shares as are purchasable hereunder. Any transfer must be in compliance with the Act.

4. The Company covenants and agrees that all shares of Common Stock which may be issued upon the exercise of the Warrants purchased hereunder will, upon issuance, be duly and validly issued, fully paid and nonassessable and no personal liability will attach to the Holder thereof. The Company further covenants and agrees that during the periods within which these Warrants may be exercised, the Company will at all times have authorized and reserved a sufficient number of shares of its Common Stock to provide for the exercise of these Warrants.

5. These Warrants shall not entitle the Holder to any voting, dividend or other rights as a stockholder of the Company and shall vest so as to permit the Holder to purchase Warrant Shares as follows:

(a) As of May 1, 1997, 178,125 Warrant Shares;

(b) On each of May 1, 1997, June 1, 1997, July 1, 1997, August 1, 1997, September 1, 1997, October 1, 1997, November 1, 1997, December 1, 1997, January 1, 1998, February 1, 1998, and March 1, 1998, 26,990 Warrant Shares;

(c) If that certain Agreement of Engagement dated as of April 1, 1997 between the Company and Christopher A. Marlett (the "Engagement Letter") is terminated in writing for any reason prior to May 1, 1998, then in addition to any other Warrants which may have vested prior to the date of termination, the Holder shall be entitled to purchase 53,980 shares under the Warrants but shall not be entitled to purchase the balance of unvested Warrant Shares, if any; and

(d) Notwithstanding the foregoing, on the date that securities of the Company commence to trade publicly on any securities exchange, on any NASDAQ market or in the over the counter markets, all Warrant Shares (except those Warrant Shares excluded under Subsection (c) above).

6. (a) If at any time the company determines to proceed with the preparation and filing of one or more registration statements under the Act in connection with the proposed offer and sale for money of any of its equity securities (other than on Forms S-4 or S-8 or any successor or similar form), the Company shall give prompt written notice of its determination to the Holder, whether the Holder holds the Warrant or has exercised the Warrant in whole or in part. Upon the written request of the Holder given to the Company within 30 days after such notice has been received, the Company shall, subject to Subsection (c) below, use its best efforts to cause all shares of its Common Stock which the Company has been requested to register by Holder to be registered under the Act and to cause such shares to be registered under the appropriate blue sky laws of up to five states designated by such Holder, to the extent required to permit the sale or other disposition of such shares.

(b) Notwithstanding the provisions of Subsection (a) above, (i) the Company shall have the right to delay or suspend the preparation and filing of a registration statement for up to 90 days if in the reasonable good faith judgment of a majority of the Board of Directors of the Company such filing would have a material adverse effect on the business, affairs, properties or financial condition of the Company, PROVIDED, HOWEVER, only one such delay or suspension may occur in any six-month period, and (ii) if, prior to receiving a request by Holder for the registration of shares, the Company has given notice under Subsection (a) hereof that it intends to prepare and file a registration statement (a "Registration Statement"), then the Company shall have the right to delay or suspend the filing of the registration statement requested by the Holder; PROVIDED, HOWEVER, that the Company shall use its best efforts to cause any such registration statement requested by the Holder to become effective within 180 days after the date on which all securities covered by the Registration Statement have been sold, and that the Company shall use its best efforts to include the shares that are the subject to a notice delivered by the Holder under Subsection (a) in such Registration Statement.

(c) If shares of Holder are to be included under Subsection (a) in a registration statement which pertains to one or more underwritten public offerings and the managing underwriters advise the Company in writing that in their opinion the number of shares requested to be included exceeds the number of shares which can be marketed in

such offering (i) at a price reasonably related to their then current market value or (ii) without materially and adversely affecting the entire offering (or, in the event that a public distribution of shares is not underwritten, if an investment banking firm of recognized standing so advises the Company), the Company shall include in such registration (1) the Common Stock which the Company proposes to issue and sell, (2) the number of shares requested by the Holder to be included which in the opinion of such underwriters (or such investment banking firm) can be sold, (3) any other shares of Common Stock requested to be included in such registration statement by persons other than the parties to this Agreement.

(d) The Holder, including any assignee or successors of Holder, agrees in connection with any underwritten public offering of the Company's securities that upon the request of the managing underwriter, it shall commit itself in writing not to sell or offer to sell any shares other than such shares included in the underwritten public offering, during 30 days prior to, and for a period not to exceed 90 days after, the date of the final prospectus used in such offerings.

(e) If and whenever the Company is required by the provisions of Subsection (a) to effect the registration of shares under the Act, the Company will:

(i) subject to the provisions of Subsection (b), prepare and file with the Securities and Exchange Commission ("SEC"), within 90 days after receipt of such request a registration statement with respect to such securities, and use its best efforts to cause such registration statement to become effective within 120 days of receipt of such request and remain effective for such period as may be reasonably necessary to effect the sale of such securities, not to exceed 270 days; provided that prior to filing a registration statement or prospectus or any material amendment (or any amendment which refers to Holder) thereto, the Company will furnish to counsel selected by the Holder copies of such documents and provide counsel the opportunity to comment;

(ii) prepare and file with the SEC such amendments to such registration statement and supplements to the prospectus contained therein as may be necessary to keep such registration statement effective until the earlier of (1) the date on which all securities covered by such registration statement have been sold and (2) 270 days after the effective date of such registration statement;

(iii) use its best efforts to register or qualify the shares for sale under such other securities or blue sky laws of such jurisdictions as the Holder or Holders may reasonably request (up to five states) and do any and all other acts and things which may be reasonably necessary or desirable to consummate the disposition of the shares in such jurisdictions; PROVIDED, HOWEVER, that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such jurisdictions;

(iv) notify the Holder at any time when a prospectus relating thereto is required to be delivered under the Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, if in the reasonable judgment of the Company it is necessary to prepare a supplement or amendment to such prospectus, the Company will prepare such supplement or amendment to such prospectus, so that, as thereafter delivered to the Holder, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;

(v) cause all such shares to be listed on each securities exchange on which similar securities issued by the Company are then listed and, if not so listed and if the Company would otherwise qualify, to be listed on the NASD automated quotation system and, if listed on the NASD automated quotation system, use its best efforts to secure designation of all such securities, which the Holder desires to register covered by such registration statement, to be listed on the NASDAQ National Market;

(vi) use its reasonable efforts to cause the shares covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the Holder to consummate the disposition of such shares.

(f) (i) If any 50% holder (as defined below) shall give notice to the Company at any time during the period set forth in Section 1 hereof to the effect that such holder desires to register under the Act the Warrant Shares under such circumstances that a public distribution (within the meaning of the Act) of any such securities will be involved then the Company will promptly, but no later than forty-five (45) days after receipt of such notice, file a post-effective amendment to the current registration statement or file a new registration statement pursuant to the Act (the "Registration Statement"), to the end that the Warrant Shares may be publicly sold under the Act as promptly as practicable thereafter and the Company will use its best efforts to cause such registration to become and remain effective for a period of two hundred seventy (270) days (including the taking of such steps as are reasonably necessary to obtain the removal of any stop order); provided, that such holder shall furnish the Company with appropriate information in connection therewith as the Company may reasonably request in writing. The 50% holder (which for purposes hereof shall mean any direct or indirect transferee of such holder) may, at its option, request the filing of a post-effective amendment to the current Registration Statement or a new registration statement under the Act with respect to the Warrant Shares on only one occasion during the term of these Warrants. The Holder may, at its option request the registration of the Warrant Shares in a registration statement made by the Company as contemplated by Section 6(a) or in connection with a request made pursuant to this Section 6(f) prior to acquisition of the Warrant Shares issuable upon exercise of these Warrants and even though the Holder has not given notice of exercise of these Warrants. The 50% holder may, at its option, request such post-effective amendment or new registration statement

during the described period with respect to the Warrant Shares and such registration rights may be exercised by the 50% holder prior to or subsequent to the exercise of these Warrants. Within ten (10) business days after receiving any such notice pursuant to this subsection (f) of Section 6, the Company shall give notice to the other holders of Warrants that were originally a part of the original option issued to Christopher A. Marlett pursuant to the Engagement Letter advising that the Company is proceeding with such post-effective amendment or registration statement and offering to include therein the securities underlying the options of the other holders. Each holder electing to include its Warrant Shares in any such offering shall provide written notice to the Company that is received by the Company within thirty (30) days after mailing notice to them by the Company. The failure to provide such notice to the Company shall be deemed conclusive evidence of such holder's election not to include his or its Warrant Shares in such offering. Each holder electing to include its Warrant Shares shall furnish the Company with such appropriate information (relating to the intentions of such holder) in connection therewith as the Company shall reasonably request in writing. In the event the Registration Statement is not filed within the period specified herein, the expiration dates of these Warrants shall be extended to a date which is not less than ninety (90) days after the effective date of such Registration Statement. Only two such post-effective amendments or new registration statement shall be filed pursuant to this Section 6(f) and all costs and expenses of only the first such post-effective amendment or new registration statement shall be borne by the Company, except that the holders shall bear the fees of their own counsel and any underwriting discounts or commissions applicable to any of the Warrant Shares sold by them. If the Company determines to include securities to be sold by it in any registration statement pursuant to this Section 6(f), such registration statement shall be deemed to have been a registration statement under Section 6(a).

(ii) The Company shall be entitled to postpone the filing of any registration statement pursuant to this Section 6(f) otherwise required to be prepared and filed by it if (A) the Company is engaged in a material acquisition, reorganization or divestiture, (B) the Company is currently engaged in a self-tender or exchange offer and the filing of a registration statement would cause a violation of Rule 10b-6 under the Securities Exchange Act of 1934 (the "Exchange Act"), (C) the Company is engaged in an underwritten offering and the managing underwriter has advised the Company in writing that such a registration statement would have a material adverse effect on the consummation of such offering or (D) the Company is subject to an underwriter's lock-up as a result of an underwritten public offering and such underwriter has refused in writing, the Company's request to waive such lock-up. In the event of such postponement, the Company shall be required to file the registration statement pursuant to this Section 6(f) within sixty (60) days of the consummation of the event requiring such postponement.

(iii) The Company will use its best efforts to maintain such registration statement or post-effective amendment current under the Act for a period of at least six months (and for up to an additional three months if requested by the Holder) from the effective date thereof. The Company shall supply prospectuses, and such other

documents as the Holder may reasonably request in order to facilitate the public sale or other disposition of the Warrant Shares, use its best efforts to register and qualify any of the Registrable Securities for sale in a maximum of five states as such holder designates (provided that the Company shall not be required to qualify as a foreign corporation or a dealer in securities or execute a general consent to service of process in any jurisdiction in any action) and furnish indemnification in the manner provided in Section 7 hereof.

(iv) The term "50% holder" as used in this Section 6(f) shall mean the holder or holders of at least 50% of the Warrants and the Warrant Shares (considered in the aggregate) and shall include any owner or combination of owners of such securities, which ownership shall be calculated by determining the number of shares of Common Stock as well as the number of Warrant Shares then issuable upon exercise of the Warrants held by such owner or owners.

(g) If any Holder requests a registration of shares, he shall provide all such information and materials and shall take all such actions as may be reasonably required in order to permit the company to comply with all applicable requirements of the SEC and to obtain any desired acceleration of the effective date of such registration statement. Specifically, the Company may require the Holder to furnish the Company with such information regarding the Holder and the distribution of its securities as the Company may from time to time reasonably request in writing and as shall be required by law or the SEC.

(h) With respect to inclusion of shares in a registration statement pursuant to Subsection (a) hereof, the Company shall bear the following fees, costs and expenses of such registrations: all registration, filing and stock exchange fees, printing expenses, fees and disbursements of counsel and accountants for the Company, fees and disbursements of other persons retained by the Company, and all legal fees and disbursements and other expenses of complying with state securities or blue sky laws of any jurisdictions in which the securities to be offered are to be registered or qualified, except as otherwise provided upon withdrawal; and the Holders participating in such registration shall be responsible for, and shall pay, its shares of underwriting discounts and commissions, and reasonable and necessary fees and disbursements of counsel for such Holder.

7. (a) Whenever pursuant to Section 6 a registration statement relating to the Warrant Shares is filed under the Act or amended or supplemented, the Company will indemnify and hold harmless each holder of the securities covered by such registration statement, amendment or supplement (such holder being hereinafter called the "Distributing Holder" and such securities being hereinafter called the "Registered Securities"), and each person, if any, who controls (within the meaning of the Act) the Distributing Holder, and each underwriter (within the meaning of the Act) of such securities and each person, if any, who controls (within the meaning of the Act) any such underwriter, against any losses, claims, damages or liabilities, joint or several, to which the Distributing Holder, any such controlling person or any such underwriter 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 any untrue statement or alleged untrue statement of any material fact contained in any such registration statement or any preliminary prospectus or final prospectus constituting a part thereof or any amendment or supplement thereto, or arise out of or are based upon the omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and will reimburse the Distributing Holder and each such controlling person and underwriter for any legal or other expenses reasonably incurred by the Distributing Holder or such controlling person or underwriter in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will 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 said registration statement, said preliminary prospectus, said final prospectus or said amendment or supplement in reliance upon and in conformity with written information furnished by such Distributing Holder or any other Distributing Holder, for use in the preparation thereof.

(b) The Distributing Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed said registration statement and such amendments and supplements thereto, each person, if any, who controls the Company (within the meaning of the Act) against any losses, claims, damages or liabilities, joint and several, to which the Company or any such director, officer or controlling person may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities arise out of or are based upon any untrue or alleged untrue statement of any material fact contained in said registration statement, said preliminary prospectus, said final prospectus, or said amendment or supplement, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein 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 said registration statement, said preliminary prospectus, said final prospectus or said amendment or supplement in reliance upon and in conformity with written information furnished by such Distributing Holder for use in the preparation thereof; and will reimburse the Company or any such director, officer or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action. The maximum amount which may be recovered from any Distributing Holder shall not under any circumstances exceed in the aggregate the amount of net proceeds received by such Distributing Holder from sales of his Registered Securities.

(c) Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party, give the indemnifying party written notice of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 7.

(d) In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and after written notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 7 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof.

8. The Exercise Price in effect at any time and the number and kind of securities purchasable upon the exercise of the Warrants shall be subject to adjustment from time-to-time upon the happening of certain events as follows:

(a) In case the Company shall (i) declare a stock dividend or make a distribution on its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide or reclassify its outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect at the time of the record date for such dividend or distribution or of the effective date of such subdivision, combination or reclassification shall be adjusted so that it shall equal the price determined by multiplying the Exercise Price by a fraction, the denominator of which shall be the number of shares of Common Stock outstanding after giving effect to such action, and the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such action. In the event an adjustment to the Exercise Price is effected pursuant to this Subsection (a) (and a corresponding adjustment to the number of Warrant Shares is made pursuant to Subsection (f) below), the Exercise Price of the Warrants shall be adjusted so that it shall equal the price determined by multiplying the Exercise Price of the Warrants by a fraction, the denominator of which shall be the number of shares of Common Stock outstanding immediately after giving effect to such action and the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such action. Such adjustment shall be made successively whenever any event listed above shall occur.

(b) In case the Company shall fix a record date for the issuance of rights or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price (the "Subscription Price") (or having a conversion price per share) less than the current market price of the Common Stock (as defined in Subsection (h) below) on the record date mentioned below, the Exercise Price shall be adjusted so that the same shall equal the price determined by multiplying the Exercise Price in effect immediately prior to the date of such issuance by a fraction, the numerator of which shall be the sum of the number of shares of Common Stock outstanding on the record date mentioned below and the number of additional shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered (or the aggregate conversion price of the convertible

securities so offered) would purchase at such current market price per share of the Common Stock, and the denominator of which shall be the sum of the number of shares of Common Stock outstanding on such record date and the number of additional shares of Common Stock offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such rights or warrants are issued and shall become effective immediately after the record date for the determination of shareholders entitled to receive such rights or warrants; and to the extent that shares of Common Stock are not delivered (or securities convertible into Common Stock are not delivered) after the expiration of such rights or warrants the Exercise Price shall be readjusted to the Exercise Price which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made upon the basis of delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered.

(c) In case the Company shall hereafter distribute to the holders of its Common Stock evidences of its indebtedness or assets (excluding cash dividends or distributions and dividends or distributions referred to in Subsection (a) above) or subscription rights or warrants (excluding those referred to in Subsection (b) above), then in each such case the Exercise Price in effect thereafter shall be determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be the total number of shares of Common Stock outstanding multiplied by the current market price per share of Common Stock (as defined in Subsection (h) below), less the fair market value (as determined by the Company's Board of Directors) of said assets or evidences of indebtedness so distributed or of such rights or warrants, and the denominator of which shall be the total number of shares of Common Stock outstanding multiplied by such current market price per share of Common Stock. Such adjustment shall be made successively whenever such a record date is fixed. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date for the determination of shareholders entitled to receive such distribution.

(d) In case the Company shall issue shares of its Common Stock (excluding shares issued in any of the transactions described in Subsections (a), (b) and (c) above) for a consideration per share (the "Offering Price") less than the current market price per share [as defined in Subsection (h) below] on the date the Company fixes the offering price of such additional shares) then the Exercise Price shall be adjusted immediately thereafter so that it shall equal the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be the sum of the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares and the number of shares of Common Stock which the aggregate consideration received [determined as provided in Subsection (g) below] for the issuance of such additional shares would purchase at such current market price per share of Common Stock, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after the issuance of such additional shares. Such adjustment shall be made successively whenever such an issuance is made.

(e) In case the Company shall issue any securities convertible into or exchangeable for its Common Stock [excluding securities issued in transactions described in Subsections (a), (b), (c) and (d) above] for a consideration per share of Common Stock (the "Conversion Price") initially deliverable upon conversion or exchange of such securities [determined as provided in Subsection (g) below] less than the current market price per share [as defined in Subsection (h) below] in effect immediately prior to the issuance of such securities, then the Exercise Price shall be adjusted immediately thereafter so that it shall equal the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be the sum of the number of shares of Common Stock outstanding immediately prior to the issuance of such securities and the number of shares of Common Stock which the aggregate consideration received [determined as provided in Subsection (g) below] for such securities would purchase at such current market price per share of Common Stock, and the denominator of which shall be the sum of the number of shares of Common Stock outstanding immediately prior to such issuance and the maximum number of shares of Common Stock of the Company deliverable upon conversion of or in exchange for such securities at the initial conversion or exchange price or rate. Such adjustment shall be made successively whenever such an issuance is made.

(f) Whenever the Exercise Price payable upon exercise of each Warrant is adjusted pursuant to Subsections (a), (b), (c), (d) or (e) above, the number of Warrant Shares purchasable upon exercise of these Warrants shall simultaneously be adjusted by multiplying the number of Warrant Shares initially issuable upon exercise of these Warrants by the Exercise Price in effect on the date hereof and dividing the product so obtained by the Exercise Price, as adjusted and, in connection with any event (whether or not leading to an adjustment of the Exercise Price) causing the Target Percentage to equal less than two percent (2%), shall be further adjusted (the "Anti-Dilution Adjustment") so as to increase the number of Warrant Shares issuable upon exercise of these Warrants so that the Holder (together with his transferees and assignees) shall hold not less than two percent (2%) of the issued and outstanding shares of Common Stock then outstanding (including any shares issuable on exercise or conversion of any rights then outstanding to acquire shares of the Company's Common Stock), provided that the Anti-Dilution Adjustment shall terminate upon, and not be calculated with respect to, the closing of an initial bona fide public offering of Common Stock pursuant to a firm commitment underwriting under a registration statement declared effective by the Securities and Exchange Commission under the Act.

(g) For purposes of any computation respecting consideration received pursuant to Subsections (d) and (e) above, the following shall apply:

(i) in the case of the issuance of shares of Common Stock for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions, discounts or other expenses incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

(ii) in the case of the issuance of shares of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined in good faith by the Board of Directors of the Company (irrespective of the accounting treatment thereof), whose determination shall be conclusive;

(iii) in the case of the issuance of securities convertible into or exchangeable for shares of Common Stock, the aggregate consideration received therefor shall be deemed to be the consideration received by the Company for the issuance of such securities plus the additional minimum consideration, if any, to be received by the Company upon the conversion or exchange thereof [the consideration in each case to be determined in the same manner as provided in clauses (i) and (ii) of this Subsection (g)]; and

(iv) in case the Company shall sell and issue Common Stock together with one or more other securities as part of a unit at a price per unit, then in determining consideration per share for purposes of this Section 8, the Board of Directors of the Company shall determine, in good faith, whose determination shall be described in a duly adopted board resolution certified by the Company's Secretary or Assistant Secretary, the fair value of the Common Stock then being sold as part of such unit, and such determination, in the absence of fraud or bad faith, shall be binding, upon the holder of these Warrants.

(h) For the purpose of any computation under Subsections (b), (c), (d) and (e) above, the current market price per share of Common Stock at any date shall be deemed to be the average Fair Market Value of the Common Stock for 30 consecutive business days before such date.

"Fair Market Value" shall mean an amount that is determined as follows: (i) If the Common Stock is listed on the New York Stock Exchange, the American Stock Exchange or such other securities exchange designated by the Board of Directors of the Company, or admitted to unlisted trading privileges on any such exchange, or if the Common Stock is quoted on a National Association of Securities Dealers, Inc. system that reports closing prices, the Fair Market Value shall be the closing price of the Common Stock as reported by the Wall Street Journal on the day the Fair Market Value is to be determined, or if no such price is reported for such day, then the determination of such closing price shall be as of the last immediately preceding day on which the closing price is so reported; or (ii) If the Common Stock is not so listed or admitted to unlisted trading privileges or so quoted, the Fair Market Value shall be the average of the last reported highest bid and the lowest asked prices quoted on the National Association of Securities Dealers, Inc. Automated Quotations System or, if not so quoted, then by the National Quotation Bureau, Inc. on the day the Fair Market Value is determined; or (iii) If the Common Stock is not so listed or admitted to unlisted trading privileges or so quoted, and bid and asked prices are not reported, the Fair Market Value shall be determined in such reasonable manner as may be presented by the Board of Directors of the Company.

(i) All calculations under this Section 8 shall be made to the nearest one cent or to the nearest one-hundredth of a share, as the case may be. Anything in this Section 8 to the contrary notwithstanding, the Company shall be entitled, but shall not be required, to make such changes in the Exercise Price, in addition to those required by this Section 8, as it shall determine, in its sole discretion, to be advisable in order that any dividend or distribution in shares of Common Stock, or any subdivision, reclassification or combination of Common Stock, hereafter made by the Company shall not result in any federal income tax liability to the holders of Common Stock.

(j) Whenever the Exercise Price is adjusted, as herein provided, the Company shall promptly, but no later than ten (10) days after any request for such an adjustment by the Holder, cause a notice setting forth the adjusted Exercise Price and adjusted number of Warrant Shares issuable upon exercise -of these Warrants and, if requested, information describing the transactions giving rise to such adjustments, to be mailed to the Holder at the address set forth herein, and shall cause a certified copy thereof to be mailed to its transfer agent, if any. The Company may retain a firm of independent certified public accountants selected by the Board of Directors (who may be the regular accountants employed by the Company) to make any computation required by this Section 8, and a certificate signed by such firm shall be conclusive evidence of the correctness of such adjustment.

(k) In the event that at any time, as a result of an adjustment made pursuant to Subsection (a) above, the Holder of these Warrants thereafter shall become entitled to receive any shares of the Company, other than Common Stock, thereafter the number of such other shares so receivable upon exercise of these Warrants shall be subject to adjustment from time-to-time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Subsections (a) to (i), inclusive above.

9. If securities of the Company do not commence to trade publicly on any securities exchange, any NASDAQ market or in the over the counter markets prior to June 1, 1998, then the Holder hereof may put and sell (the "Put Right") these Warrants to the Company for an aggregate of \$300,000 (the "Put Amount") provided that the Holder may exercise the Put Right at his sole election in whole or in part at any time after May 30, 1998 and prior to May 1, 1999 at which date the Put Right shall terminate and be of no further force or effect whatever. In the event that the Put Right is exercised as to a portion of these Warrants, the Company shall pay the Holder an amount determined by multiplying the Put Amount by a fraction the numerator of which shall be the number of Warrants being put to the Company and the denominator of which shall be 475,015 (the original number of Warrant Shares, subject to adjustment as set forth in Section 8 above). The Company shall pay the Put Amount (or the Put amount as adjusted) to the Holder no later than 10 days after Holder has advised the Company in writing of Holder's election to exercise the Put Right.

10. In the event of any loss, theft or destruction of these Warrants, upon delivery of a written agreement to indemnify the Company (which agreement may be unsecured if

from the original Holder of these Warrants), or in the event of any mutilation of these Warrants, upon surrender of these Warrants to the Company, the Company, at its expense, will execute and deliver, in lieu thereof, new Warrants representing the right to purchase at the Exercise Price a like aggregate number of Warrant Shares.

11. This Agreement shall be governed by and in accordance with the laws of the State of Texas and in the event of any action to enforce any provision of these Warrants the prevailing party shall be entitled to all costs of suit, including without limitation, attorneys' fees and court costs, and shall be entitled to the interests on any award until paid. This agreement replaces, supplants and corrects any other or prior agreements between the parties conferring the subject warrants in favor of the Holder to the effect that warrants have been issued to the Holder which permit the purchase of the sum total of 475,015 shares only under the terms and conditions stated in this signed writing.

IN WITNESS WHEREOF, Mannatech Incorporated has caused these Warrants to be signed by its duly authorized officers under its corporate seal, and these Warrants to be dated as of May 1, 1997.

Mannatech Incorporated

By /s/ Charles E. Fioretti

Charles E. Fioretti, Chief Executive Officer

(Corporate Seal)

ATTEST:

/s/ Patrick D. Cobb

Patrick D. Cobb

CONSENTED TO AND AGREED:

/s/ Christopher Marlett

CHRISTOPHER MARLETT

PURCHASE FORM

(To be signed only upon exercise of Warrants)

The undersigned, the holder of the foregoing Warrants, hereby irrevocably elects to exercise the purchase rights represented by such Warrants for, and to purchase thereunder, _____ Shares of Mannatech Incorporated, and herewith makes payment of \$_____ therefor and requests that the certificates for shares of Common Stock be issued in the name(s) of, and delivered to _____, whose address(es) is (are) _____

DATED: _____, 199

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TRANSFER FORM

(To be signed only upon transfer of the warrants)

For value received, the undersigned hereby sells, assigns, and transfers unto _____ the right to purchase Warrant Shares represented by the foregoing Warrants to the extent of _____ Shares, and appoints _____ attorney to transfer such rights on the books of Mannatech Incorporated, with full power of substitution in the premises.

DATED: _____, 199

By:

(Address)

MANNATECH, INCORPORATED

1997 STOCK OPTION PLAN

1. PURPOSE OF PLAN. The purpose of this 1997 Stock Option Plan (the "Plan") is to provide additional incentive to officers, other key employees, and non-employee directors and consultants of Mannatech, Incorporated, a Texas corporation (the "Company"), and each present or future parent or subsidiary corporation, by encouraging them to invest in shares of the Company's common stock, \$0.001 par value per share ("Common Stock"), and thereby acquire a proprietary interest in the Company and an increased personal interest in the Company's continued success and progress.

2. AGGREGATE NUMBER OF SHARES. Two Million (2,000,000) shares of the Company's Common Stock shall be the aggregate number of shares which may be issued under this Plan. Notwithstanding the foregoing, 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 (defined in Section 4(a)), deems in its sole discretion to be similar circumstances, the aggregate number and kind of shares which may be issued under this Plan shall be appropriately adjusted in a manner determined in the sole discretion of the Committee. Furthermore, in the event any transaction or event described or referred to in the immediately preceding sentence shall occur, the Committee may provide in substitution of any or all of the option holder's rights under this Plan such alternative consideration as the Committee may determine in good faith to be equitable under the circumstances. Reacquired shares of the Company's Common Stock, as well as unissued shares, may be used for the purpose of this Plan. Common Stock of the Company subject to options which have terminated unexercised, either in whole or in part, shall be available for future options granted under this Plan.

3. CLASS OF PERSONS ELIGIBLE TO RECEIVE OPTIONS. Subject to the provisions of Section 4(b) hereof, all officers and key employees and consultants of the Company and of any present or future Company parent or subsidiary corporation are eligible to receive an option or options under this Plan. All non-employee directors of the Company and of any present or future Company parent or subsidiary corporation are eligible to receive an option or options under this Plan. The individuals who shall, in fact, receive an option or options shall be selected by the Committee, in its sole discretion, except as otherwise specified in Section 4 hereof. No individual may receive options under this Plan during any calendar year for more than [] shares of the Company's Common Stock.

4. ADMINISTRATION OF PLAN.

(a) Prior to the registration of the Company's Common Stock under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), this Plan shall be administered by the Company's Board of Directors and, after such registration, by an

Option Committee ("Committee") appointed by the Company's Board of Directors. The Committee shall consist of a minimum of two and a maximum of [three] members of the Board of Directors, each of whom shall be a "Non-Employee Director" within the meaning of Rule 16b3(b)(3) under the Exchange Act and an "outside director" within the meaning of the regulations adopted under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") or any future corresponding rules, except that the failure of the Committee for any reason to be composed solely of Non-Employee Directors shall not prevent an option from being considered granted under this Plan. The Committee shall, in addition to its other authority and subject to the provisions of this Plan, determine: which individuals shall in fact be granted an option or options; whether the option shall be an Incentive Stock Option or a Non-Qualified Stock Option (as such terms are defined in Section 5(a)); the number of shares to be subject to each of the options; the time or times at which the options shall be granted; the rate of option exercisability (vesting schedule); subject to Section 5 hereof, the price at which each of the options is exercisable and the duration of the option; and whether the Company shall have any right, at any time prior to a public offering of the Common Stock, to repurchase from an optionee any shares of Common Stock acquired on the exercise of an option granted under this Plan and, if so, the purchase price (or the process or formula to be employed in order to determine such price), together with the procedure to govern the manner of the Company's exercise, the transfer of the shares and the Company's payment therefor. The term "Committee", as used in this Plan and the options granted hereunder, refers to the Board of Directors prior to the registration of the Company's Common Stock under Section 12 of the Securities Exchange Act of 1934 and, after such registration, to the Committee; prior to such registration, the Board of Directors may consist of only one director.

(b) The Committee shall adopt such rules for the conduct of its business and administration of this Plan as it considers desirable. A majority of the members of the Committee shall constitute a quorum for all purposes. The vote or written consent of a majority of the members of the Committee on a particular matter shall constitute the act of the Committee on such matter. The Committee shall have the right to construe the Plan and the options issued pursuant to it, to correct defects and omissions and to reconcile inconsistencies to the extent necessary to effectuate the Plan and the options issued pursuant to it, and such action shall be final, binding and conclusive upon all parties concerned. No member of the Committee or the Board of Directors shall be liable for any act or omission (whether or not negligent) taken or omitted in good faith, or for the exercise of an authority or discretion granted in connection with the Plan to a Committee or the Board of Directors, or for the acts or omissions of any other members of a Committee or the Board of Directors. Subject to the numerical limitations on Committee membership set forth in Section 4(a) hereof, the Board of Directors may at any time appoint additional members of the Committee and may at any time remove any member of the Committee with or without cause. Vacancies in the Committee, however caused, may be filled by the Board of Directors, if it so desires.

5. INCENTIVE STOCK OPTIONS AND NON-QUALIFIED STOCK OPTIONS.

(a) Options issued pursuant to this Plan may be either Incentive Stock options granted pursuant to Section 5(b) hereof or Non-Qualified Stock Options granted pursuant to Section 5(c) hereof, as determined by the Committee. An "Incentive Stock Option" is an option which satisfies all of the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations thereunder, and a "Non-Qualified Stock Option" is an option which either does not satisfy all of those requirements or the terms of the option provide that it will not be treated as an Incentive Stock Option. The Committee may grant both an Incentive Stock Option and a Non-Qualified Stock Option to the same person, or more than one of each type of option to the same person. The option price for options issued under this Plan shall be equal at least to the fair market value (as defined below) of the Company's Common Stock on the date of the grant of the option. The fair market value of the Company's Common Stock on any particular date shall mean the last reported sale price of a share of the Company's Common Stock on any stock exchange on which such stock is then listed or admitted to trading, or on the Nasdaq National Market System, Nasdaq Small Cap or Nasdaq "Bulletin Board," on such date; or if no sale took place on such day, the last such date on which a sale took place, or if the Common Stock is not then quoted on the Nasdaq National Market System or Nasdaq Small Cap or Nasdaq "Bulletin Board," or listed or admitted to trading on any stock exchange, the average of the bid and asked prices in the over-the-counter market on such date, or if none of the foregoing, a price determined in good faith by the Committee to equal the fair market value per share of the Common Stock.

(b) No option will be exercisable more than ten years from the date of grant.

(c) Each grant of options will be evidenced by an agreement executed on behalf of the Company by an officer and delivered to the participant and containing such terms and provisions, consistent with this Plan, as the Committee may approve. Any such agreement may provide for the acceleration of any vesting period for exercise of an option in the event of a change in control of the Company or other similar transaction or event.

(d) Neither the Company nor any of its current or future parent, subsidiaries or affiliates, nor their officers, directors, shareholders, stock option plan committees, employees or agents shall have any liability to any optionee in the event (i) an option intended to be an "Incentive Stock Option" does not qualify as an "Incentive Stock Option" as that term is used in Section 422 of the Code and the regulations thereunder; (ii) any optionee does not obtain the tax treatment pertaining to an Incentive Stock Option.

6. AMENDMENT, SUPPLEMENT, SUSPENSION AND TERMINATION. Options shall not be granted pursuant to this Plan after the expiration of ten (10) years from the date the Plan is adopted by the Board of Directors of the Company. The Board of Directors reserves the right at any time, and from time to time, to amend or supplement this Plan in any way, or to suspend or terminate it, effective as of such date, which date may be either before or after the taking of such action, as may be specified by the Board of Directors; provided,

however, that such action shall not affect options granted under the Plan prior to the actual date on which such action occurred. If the Board of Directors voluntarily submits a proposed amendment, supplement, suspension or termination for shareholder approval, such submission shall not require any future amendments, supplements, suspensions or terminations (whether or not relating to the same provision or subject matter) to be similarly submitted for shareholder approval.

7. EFFECTIVENESS OF PLAN.

(a) This Plan shall become effective on the date of its adoption by the Company's Board of Directors, subject however to approval by the holders of the Company's Common Stock in the manner as prescribed in the Code and the regulations thereunder. Options may be granted under this Plan prior to obtaining shareholder approval, provided such options shall not be exercisable until shareholder approval is obtained.

(b) Notwithstanding subsection (a) of this Section and any provision of Section 6 to the contrary, any agreement by the terms of which the Company is bound to the purchaser of any security of the Company to obtain such purchaser's approval of a Company employee stock option plan extends to this Plan and, for so long as such agreement terms remain in force and effect, shall be construed to extend also to any proposed amendment or supplement to this Plan or suspension or termination thereof pursuant to Section 6, and no such proposed action shall be effective as of any otherwise applicable effective date unless such approval shall have been obtained.

8. GENERAL CONDITIONS.

(a) Nothing contained in this Plan or any option granted pursuant to this Plan shall confer upon any employee the right to continue in the employ of the Company or any affiliated or subsidiary corporation or interfere in any way with the rights of the Company or any affiliated or subsidiary corporation to terminate his employment in any way.

(b) Nothing contained in this Plan or any option granted pursuant to this Plan shall confer upon any director the right to continue as a director of the Company or any affiliated or subsidiary corporation or interfere in any way with the rights of the Company or any affiliated or subsidiary corporation, or their respective shareholders, to terminate the directorship of any such director in accordance with such corporation's applicable charter and bylaw provisions consistent with the governing corporate law.

(c) Corporate action constituting an offer of stock for sale to any person under the terms of the options to be granted hereunder shall be deemed complete as of the date when the Committee authorizes the grant of the option to the such person, regardless of when the option is actually delivered to such person or acknowledged or agreed to by him.

(d) The terms "parent corporation" and "subsidiary corporation" as used throughout this Plan, and the options granted pursuant to this Plan, shall (except as otherwise provided in the option form) have the meaning that is ascribed to that term when contained in Section 422(b) of the Code and the regulations thereunder, and the Company shall be deemed to be the grantor corporation for purposes of applying such meaning.

(e) References in this Plan to the Code shall be deemed to also refer to the corresponding provisions of any future United States revenue law.

(f) The use of the masculine pronoun shall include the feminine gender whenever appropriate.

APPENDIX I

INCENTIVE STOCK OPTION

To: _____
Name

Address

Date of Grant: _____

You are hereby granted an option, effective as of the date hereof, to purchase _____ shares of common stock, \$0.001 par value per share ("Common Stock"), of Mannatech, Incorporated, a Texas corporation (the "Company") at a price of \$_____ per share pursuant to the Company's 1997 Stock Option Plan (the "Plan").

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, but in any event not earlier than one (1) year from date of grant. On and after one year and prior to two years from the date of grant, your option may be exercised for up to 33 1/3% of the total number of shares subject to the option minus the number of shares previously purchased by exercise of the option (as adjusted for 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, reorganization, or what the Committee deems in its sole discretion to be similar circumstances). Each succeeding year thereafter, your option may be exercised for up to an additional 33 1/3% of the total number of shares subject to the option minus the number of shares previously purchased by exercise of the option (as adjusted for 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, reorganization, or what the Committee deems in its sole discretion to be similar circumstances). Thus, subject as aforesaid to the condition set forth in the next paragraph, this option is fully exercisable on and after three years after the date of grant, except if terminated earlier as provided herein. No fractional shares shall be issued or delivered. This option shall terminate and is not exercisable after [ten (10)] years from the date of its grant (the "Scheduled Termination Date"), except if terminated earlier as hereafter provided.

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) (unless prohibited by the Committee) 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 (as determined in accordance with the Plan) on the date of delivery of such certificates to the Company, accompanied by an assignment of the stock to the Company; or (c) (unless prohibited by the Committee) 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, to the extent not previously exercised by you, terminate thirty (30) days after the date on which your employment by the Company or a Company subsidiary corporation is terminated (whether such termination be voluntary or involuntary) other than by reason of disability as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder, or death, in which case your option will terminate one year from the date of termination of employment due to disability or death (but in no event later than the Scheduled Termination Date). After the date your employment is terminated, as aforesaid, you may exercise this option only for the number of shares which you had a right to purchase and did not purchase on the date your employment terminated. If you are employed by a Company subsidiary corporation, your employment shall be deemed to have terminated on the date your employer ceases to be a Company subsidiary corporation, unless you are on that date transferred to the Company or another Company subsidiary corporation. Your employment shall not be deemed to have terminated if you are transferred from the Company to a Company subsidiary corporation, or vice versa, or from one Company subsidiary corporation to another Company subsidiary corporation.

If you die while employed by the Company or a Company subsidiary corporation, your executor or administrator, as the case may be, may, at any time within one year after the date of your death (but in no event later than the Scheduled Termination Date), exercise the option as to any shares which you had a right to purchase and did not purchase during your lifetime. If your employment with the Company or a Company parent or subsidiary corporation is terminated by reason of your becoming disabled (within the meaning of Section 22(e)(3) of the Code and the regulations thereunder), you or your legal guardian or custodian may at any time within one year after the date of such termination (but in no event later than the Scheduled Termination Date), exercise the option as to any shares which you had a right to purchase and did not purchase prior to such termination. Your executor, administrator, guardian or custodian must present proof of his authority satisfactory to the Company prior to being allowed to exercise this option.

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 Committee.

This option is not transferable otherwise than by will or the laws of descent and distribution, and is exercisable during your lifetime only by you, including, for this purpose, your legal guardian or custodian in the event of disability. 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 Plan pursuant to which this option is granted is approved by the shareholders of the Company in the manner prescribed by the Code and the regulations thereunder;

(b) Until this option and the optioned 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; or

(c) 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.

(d) Until you have paid or made suitable arrangements to pay (which may include payment through the surrender of Common Stock, unless prohibited by the Committee) (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 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 he 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 upon registration of the legended shares under the Securities Act of 1933, as amended, and under any applicable state laws or upon receipt of any opinion of counsel acceptable to the Company that said registration is no longer required

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.

Subject to the \$100,000 per year limitation of Section 422(d) of the Code, it is the intention of the Company and you that this option shall, if possible, be an "Incentive Stock Option" as that term is used in Section 422 of the Code and the regulations thereunder. In the event this option is in any way inconsistent with the legal requirements of the Code or the regulations thereunder for an "Incentive Stock Option," this option shall be deemed automatically amended as of the date hereof to conform to such legal requirements, if and to the extent that such conformity may be achieved by amendment.

Nothing herein shall modify your status as an at-will employee of the Company. Further, nothing herein guarantees you employment for any specified period of time. This means that either you or the Company may terminate your employment at any time for any reason, or no reason. You recognize that, for instance, you may terminate your employment or the Company may terminate your employment prior to the date on which your option

becomes vested. The preceding sentences of this paragraph, however, shall not apply to the extent of any inconsistency with a provision or provisions of a written contract of employment between you and the Company for so long, but only so long, as such contract remains in full force and effect or the provisions involved survive the termination of such contract.

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 shall be subject to the terms of the Plan in effect on the date this option is granted, which terms are hereby incorporated herein by reference and made a part hereof. In the event of any conflict between the terms of this option and the terms of the Plan in effect on the date of this option, the terms of the Plan shall govern. 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.

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 _____
Its _____

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.

Further in this regard, the undersigned acknowledges that, under Section 422(d) of the Code, to the extent that the aggregate fair market value of stock with respect to which incentive stock options are exercisable for the first time by the undersigned during any calendar year exceeds \$100,000.00, such options shall be treated as options which are not incentive options.

(Signature)

(Date)

APPENDIX II
NON-QUALIFIED STOCK OPTION FOR OFFICERS AND OTHER KEY EMPLOYEES

To: _____
Name

Address

Date of Grant: _____

You are hereby granted an option, effective as of the date hereof, to purchase _____ shares of common stock, \$0.001 par value per share ("Common Stock"), of Mannatech, Incorporated, a Texas corporation (the "Company") at a price of \$_____ per share pursuant to the Company's 1997 Stock Option Plan (the "Plan").

Subject to the condition set forth in the immediately following paragraph, your option may first be exercised on and after one year from the date of grant, but not before that time. On and after one year and prior to two years from the date of grant, your option may be exercised for up to 33 1/3% of the total number of shares subject to the option minus the number of shares previously purchased by exercise of the option (as adjusted for 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). Each succeeding year thereafter, your option may be exercised for up to an additional 33 1/3% of the total number of shares subject to the option minus the number of shares previously purchased by exercise of the option (as adjusted for 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). Thus, subject as aforesaid to the condition set forth in the next paragraph, this option is fully exercisable on and after three years after the date of grant, except if terminated earlier as provided herein. No fractional shares shall be issued or delivered. This option shall terminate and is not exercisable after ten (10) years from the date of its grant (the "Scheduled Termination Date"), except if terminated earlier as hereafter provided.

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) (unless prohibited by the Committee) 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 (as determined in accordance with the Plan) on the date of delivery of such certificates to the Company, accompanied by an assignment of the stock to the Company; or (c) (unless prohibited by the Committee) 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 thirty (30) days after the date on which your employment by the Company or a Company subsidiary corporation is terminated (whether such termination be voluntary or involuntary) other than by reason of disability as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder, or death, in which case your option will terminate one year from the date of termination of employment due to disability or death (but in no event later than the Scheduled Termination Date). After the date your employment is terminated, as aforesaid, you may exercise this option only for the number of shares which you had a right to purchase and did not purchase on the date your employment terminated. If you are employed by a Company subsidiary corporation, your employment shall be deemed to have terminated on the date your employer ceases to be a Company subsidiary corporation, unless you are on that date transferred to the Company or another Company subsidiary corporation. Your employment shall not be deemed to have terminated if you are transferred from the Company to a Company subsidiary corporation, or vice versa, or from one Company subsidiary corporation to another Company subsidiary corporation.

If you die while employed by the Company or a Company subsidiary corporation, your executor or administrator, as the case may be, may, at any time within one year after the date of your death (but in no event later than the Scheduled Termination Date), exercise the option as to any shares which you had a right to purchase and did not purchase during your lifetime. If your employment with the Company or a Company parent or subsidiary corporation is terminated by reason of your becoming disabled (within the meaning of Section 22(e)(3) of the Code and the regulations thereunder), you or your legal guardian or custodian may at any time within one year after the date of such termination (but in no event later than the Scheduled Termination Date), exercise the option as to any shares which you had a right to purchase and did not purchase prior to such termination. Your executor, administrator, guardian or custodian must present proof of his authority satisfactory to the Company prior to being allowed to exercise this option.

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 Committee.

This option is not transferable otherwise than by will or the laws of descent and distribution, and is exercisable during your lifetime only by you, including, for this purpose, your legal guardian or custodian in the event of disability. 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 Plan pursuant to which this option is granted is approved by the shareholders of the Company in the manner prescribed by the Code and the regulations thereunder;

(b) Until this option and the optioned 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; or

(c) 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.

(d) Until you have paid or made suitable arrangements to pay (which may include payment through the surrender of Common Stock, unless prohibited by the Committee) (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 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 he 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 upon registration of the legended shares under the Securities Act of 1933, as amended, and under any applicable state laws or upon receipt of any opinion of counsel acceptable to the Company that said registration is no longer required.

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.

Nothing herein shall modify your status as an at-will employee of the Company. Further, nothing herein guarantees you employment for any specified period of time. This means that either you or the Company may terminate your employment at any time for any reason, or no reason. You recognize that, for instance, you may terminate your employment or the Company may terminate your employment prior to the date on which your option becomes vested. The preceding sentences of this paragraph, however, shall not apply to the extent of any inconsistency with a provision or provisions of a written contract of employment between you and the Company for so long, but only so long, as such contract

remains in full force and effect or the provisions involved survive the termination of such contract.

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 shall be subject to the terms of the Plan in effect on the date this option is granted, which terms are hereby incorporated herein by reference and made a part hereof. In the event of any conflict between the terms of this option and the terms of the Plan in effect on the date of this option, the terms of the Plan shall govern. 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.

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 _____
Its _____

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.

(Signature)

(Date)

APPENDIX III

NON-QUALIFIED STOCK OPTION FOR NON-EMPLOYEE DIRECTORS AND CONSULTANTS

To: _____

Name

Address

Date of Grant: _____

You are hereby granted an option, effective as of the date hereof, to purchase _____ shares of common stock, \$0.001 par value per share ("Common Stock"), of Mannatech, Incorporated, a Texas corporation (the "Company") at a price of \$_____ per share pursuant to the Company's 1997 Stock Option Plan (the "Plan").

Effective this date your option may be exercised for up to 100% of the total number of shares then subject to the option minus the number of shares previously purchased upon exercise of the option (as adjusted for stock dividends, stock splits, combinations of shares and what the Committee 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) (unless prohibited by the Committee) 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 (as determined in accordance with the Plan) on the date of delivery of such certificates to the Company, accompanied by an assignment of the stock to the Company; or (c) (unless prohibited by the Committee) 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 on _____ or upon that date which is ninety (90) days after which you cease for any reason to be a director or consultant of the Company or a subsidiary corporation (whether by death, disability, resignation, removal or failure to be reappointed, reelected or otherwise, and regardless of whether the failure to continue as a director was for cause or without cause or otherwise), whichever shall first

occur ("Scheduled Termination Date"). After the date you cease to be a director or consultant, you may exercise this option only for the number of shares which you had a right to purchase and did not purchase on the date you ceased to be a director. If you are a director of a subsidiary corporation, your directorship shall be deemed to have terminated on the date such company ceases to be a subsidiary corporation, unless you are also a director of the Company or another subsidiary corporation, or on that date became a director of the Company or another subsidiary corporation. Your directorship or consultant status shall not be deemed to have terminated if you cease being a director or consultant of the Company or a subsidiary corporation but are or concurrently therewith become a director or consultant of the Company or another subsidiary corporation.

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 Committee.

This option is not transferable otherwise than by will or the laws of descent and distribution, and is exercisable during your lifetime only by you, including, for this purpose, your legal guardian or custodian in the event of disability. 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 Plan pursuant to which this option is granted is approved by the shareholders of the Company in the manner prescribed by the Code and the regulations thereunder, except that options granted to Consultants need not have shareholder approval;

(b) Until this option and the optioned 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; or

(c) 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.

(d) Until you have paid or made suitable arrangements to pay (which may include payment through the surrender of Common Stock, unless prohibited by the Committee) (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 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 he 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 upon registration of the legended shares under the Securities Act of 1933, as amended, and under any applicable state law's or upon receipt of any opinion of counsel acceptable to the Company that said registration is no longer required.

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 shall be subject to the terms of the Plan in effect on the date this option is granted, which terms are hereby incorporated herein by reference and made a part hereof. In the event of any conflict between the terms of this option and the terms of the Plan in effect on the date of this option, the terms of the Plan shall govern. 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.

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 _____
Its _____

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.

(Signature) (Date)

MANNATECH, INCORPORATED

1998 INCENTIVE STOCK OPTION PLAN

1. PURPOSE OF THE PLAN. The purposes of this 1998 Incentive Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to the Employees of the Company and to promote the success of the Company's business.

2. DEFINITIONS. As used herein, the following definitions shall apply:

(a) "BOARD" shall mean the Committee, if one has been appointed, or the Board of Directors of the Company, if no Committee is appointed.

(b) "CODE" shall mean the Internal Revenue Code of 1986.

(c) "COMMON STOCK" shall mean the Common Stock of the Company.

(d) "COMPANY" shall mean Mannatech, Incorporated, a Texas corporation.

(e) "COMMITTEE" shall mean the Committee appointed by the Board in accordance with paragraph (a) of Section 4 of the Plan, if one is appointed.

(f) "CONTINUOUS STATUS AS AN EMPLOYEE" shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of sick leave, military leave, or any other leave of absence approved by the Board; provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

(g) "EMPLOYEE" shall mean any person, including officers and directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

(h) "INCENTIVE STOCK OPTION" shall mean an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(i) "NON-EMPLOYEE DIRECTOR" shall mean a Non-Employee Director as defined in Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), promulgated under SEC Release 34-37260 (May 31, 1996), as such Rule may be amended from time to time.

(j) "OPTION" shall mean a stock option granted pursuant to the Plan.

(k) "OPTIONED STOCK" shall mean the Common Stock subject to an Option.

(l) "OPTIONEE" shall mean an Employee who receives an Option.

(m) "PARENT" shall mean a "parent corporation", whether now or hereafter existing, as defined in Section 425(e) of the Code.

(n) "PLAN" shall mean this 1998 Incentive Stock Option Plan.

(o) "STOCK OPTION AGREEMENT" shall mean an Incentive Stock Option Agreement, pursuant to which Options are granted under the Plan, the form of which is attached hereto as EXHIBIT A.

(p) "SHARE" shall mean a share of the Common Stock, as adjusted in accordance with Section 11 of the Plan.

(q) "SUBSIDIARY" shall mean a "subsidiary corporation", whether now or hereafter existing, as defined in Section 425(f) of the Code.

3. STOCK SUBJECT TO THE PLAN. Subject to the provisions of Section 11 of the Plan, the maximum aggregate number of shares which may be optioned and sold under the Plan is _____ shares of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock.

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

4. ADMINISTRATION OF THE PLAN.

(a) PROCEDURE. The Plan shall be administered by the Board of the Company or the Board may appoint a Committee consisting of not less than two Non-Employee Directors to administer the Plan on behalf of the Board, subject to such terms and conditions as the Board may prescribe. To the extent that the Board appoints a committee to administer the Plan, only Non-Employee Directors shall be eligible to serve as members of the Committee. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefore, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan.

(b) POWERS OF THE BOARD. Subject to the provisions of the Plan, the Board shall have the authority, in its discretion: (i) to grant Incentive Stock Options, in accordance with Section 422 of the Code; (ii) to determine, upon review of relevant information and in accordance with Section 8(b) of the Plan, the fair market value of the Common Stock; (iii) to determine the exercise price per share of Options to be granted, which exercise price shall be determined in accordance with Section 8(a) of the Plan; (iv) to determine the Employees to whom, and the time or times at which, Options shall be granted and the number of shares to be

represented by each Option; (v) to interpret the Plan; (vi) to prescribe, amend and rescind rules and regulations relating to the Plan; (vii) to determine the terms and provisions of each Option granted (which need not be identical) and, with the consent of the holder thereof, modify or amend each Option; (viii) to accelerate or defer (with the consent of the Optionee) the exercise date of any Option, consistent with the provisions of Section 5 of the Plan; (ix) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option previously granted by the Board; and (x) to make all other determinations deemed necessary or advisable for the administration of the Plan.

(c) EFFECT OF BOARD'S DECISION. All decisions, determinations and interpretations of the Board shall be final and binding on all Optionees and any other holders of any Options granted under the Plan.

5. ELIGIBILITY.

(a) Incentive Stock Options may be granted only to Employees. An Employee who has been granted an Option may, if such Employee is otherwise eligible, be granted an additional Option or Options.

(b) The Plan shall not confer upon any Optionee any right with respect to continuation of employment with the Company nor shall it interfere in any way with Optionee's right or the Company's right to terminate Optionee's employment at any time.

6. TERM OF PLAN. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 17 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 13 of the Plan.

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

8. EXERCISE PRICE AND CONSIDERATION.

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

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

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

(b) The fair market value per Share shall be determined as follows: (i) if the Common Stock is listed on a national securities exchange, the closing sale price per share on the principal exchange on which the Common Stock is listed as reported by such exchange, (ii) if the Common Stock is quoted in the National Market System, the closing sale price per share as reported by NASDAQ, (iii) if the Common Stock is traded in the over-the-counter market but not quoted in the National Market System, the average of the closing bid and asked quotations per share as reported by NASDAQ, or any other nationally accepted reporting medium if NASDAQ quotations shall be unavailable, or (iv) if none of the foregoing applies, the fair market value of the Common Stock will be the fair value of the Common Stock as reasonably determined in the good faith judgment of the Board.

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

9. EXERCISE OF OPTION

(a) PROCEDURE FOR EXERCISE; RIGHTS AS A SHAREHOLDER. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Board, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan.

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

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment, as authorized by the Board, may consist of a consideration and method of payment allowable under section 8(c) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of the duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of the Plan. Prior to the time of issuance, the Company shall satisfy its employment tax and other tax withholding obligations by requiring the Optionee to pay the amount of withholding tax, if any, that must be paid under federal, state and local law

due to the exercise of the Option, subject to such restrictions or procedures as the Company deems necessary to satisfy Rule 16b-3 of the Exchange Act. The payment of such withholding tax may be by certified or official bank check or by the delivery of a number of shares of Common Stock (plus cash if necessary) having a fair market value equal to the amount of such withholding tax.

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

(b) TERMINATION OF STATUS AS AN EMPLOYEE. If any Employee ceases to serve as an Employee, such Employee may, but only within thirty (30) days (or such other period of time not exceeding three (3) months as is determined by the Board at the time of grant of the Option) after the date such person ceases to be an Employee, exercise his or her Option to the extent that such person was entitled to exercise it at the date of such termination. To the extent that such Employee was not entitled to exercise the Option at the date of such termination, or if such Employee does not exercise such Option (which such person was entitled to exercise) within the time specified herein, the Option shall terminate.

(c) DISABILITY OF OPTIONEE. Notwithstanding the provisions of Section 9(b) above, in the event an Employee is unable to continue his or her employment relationship with the Company as a result of such Employee's total and permanent disability (as defined in Section 22(e)(3) of the Code), such Employee may, but only within six (6) months (or such other period of time not exceeding twelve (12) months as is determined by the Board at the time of grant of the Option) from the date of termination, exercise his or her Option to the extent such person was entitled to exercise it at the date of such termination. To the extent that the Employee was not entitled to exercise the Option at the date of termination, or if such Employee does not exercise such Option (which such person was entitled to exercise) within the time specified herein, the Option shall terminate.

(d) DEATH OF OPTIONEE. In the event of the death of an Optionee:

(i) during the term of the Option who is at the time of his or her death an Employee and who shall have been in Continuous Status as an Employee since the date of grant of the Option, the Option may be exercised, at any time within six (6) months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Optionee continued living and remained in Continuous Status as an Employee six (6) months after the date of death; or

(ii) within thirty (30) days (or such other period of time not exceeding three (3) months as is determined by the Board at the time of grant of the Option) after the termination of Continuous Status as an Employee, the Option may be exercised, at any time within six (6) months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

10. NON-TRANSFERABILITY OF OPTIONS. The Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

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

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

12. TIME OF GRANTING OPTIONS. The date of grant of an Option shall, for all purposes, be the date on which the Board makes the determination granting such Option. Notice of the determination shall be given to each Employee to whom an Option is so granted within a reasonable time after the date of such grant.

13. AMENDMENT AND TERMINATION OF THE PLAN.

(a) AMENDMENT AND TERMINATION. The Board may amend or terminate the Plan from time to time in such respects as the Board may deem advisable; provided that, the following revisions or amendments shall require approval of the shareholders of the Company in the manner described in Section 17 of the Plan:

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

(ii) any change in the designation of the class of employees eligible to be granted Options; or

(iii) if the Company has a class of equity security registered under Section 12 of the Exchange Act at the time of such revision or amendment, any material amendment under the Plan.

(b) SHAREHOLDER APPROVAL. If any amendment requiring shareholder approval under Section 13(a) of the Plan is made subsequent to the first registration of any class of equity security by the Company under Section 12 of the Exchange Act, such shareholder approval shall be solicited as described in Section 17 of the Plan.

(c) EFFECT OF AMENDMENT OR TERMINATION. Any such amendment or termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if the Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company.

14. CONDITIONS UPON ISSUANCE OF SHARES. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, applicable state securities laws, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

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

15. RESERVATION OF SHARES. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

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

16. OPTION AGREEMENT. Options shall be evidenced by written option agreements in such form as the Board shall approve.

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

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

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

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Plan effective as of the ____ day of _____, 1998.

MANNATECH, INCORPORATED

By: _____
Name: _____
Title: _____

EXHIBIT A

INCENTIVE STOCK OPTION AGREEMENT

[Attached]

MANNATECH, INCORPORATED
INCENTIVE STOCK OPTION AGREEMENT

Mannatech, Incorporated, a Texas corporation (the "Company") has granted to (1) (the "Optionee"), an option to purchase a total of (2) shares of Common Stock (the "Option"), at the price determined as provided herein, and in all respects subject to the terms, definitions and provisions of the Mannatech, Incorporated 1998 Incentive Stock Option Plan, as such may be amended from time to time (the "Plan") adopted by the Company which is incorporated herein by reference. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Plan.

1. NATURE OF THE OPTION. This Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code.

2. EXERCISE PRICE. The exercise price is \$(3) for each share of Common Stock, which price is not less than the fair market value per share of the Common Stock on the Date of Grant (the "Exercise Price").

3. EXERCISE OF OPTION. This Option shall be exercisable during its term in accordance with the provisions of Section 9 of the Plan as follows:

(a) RIGHT TO EXERCISE.

(i) The Option granted hereunder shall not be exercisable in any part until the first anniversary of the Date of Grant (as hereinafter set forth). The Option shall be exercisable as to (4) () of the total shares covered by such Option as of the first anniversary of the Date of Grant. The right to exercise with respect to an additional (4) () of the total shares subject to the Option shall accrue on each of the (5), (5), (5) and (5) anniversaries of the Date of Grant and shall be cumulative. Notwithstanding the foregoing, in the event of (A) a proposed sale of substantially all of the Common Stock of the Company, (B) a proposed sale of substantially all of the assets of the Company, (C) a proposed merger in which the Company is not to be the surviving corporation (other than with a subsidiary of the Company) or (D) any other proposed extraordinary corporate transaction which, in the judgment of the Board, might deprive the Optionee of the full value of the Option granted hereunder, the Company shall forward written notification of such transaction to the Optionee, and the Optionee shall have thirty (30) days in which to exercise all or any portion of the Option herein granted, including any portion of the Option which has not yet vested as of such date (to the extent such Option has not been previously exercised), pursuant to the procedure set forth below. Upon the conclusion of such thirty-day period, unless otherwise determined by the Board, all rights of the Optionee hereunder shall terminate. Any exercise of the Option by the Optionee shall be effective immediately prior to the occurrence of the transaction giving rise to the right to exercise the Option and, to the extent such transaction does not occur, the exercise shall be deemed rescinded and the Optionee shall again only be entitled to exercise the Option according to the vesting schedule set forth above.

(ii) This Option may not be exercised for a fraction of a share.

(iii) In the event of the Optionee's death, disability or other termination of employment, the exercisability of the Option is governed by Sections 7, 8 and 9 below.

(b) METHOD OF EXERCISE. This Option shall be exercisable by written notice to

the Company which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the Exercise Price.

No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any stock exchange upon which the Shares may then be listed and the payment of withholding tax, if any, has been made in compliance with the terms of the Plan. Assuming such compliance, the Shares shall be considered transferred to the Optionee on the date determined pursuant to the provisions of the Plan.

4. **OPTIONEE'S REPRESENTATIONS.** In the event the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, Optionee shall, concurrently with the exercise of all or any portion of this Option, deliver to the Company a Letter Agreement in the form attached hereto as Exhibit A and such Optionee's spouse shall execute the consent at the end of such Letter Agreement.

5. **METHOD OF PAYMENT.** Payment of the exercise price shall be by:

(a) cash;

(b) certified or official bank check; or

(c) surrender of other Shares of Common Stock of the Company of a value equal to the exercise price of the Shares as to which the Option is being exercised.

6. **RESTRICTIONS ON EXERCISE.** This Option may not be exercised until such time as the Plan has been approved by the shareholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("Regulation G") as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

7. **TERMINATION OF STATUS AS AN EMPLOYEE.** If Optionee ceases to serve as an Employee, Optionee may, but only within (6) days after the date Optionee ceases to be an Employee of the Company, exercise this Option to the extent that Optionee was entitled to exercise it at the date of such termination. To the extent that Optionee was not entitled to exercise this Option at the date of such termination, or if Optionee does not exercise this Option within the time specified herein, the Option shall terminate.

8. **DISABILITY OF OPTIONEE.** Notwithstanding the provisions of Section 7 above, if Optionee is unable to continue his or her employment with the Company as a result of his or her total and permanent disability (as defined in Section 22(e)(3) of the Code), Optionee may, within (7) months from the date of termination of employment, exercise his or her Option to the extent Optionee was entitled to exercise it at the date of such termination. To the extent that

Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option (which Optionee was entitled to exercise) within the time specified herein, the Option shall terminate.

9. DEATH OF OPTIONEE. In the event of the death of Optionee:

(a) during the term of this Option and while an Employee of the Company and having been in Continuous Status as an Employee since the Date of Grant of the Option, the Option may be exercised, at any time within six (6) months following the date of death, by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Optionee continued living and remained in Continuous Status as an Employee six (6) months after the date of death; or

(b) within (8) days after the termination of Optionee's Continuous Status as an Employee, the Option may be exercised, at any time within six (6) months following the date of death, by Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

10. NON-TRANSFERABILITY OF OPTION. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by such Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

11. TERM OF OPTION. This Option may not be exercised more than ten (10) years (five years if Optionee owns, immediately before this Option is granted, stock representing more than 10 percent of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary) from the date of grant of this Option, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

12. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by certified mail (return receipt requested) or sent by overnight delivery service, cable, telegram, facsimile transmission or telex to the parties at the following addresses or at such other addresses as shall be specified by the parties by like notice:

(a) if to the Company:
600 S. Royal Lane
Suite 200
Coppell, TX 75019
Attn: President

with a copy to:

J. Kenneth Menges, Jr., P.C.
Akin, Gump, Strauss, Hauer & Feld, L.L.P.
1700 Pacific Avenue, Suite 4100
Dallas,, Texas 75201

(b) if to the Optionee:

At the Optionee's last known
address as listed with the
Company

Notice so given shall, in the case of notice so given by mail, be deemed to be given and received on the fourth calendar day after posting, in the case of notice so given by overnight delivery service, on the date of actual delivery and, in the case of notice so given by cable, telegram, facsimile transmission, telex or personal delivery, on the date of actual transmission or, as the case may be, personal delivery.

13. SEVERABILITY. If any provision of this Agreement shall be held to be illegal, invalid or unenforceable under any applicable law, then such contravention or invalidity shall not invalidate the entire Agreement. Such provision shall be deemed to be modified to the extent necessary to render it legal, valid and enforceable, and if no such modification shall render it legal, valid and enforceable, then this Agreement shall be construed as if not containing the provision held to be invalid, and the rights and obligations of the parties shall be construed and enforced accordingly.

14. COMPLETE AGREEMENT. This Agreement and the Plan embody the complete agreement and understanding between the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

15. COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, with the same effect as if all parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument.

16. CHOICE OF LAW. THE CORPORATE LAW OF THE STATE OF TEXAS WILL GOVERN ALL QUESTIONS CONCERNING THE RELATIVE RIGHTS OF THE COMPANY AND ITS SHAREHOLDERS. ALL OTHER QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY AND INTERPRETATION OF THIS AGREEMENT WILL BE GOVERNED BY THE INTERNAL LAW, AND NOT THE LAW OF CONFLICTS, OF THE STATE OF TEXAS.

DATE OF GRANT: (9)

MANNATECH, INCORPORATED,
a Texas corporation

By: _____
Name: _____
Title: _____

Optionee acknowledges receipt of a copy of the Plan, a copy of which is annexed hereto, and represents that Optionee is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions set forth in the Plan and in this Incentive

Stock Option Agreement. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under the Plan.

Dated: -----

Optionee

EXHIBIT A

_____, 199__

Mannatech, Incorporated
600 S. Royal Lane
Suite 200
Coppell, TX 75019
Attn: President

Gentlemen:

In connection with the proposed purchase of _____ shares of Common Stock (the "Stock") of Mannatech, Incorporated, a Texas corporation (the "Company"), upon the exercise of an Incentive Stock Option dated _____, 199__, by the undersigned ("Purchaser"), Purchaser hereby agrees, represents and warrants as follows:

1. PURCHASE ENTIRELY FOR OWN ACCOUNT. I represent and warrant that I am purchasing the Stock solely for my own account for investment and not with a view to or for sale or distribution of the Stock or any portion thereof and not with any present intention of selling, offering to sell, or otherwise disposing of or distributing the Stock or any portion thereof. I also represent that the entire legal and beneficial interest of the Stock I am purchasing is being purchased for and will be held for my account only and neither in whole nor in part for any other person.

2. INFORMATION CONCERNING THE COMPANY. I represent and warrant that I have discussed the Company and its plans, operations, and financial condition with its officers and that I have received all such information as I deem necessary and appropriate to enable me to evaluate the financial risk inherent in making an investment in the Stock. I further represent and warrant that I have received satisfactory and complete information concerning the business and financial condition of the Company in response to all inquiries in respect thereto.

3. ECONOMIC RISK. I represent and warrant that I realize that my purchase of the Stock will be a highly speculative investment and that I am able, without impairing my financial condition, to hold the Stock for an indefinite period of time and to suffer a complete loss on my investment.

4. RESTRICTED SECURITIES. I represent and warrant that the Company has disclosed to me in writing that:

(a) the sale of the Stock that I am purchasing has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and the Stock must be held indefinitely unless a transfer of the Stock is subsequently registered under the Securities Act or an exemption from such registration is available;

(b) any share certificates representing the Stock will be stamped with the following legends:

(i) "These securities have not been registered under the Securities Act of 1933. They may not be sold, offered for sale, pledged or hypothecated in the absence of an effective registration statement as to the securities under said Act or an opinion of counsel satisfactory to the Company that such registration is not required. These securities are also subject to additional restrictions on transfer, certain repurchase options and certain other agreements set forth in an Incentive Stock Option Agreement dated _____ between the Company and _____, and in a Letter Agreement dated _____, between the Company and _____, copies of which may be obtained by the holder hereof at the Company's principal place of business without charge."

(ii) Any legend required to be placed thereon by the Texas Business Corporation Act.

(c) the Company will make a notation in its records of the aforementioned restrictions on transfer and legends.

5. DISPOSITION UNDER RULE 144. I represent and warrant that I understand that the shares of Stock are restricted securities within the meaning of Rule 144 promulgated under the Securities Act; that the exemption from registration under Rule 144 will not be available in any event for at least two (2) years from the date of sale of the Stock to me, and even then will not be available unless (a) a public trading market then exists for the securities of the Company, (b) adequate information concerning the Company is then available to the public and (c) other terms and conditions of Rule 144 are complied with; and that any sale of the Stock may be made by me only in accordance with such terms and conditions.

6. FURTHER LIMITATIONS ON DISPOSITION. Without in any way limiting my representations set forth above, I further agree that I shall in no event make any disposition of all or any portion of the Stock that I am purchasing except in compliance with the terms and provisions of the Plan, that certain Incentive Stock Option Agreement (the "Stock Option Agreement") dated _____ between Purchaser and the Company, and unless and until:

(a) There is then in effect a Registration Statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with said Registration Statement; or

(b) (i) I shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, (ii) I shall have furnished the Company with an opinion of my own counsel to the effect that such disposition will not require registration of such shares under the Securities Act, and (iii) such opinion of my counsel shall have been concurred in by counsel for the Company and the Company shall have advised me of such concurrence.

Very truly yours,

ACCEPTED AND AGREED TO:
MANNATECH, INCORPORATED

By: -----

Name: -----

Title: -----

The undersigned, spouse of _____, the Purchaser executing the foregoing Letter Agreement, hereunto subscribes his or her name in evidence of his or her agreement and consents to the disposition of the Stock referred to in the foregoing Letter Agreement in accordance with the terms of the Letter Agreement and the provisions of the Stock Option Agreement and the Plan, copies of which have heretofore been presented to the undersigned.

Effective as of the ____ day of _____ 199__.

KEY FOR NUMBERED
BLANKS IN INCENTIVE STOCK OPTION AGREEMENT
OF MANNATECH, INCORPORATED

- (1) Name of person to whom Option is granted.
- (2) Number of shares of Common Stock for which Option is granted.
- (3) Per share exercise price for the shares to be issued pursuant to exercise of an option, determined by the Board of Directors or an option plan committee in accordance with Section 8 of the Plan.
- (4) Vesting period for option: Three years: one-third (1/3); Four years: one-fourth (1/4); Five years: one-fifth (1/5).
- (5) Three year vesting: second and third
Four year vesting: second, third and fourth
Five year vesting: second, third, fourth and fifth
- (6) 30 days unless the Board designates a greater amount of time (not to exceed 3 months) at the time of grant of the Option (Section 9(b) of the Plan).
- (7) 6 months unless the Board designates a greater amount of time (not to exceed 12 months) at the time of grant of the Option (Section 9(c) of the Plan).
- (8) 30 days unless the Board designates a greater amount of time (not to exceed 3 months) at the time of grant of the Option (Section 9(d)(ii) of the Plan).
- (9) Date on which the Board authorized the grant of the Option.

AGREEMENT AND PLAN OF MERGER
AMONG
MANNATECH, INCORPORATED
(AS THE SURVIVING CORPORATION)
AND
EIGHT POINT SERVICES, INC.,
TRIPLE GOLD BUSINESS, INC.
FIVE SMALL FRY, INC., AND
BETA NUTRIENT TECHNOLOGY, INC.
(AS THE NON-SURVIVING CORPORATIONS)
DATED AS OF JUNE 1, 1997

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AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this "Agreement"), dated as of June 1, 1997 (the "Execution Date"), is among Eight Point Services, Inc., a Texas corporation, Triple Gold Business, Inc., a Texas corporation, Five Small Fry, Inc., a Texas corporation, and Beta Nutrient Technology, Inc., a Texas corporation (collectively, the "Non-Surviving Corporations"), and Mannatech, Incorporated, a Texas corporation (the "Surviving Corporation"). The Surviving Corporation and the Non-Surviving Corporations may hereafter be collectively referred to as the "Constituent Corporations."

WITNESSETH:

WHEREAS, the Constituent Corporations deem it advisable to merge the Non-Surviving Corporations into the Surviving Corporation (the "Merger") pursuant to this Agreement, the Articles of Merger (as defined below) to be executed by the Constituent Corporations, and the Texas Business Corporation Act (the "Act");

NOW THEREFORE, in consideration of the mutual benefits to be derived from this Agreement and the representations, warranties, conditions and agreements hereinafter contained, the Constituent Corporations hereby adopt this Agreement and agree as follows:

ARTICLE 1

GENERAL

1.1 BOARD AND SHAREHOLDER MEETINGS. As soon as practical after the Execution Date, this Agreement and the transactions contemplated herein shall be submitted for approval by Board of Directors and the shareholders of each of the Constituent Corporations.

1.2 EXECUTION OF ARTICLES OF MERGER. Subject to the provisions of this Agreement, Articles of Merger to effectuate the terms of this Agreement ("Articles of Merger") shall be executed by the appropriate officers of each of the Constituent Corporations and thereafter delivered to the Secretary of State of the State of Texas for filing. The Merger shall become effective upon the acceptance for filing of the Articles of Merger by the Secretary of State of the State of Texas, or on such later effective date and time as may be specified in the Articles of Merger (the "Effective Time"). At the Effective Time (i) the separate existence of the Non-Surviving Corporations shall cease and the Non-Surviving Corporations shall be merged with and into the Surviving Corporation, (ii) the Articles of Incorporation and Bylaws of the Surviving Corporation as in effect immediately prior to the Effective Time shall constitute the Articles of Incorporation and Bylaws of the Surviving Corporation, and (iii) the officers and directors of the Surviving Corporation at the Effective Time shall continue as the officers and directors of the Surviving Corporation.

1.3 EFFECTS OF THE MERGER. At and after the Effective Time, the Surviving Corporation shall possess all the rights, privileges, powers and franchises of a public as well as a private

nature, and be subject to all the restrictions, disabilities and duties of each of the Constituent Corporations; and all rights, privileges, powers and franchises of each of the Constituent Corporations, and all property, real, personal and mixed, and all debts due to any of the Constituent Corporations on whatever account, as well as all other things in action or belonging to each of the Constituent Corporations, shall be vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the respective Constituent Corporations, and the title to any real estate vested by deed or otherwise in any of the Constituent Corporations shall not revert or be in any way impaired; but all rights of creditors and all liens upon any property of any of the respective Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of the Constituent Corporations shall thence forth attach to the Surviving Corporation, and may be enforced against it to the same extent as if said debts and liabilities had been incurred by it.

ARTICLE 2

TERMS OF THE TRANSACTION

2.1 CONVERSION OF SHARES. At the Effective Time, each issued and outstanding share of common stock of the Non-Surviving Corporations, excluding any treasury shares and shares owned by persons who properly exercise their right to dissent under the Texas Business Corporation Act, shall, IPSO FACTO and without any action on the part of the holder thereof, be cancelled and be converted into the right to receive the following number of fully paid and nonassessable share of Common Stock of the Surviving Corporation, par value \$0.01 per share:

	Number of Mannatech Shares To Be Received For Each Outstanding Share of Non- Non-Surviving Corporation -----	Total Number of Mannatech Shares To Be Received For All Outstanding Shares of Non-Surviving Corporation Stock -----
Eight Point Services, Inc.	0.010932	109.32
Triple Gold Business, Inc.	0.009074	90.74
Five Small Fry, Inc.	0.001858	18.58
Beta Nutrient Technology, Inc.	0.009068	90.68

Each share of Common Stock of the Surviving Corporation which shall be issued and outstanding prior to the Effective Time shall remain outstanding.

2.2 EXCHANGE PROCEDURES. Following the Effective Time, each holder of an outstanding certificate or certificates theretofore representing Common Stock of a Non-Surviving Corporation (a "Certificate") shall, upon surrender of such Certificate or Certificates to the Surviving Corporation, be entitled to receive in exchange there for a certificate representing that number of whole shares of the Common Stock of the Surviving Corporation which such holder has the right to receive pursuant to the provisions of this Article 2, and the Certificate or Certificates so surrendered shall forthwith be cancelled. Until surrendered as contemplated by

this Section 2.2, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the certificate representing shares of Common Stock of the Surviving Corporation as contemplated by this Article 2.

2.3 DISTRIBUTIONS WITH RESPECT TO UNEXCHANGED SHARES. No dividends or other distributions declared or made after the Effective Time with respect to Common Stock of the Surviving Corporation with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of Common Stock of the Surviving Corporation represented thereby until the holder of record of such Certificate shall surrender such Certificate to the Surviving Corporation.

2.4 DISSENTING SHAREHOLDERS. Each share of Common Stock of a Non-Surviving Corporation issued and outstanding immediately prior to the Effective Time, the holder of which has made written demand for the payment of the fair market value of his shares as provided for in Article 5.12A(1) of the Act, is herein called a "Dissenting Share." Dissenting Shares owned by each holder thereof who has not exchanged his Certificates pursuant to Section 2.2 hereof or otherwise has not effectively withdrawn or lost his dissenter's rights, shall not be converted into or represent the right to receive Common Stock of the Surviving Corporation pursuant to Section 2.2 hereof and shall be entitled only to such rights as are available to such holder pursuant to the Act. If any holder of Dissenting Shares shall effectively withdraw or lose his dissenter's rights under the Act, such Dissenting Shares shall be converted into the right to receive shares of Common Stock of the Surviving Corporation in accordance with the provisions of Section 2.2 hereof. Each Non-Surviving Corporation shall give the Surviving Corporation (i) prompt notice of any demands received from dissenting shareholders for payment for their shares of Common Stock of a Non-Surviving Corporation and (ii) the opportunity to participate in all negotiations and proceedings with respect to any such demands. No Non-Surviving Corporation shall, without the prior written consent of the Surviving Corporation, voluntarily make any payment with respect to, or settle or offer to settle, any such demand for payment.

2.5 STOCK LEGEND. Certificates representing shares of Common Stock of the Surviving Corporation issued to shareholders of the Non-Surviving Corporations shall bear the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY APPLICABLE STATE SECURITIES LAW, AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR PLEDGED UNLESS A REGISTRATION STATEMENT COVERING SUCH SHARES IS IN EFFECT OR THE CORPORATION HAS RECEIVED ADEQUATE ASSURANCES, ACCEPTABLE TO THE CORPORATION, THAT AN EXEMPTION FROM REGISTRATION EXISTS."

ARTICLE 3

REPRESENTATIONS, WARRANTIES AND CERTAIN COVENANTS

3.1 REPRESENTATIONS, WARRANTIES AND CERTAIN COVENANTS OF NON-SURVIVING CORPORATIONS. Each of the Non-Surviving Corporations severally represents and warrants to and covenants with the Surviving Corporation that:

3.1.1 DUE ORGANIZATION AND AUTHORITY. It is a corporation duly organized and validly existing under the laws of the State of Texas. Subject to the requisite approval of its Board of Directors and shareholders, it has all necessary power and is duly authorized to execute, deliver and perform its obligations under this Agreement. The execution and delivery of this Agreement does not, and subject to the approval of this Agreement by its Board of Directors and shareholders, the consummation of the Merger and the transactions contemplated herein will not, violate any provisions of its Articles of Incorporation or Bylaws.

3.1.2 CAPITALIZATION. Its authorized capital stock and the number of its shares which are issued and outstanding are as follows:

NON-SURVIVING CORPORATION -----	AUTHORIZED SHARES OF COMMON STOCK -----	ISSUED AND OUTSTANDING -----
Eight Point Services, Inc.	1,000,000	10,000
Triple Gold Business, Inc.	1,000,000	10,000
Five Small Fry, Inc.	1,000,000	10,000
Beta Nutrient Technologies, Inc.	1,000,000	10,000

All of its issued and outstanding shares are validly issued, fully paid and nonassessable. As of the Effective Time, there will be no voting trusts, voting agreements or similar arrangements or understanding affecting any such shares. There are no existing options, warrants, calls, subscription rights, or other rights (including conversion rights) to acquire any' shares of its capital stock or any agreements calling for the issuance of any such shares.

3.2 REPRESENTATIONS AND WARRANTIES OF SURVIVING CORPORATION. The Surviving Corporation represents and warrants to the Non-Surviving Corporations that:

3.2.1 DUE ORGANIZATION AND AUTHORITY. The Surviving Corporation is a corporation duly organized and validly existing and in good standing under the laws of the State of Texas. Subject to the requisite approval of its Board of Directors and shareholders, it has all necessary power and is duly authorized to execute, deliver and perform its obligations under this Agreement. The execution and delivery of this Agreement does not, and subject to the approval of this Agreement by its Board of Directors and shareholders, the consummation of the merger

and the transactions contemplated herein will not, violate any provisions of its Articles of Incorporation or Bylaws.

3.2.2 CAPITALIZATION OF SURVIVING CORPORATION. The authorized capital stock of the Surviving Corporation consists of 10,000,000 shares of Common Voting Stock, of which 10,000 shares are issued and outstanding. Except for options which have been granted to present or former employees of the Surviving Corporation to purchase shares of the Common Stock of the Surviving Corporation, there are no existing options, warrants, calls, subscription rights, or other rights (including conversion rights) to acquire any shares of capital stock of the Surviving Corporation or any agreements calling for the issuance of any such shares.

ARTICLE 4

COVENANTS OF NON-SURVIVING CORPORATIONS

4.1 AUTHORIZATIONS. Each of the Non-Surviving Corporations will take all steps necessary to cause this Agreement and the transactions and other actions contemplated herein to be submitted for the approval of its Board of Directors and shareholders in accordance with Section 1.1 of this Agreement.

4.2 OPERATION OF BUSINESS. Each of the Non-Surviving Corporations agree that from the date hereof through the Effective Time, except to the extent that the Surviving Corporation shall otherwise consent in writing, each of the Non-Surviving Corporations will operate its business substantially as presently operated and only in the ordinary course of business or as appropriate to consummate the Merger.

4.3 BEST EFFORTS. Each of the Non-Surviving Corporations shall use its best efforts to cause the Effective Time of the Merger to occur at the earliest practicable time.

ARTICLE 5

COVENANTS OF SURVIVING CORPORATION

5.1 AUTHORIZATIONS. The Surviving Corporation will take all steps necessary to cause this Agreement and the transactions and other actions contemplated herein to be submitted for the approval of its Board of Directors and shareholders in accordance with Section 1.1 of this Agreement.

5.2 BEST EFFORTS. The Surviving Corporation shall use its best efforts to cause the Effective Time of the Merger to occur at the earliest practicable time.

ARTICLE 6

CONDITIONS

6.1 EXCHANGE AGREEMENT. Three of the Non-Surviving Corporations are corporate general partners of Texas limited partnerships (collectively, the "Partnerships"), as follows:

NON-SURVIVING CORPORATION -----	PARTNERSHIP -----
Triple Gold Business, Inc.	Power Three Partners, Ltd.
Five Small Fry, Inc.	Eleven Point Partners, Ltd.
Beta Nutrient Technology, Inc.	Beta M. Partners, Ltd.

Pursuant to the terms of an Exchange Agreement dated June 1, 1997 (the "Exchange Agreement"), each of the limited partners of the Partnerships has agreed to contribute his respective limited partnership interest in each of the Partnerships to the Surviving Corporation in exchange for an agreed-upon number of shares of the Common Stock of the Surviving Corporation. In addition to the conditions set forth in Sections 6.2 and 6.3 below, the obligation of each Constituent Corporation to perform this Agreement is subject to the condition that the transactions contemplated by the Exchange Agreement shall have been consummated effective as of the Effective Time.

6.2 CONDITIONS TO OBLIGATIONS OF SURVIVING CORPORATION. The obligation of the Surviving Corporation to perform this Agreement is subject to the satisfaction of each and every of the following conditions unless waived in writing by the Surviving Corporation.

6.2.1 REPRESENTATIONS, WARRANTIES AND COVENANTS. The representations and warranties of the Non-Surviving Corporations set forth in Section 3.1 hereof shall be true and correct in all material respects as of the date of this Agreement and at all times prior to the Effective Time, except as otherwise contemplated by this Agreement; and each of the Non-Surviving Corporations shall have performed and complied in all material respects with all of the agreements, obligations and covenants required to be performed by it here under.

6.2.2 NO PENDING LITIGATION. No suit, action or other proceeding will be pending or (to the knowledge of any party hereto) threatened before any court or governmental agency seeking to restrain, prohibit or obtain damages or other relief in connection with this Agreement or the consummation of the transactions contemplated hereby.

6.2.3 NO MATERIAL ADVERSE CHANGE. There shall have been no material adverse change in the financial condition of any of the Non-Surviving Corporations since the date of this Agreement, and there shall not exist any material liability or obligation of any of the Non-Surviving Corporations of any kind whatsoever, whether accrued or unaccrued, direct or indirect,

absolute or contingent, asserted or unasserted, except liabilities incurred in the ordinary course of business and consistent with past practice.

6.2.4 CORPORATE AUTHORIZATION OF MERGER. All action necessary to authorize the execution, delivery and performance of this Agreement by each of the Constituent Corporations shall have been duly and validly taken by the Board of Directors and shareholders of each of the Constituent Corporations, and each of the Constituent Corporations shall have full power and right to merge on the terms provided herein.

6.2.5 DISSENTING SHAREHOLDERS. No holders of the outstanding shares of Common Stock of any of the Non-Surviving Corporations shall have made written demand for the payment of the fair market value of their shares as provided for in Article 5.12A(1) of the Act.

6.3 CONDITIONS TO OBLIGATIONS OF THE NON-SURVIVING CORPORATIONS. The obligation of the Non-Surviving Corporations to perform this Agreement is subject to the satisfaction of the following conditions, unless waived in writing by each of the Non-Surviving Corporations:

6.3.1 REPRESENTATIONS, WARRANTIES AND COVENANTS. The representations and warranties of the Surviving Corporation set forth in Section 3.2 hereof shall be true and correct in all material respects as of the date of this Agreement and at all times prior to the Effective Time, except as otherwise contemplated by this Agreement; and the Surviving Corporation shall have performed and complied in all material respects with all of the agreements, obligations and covenants required to be performed by it hereunder.

6.3.2 NO PENDING LITIGATION. No suit, action or other proceeding will be pending or (to the knowledge of any party hereto) threatened before any court or governmental agency seeking to restrain, prohibit or obtain damages or other relief in connection with this Agreement or the consummation of the transactions contemplated hereby.

6.3.3 NO MATERIAL ADVERSE CHANCE. There shall have been no material adverse change in the financial condition or prospects of the Surviving Corporation.

6.3.4 CORPORATE AUTHORIZATION OF MERGER. All action necessary to authorize the execution, delivery and performance of this Agreement by each of the Constituent Corporations shall have been duly and validly taken by the Board of Directors and the shareholders of each of the Constituent Corporations, and each of the Constituent Corporations shall have full power and right to merge on the terms provided herein.

ARTICLE 7

TERMINATION; SURVIVAL; WAIVER AND AMENDMENT

7.1 TERMINATION. This Agreement may be terminated at any time prior to the Effective Time of the Merger:

- (a) By any Constituent Corporation in its sole and absolute discretion (which termination shall not be a breach of this Agreement) if the Effective Time has not occurred within ninety (90) days after the date of this Agreement; PROVIDED, HOWEVER, that no party may exercise a right of termination pursuant to this Section 7.1(a) if an event preventing the Effective Time from occurring shall be due to the willful failure of the party seeking to terminate this Agreement to perform or observe in any material respect any of the covenants or agreements set forth herein to be performed or observed by such party.
- (b) By the mutual consent of all the Constituent Corporations; or
- (c) By the Surviving Corporation if events occur which render impossible compliance with one or more of the conditions set forth in Section 6.1 or 6.2 hereof and the satisfaction of such condition or conditions is not waived by the Surviving Corporation; or (ii) by any of the Non-Surviving Corporations if events occur which render impossible compliance with one or more of the conditions set forth in Section 6.1 or 6.3 hereof and the satisfaction of such condition or conditions is not waived by each of the Non-Surviving Corporations.

7.2 EFFECT OF TERMINATION. In the event of the termination of this Agreement and the abandonment of the Merger without breach by any party hereto, this Agreement shall become void and have no effect, without any liability on the part of any party or its directors, officers or shareholders. Nothing contained in this Section 7.2 shall relieve any party hereto of any liability for a breach of this Agreement.

7.3 WAIVER AND AMENDMENT. Any term or provision of this Agreement may be waived at any time by the party which is, or whose shareholders are, entitled to the benefits thereof, and this agreement may be amended or supplemented at any time, whether before or after the directors and shareholders actions referred to in Section 1.1 hereof, by a written agreement executed by each of the Constituent Corporations.

ARTICLE 8
OTHER PROVISIONS

8.1 EXPENSES. The Surviving Corporation shall pay all legal, accounting and other expenses incurred by any Constituent Corporation in connection with the negotiation, preparation, execution and performance of this Agreement and the transactions contemplated herein.

8.2 ENTIRE AGREEMENT. This Agreement contains the entire agreement among the parties with respect to the Merger and supersedes all prior arrangements or understandings with respect thereto. The parties hereto have made no representations, warranties or covenants other than those contained in this Agreement.

8.3 DESCRIPTIVE HEADING. Descriptive headings contained herein are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

8.4 NOTICES. All notices, consents or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered in person, by prepaid telex, telegram or telecopy, or by United States registered or certified mail, postage prepaid, addressed as follows:

IF TO ANY NON-SURVIVING CORPORATION:

Mr. Gary L. Watson
600 S. Royal Lane, Suite 600
Coppell, Texas 75019

WITH A COPY TO:

Mr. James M. Doyle, Jr.
Matthews & Branscomb, P.C.
One Alamo Center
106 S. St. Mary's, Suite 700
San Antonio, Texas 78205

IF TO THE SURVIVING CORPORATION:

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

WITH A COPY TO:

Ms. Deanne Varner
600 S. Royal Lane, Suite 600
Coppell, Texas 75019

8.5 COUNTERPARTS. This Agreement may be executed in one or more counterparts and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one and the same Agreement.

8.6 ASSIGNMENT. No party hereto shall assign this Agreement or any part hereof without the prior written consent of the other parties. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

8.7 FURTHER ASSURANCES. Each of the Constituent Corporations shall execute and deliver or cause to be executed and delivered to one another (or to applicable third parties) such further instruments, documents, certificates, consents, filings, recordings and conveyances, and shall take such other action as may be reasonably required to more effectively carry out the terms and provisions of this Agreement and the transactions contemplated hereby.

IN WITNESS WHEREOF, each of the parties here to has caused this Agreement to be executed as of the day and year first above written.

SURVIVING CORPORATION

Mannatech, Incorporated

By: /s/ Samuel L. Caster

Samuel L. Caster, President

NON-SURVIVING CORPORATION

Eight Point Services, Inc.

By: /s/ Charles E. Fioretti

Charles E. Fioretti, President

Triple Gold Business, Inc.

By: /s/ Charles E. Fioretti

Charles E. Fioretti, President

Five Small Fry, Inc.

By: /s/ Charles E. Fioretti

Charles E. Fioretti, President

Beta Nutrient Technology, Inc.

By: /s/ Charles E. Fioretti

Charles E. Fioretti, President

EXCHANGE AGREEMENT

Dated June 1, 1997,

AMONG

MANNATECH, INCORPORATED,

AND THE

LIMITED PARTNERS

OF

POWER THREE PARTNERS, LTD.,

ELEVEN POINT PARTNERS, LTD.,

AND

BETA M PARTNERS, LTD.

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EXCHANGE AGREEMENT

This Exchange Agreement (this "Agreement") is made and entered into effective as of June 1, 1997 (the "Execution Date"), among Mannatech, Incorporated, a Texas corporation ("Mannatech"), and the limited partners of the Partnerships (as hereinafter defined) who are identified on Schedule 1 to this Agreement and whose signatures are set forth below (collectively, the "Partners", and individually, a "Partner").

RECITALS

A. The Partners are the owners of one hundred percent (100%) of the outstanding limited partnership interests (the "Partnership Interests") of Power Three Partners, Ltd., a Texas limited partnership ("Power Three"), Eleven Point Partners, Nd., a Texas limited partnership ("Eleven Point"), and Beta M Partners, Ltd., a Texas limited partnership ("Beta M") (the "Partnerships"). The Partnership Interests represent ninety-eight percent (98.0%) of all the partnership interests of the Partnerships. Each of the Partnerships was formed and organized under the terms of an Agreement of Limited Partnership dated December 22, 1994 (the "Partnership Agreements").

B. Power Three and Eleven Point own all the outstanding limited partnership interests of Dynamic Eight Partners, Ltd., a Texas limited partnership ("Dynamic Eight").

C. Mannatech and Dynamic Eight entered into a Marketing Services Agreement dated December 27, 1994 (the "Marketing Agreement").

D. Beta M and Mannatech entered into a License Agreement dated December 27, 1994 (the "License Agreement").

E. In exchange for shares of the \$0.01 par value common stock of Mannatech shown on Schedule 1 to this Agreement (the "Shares"), Mannatech has agreed to acquire the Partnership Interests from the Partners and the Partners have agreed to transfer and assign the Partnership Interests to Mannatech, all in accordance with the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual agreements of the parties set forth herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Mannatech and the Partners agree as follows:

1. THE MERGER. Under the terms of an Agreement and Plan of Merger dated June 1, 1997 (the "Merger Agreement"), the corporate general partner of each of the Partnerships and the corporate general partner of Dynamic Eight (the "General Partners") have agreed to merge with and into Mannatech, with Mannatech being the surviving entity in such merger (the

"Merger"). The Partners own all the issued and outstanding common stock of the General Partners. Subject to the terms of the Merger Agreement, the Merger will become effective at a date and time (the "Effective Time") which will be the date of the filing of Articles of Merger with the Secretary of State of the State of Texas or such later effective date and time as may be specified in the Articles of Merger. Subject to the terms of this Agreement, the effectiveness of the transactions contemplated by this Agreement is specifically conditioned upon the Effective Time having occurred. At such time as the Effective Time may occur, the terms of this Agreement and the transactions contemplated hereby which are to be effective as of the Effective Time shall become effective and fully binding on each of the parties hereto without any further action on the part of the parties hereto other than the delivery of certificates evidencing the Shares as contemplated by Section 2(b) below. If this Agreement is terminated prior to the Effective Time, the rights and obligations of the parties shall be as set forth in Section 6.2 below. The shares of Mannatech Common Stock which are to be issued to the Partners as a result of the Merger are referred to herein as the "Merger Shares."

2. THE EXCHANGE.

Upon the terms and subject to the conditions of this Agreement, effective as of the Effective Time:

- (a) The Partners assign and transfer to Mannatech all the Partnership Interests. The Partnership Interests include all the Partners' respective interests in the Partnerships, including, without limitation, all the Partners' (i) capital accounts in the Partnership and (ii) rights to income, losses and distributions of the Partnership from and after the Effective Time (all as more particularly described in the Partnership Agreements). The Partners grant to Mannatech or its assigns the right to be substituted as a limited partner of the Partnerships with respect to the limited partnership interests assigned. The Partnership Interests are transferred and assigned subject to all the terms and provisions of the respective Partnership Agreements.
- (b) Mannatech shall cause to be issued and delivered to the Partners duly-executed certificates evidencing the Shares, registered in the names of the Partners, which certificates shall be registered in the name of and issued to and delivered to the Partners as set forth on Schedule 1 hereto.

3. REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF PARTNERS.

3.1 REPRESENTATIONS AND WARRANTIES. The Partners jointly and severally represent and warrant to Mannatech as follows:

- (a) ENCUMBRANCES. The transfer and assignment of the Partnership Interests as provided for in this Agreement will transfer to Mannatech valid legal title to one hundred percent (100%) of the outstanding limited partnership

interests of the Partnerships, free and clear of all claims, liens, charges and encumbrances of any kind or nature whatsoever other than restrictions and encumbrances provided for under the terms of the Partnership Agreements. Schedule 1 correctly sets forth each Partner's Partnership Interest in each Partnership.

- (b) GENERAL PARTNERSHIP INTERESTS. The General Partners are the sole general partners of their respective Partnerships, and own 100% of the outstanding general partnership interests of their respective Partnerships.
- (c) MARKETING AGREEMENT. None of the rights, duties or responsibilities of Dynamic Eight under the Marketing Agreement have been assigned or delegated or subjected to any claim, lien, charge or encumbrance of any kind or nature whatsoever.
- (d) LICENSE AGREEMENT. None of the rights, duties or responsibilities of Beta M under the License Agreement have been assigned or delegated or subjected to any claim, lien, charge or encumbrance of any kind or nature whatsoever.
- (e) ORGANIZATION. Each of the Partnerships is a duly organized and validly existing Texas limited partnership.
- (f) BINDING EFFECT. This Agreement is a legal, valid and binding obligation of each of the Partners, enforceable against the Partners in accordance with its terms.
- (g) NO VIOLATION. The execution, delivery and performance of this Agreement by the Partners will not conflict with or constitute a breach of any of the terms or provisions of, or a default under, any of the Partnership Agreements or any other agreement to which any Partner is a party or by which any Partner is bound.

3.2 SECURITIES LAWS REPRESENTATIONS. The Partners severally represent and warrant to Mannatech as follows:

- (a) Each Partner is fully familiar with the business and financial affairs of Mannatech and has had access to such information regarding the business and financial affairs of Mannatech as he has deemed necessary to enable him to make an informed investment decision with respect to the acquisition of the Shares and the Merger Shares.
- (b) Each Partner is able to evaluate the merits and risks of an investment in Mannatech common stock. Each Partner is able to bear the economic risk

of an investment in the Shares and the Merger Shares including, without limiting the generality of the foregoing, the risk of losing all or any part of his investment in the Shares and the Merger Shares.

- (c) Each Partner is acquiring the Shares and the Merger Shares to be acquired by him for his own account for the purpose of investment and not as a nominee or agent for the benefit of any other person, the Shares are not being acquired with a view to or for sale in connection with the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations promulgated thereunder, nor does any Partner have any present intention of distributing or selling any Shares or Merger Shares to be acquired by him.
- (d) Each Partner has been afforded an opportunity to ask questions about and receive answers and responses concerning the business and financial affairs of Mannatech from persons authorized to act on behalf of Mannatech, and the opportunity to obtain any additional information as such Partner deems necessary to verify the accuracy of information furnished to such Partner by Mannatech. No representation has been made to any Partner as to the profits, losses or cash flow, if any, which may be realized by Mannatech or its shareholders in the future.
- (e) The Partners understand and agree that neither the Shares nor the Merger Shares may be sold, transferred or assigned unless they are subsequently registered under the Securities Act or an exemption from registration under the Securities Act is available. Each Partner understands that the Shares and the Merger Shares have not been registered under the Securities Act or under the laws of any state, that Mannatech does not contemplate and is under no obligation to so register the Shares or the Merger Shares, and that he has not been granted any right to have any of the Shares or the Merger Shares registered under the Securities Act or to have Mannatech take any action to enable an exemption under the Securities Act to be available to such Partner.
- (f) Each Partner consents to the placing of the following legend on each certificate issued to him representing any of the Shares or the Merger Shares:

"THE SHARES OF COMMON STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE LAWS OF ANY STATE, AND MAY BE SOLD, PLEDGED, HYPOTHECATED, ASSIGNED OR OTHERWISE TRANSFERRED ONLY IF A REGISTRATION STATEMENT WITH RESPECT THERETO IS IN

EFFECT PURSUANT TO THE PROVISIONS OF SUCH ACTS OR IF, IN THE OPINION OF COUNSEL, WHICH OPINION AND COUNSEL SHALL BE SATISFACTORY TO MANNATECH, INCORPORATED AND ITS COUNSEL, AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACTS IS AVAILABLE."

3.3 CONSENT TO ASSIGNMENT. As required by Sections 5.1.1 and 6.2 of each of the Partnership Agreements, each of the Partners consents to the transfer and assignment of the Partnership Interests to Mannatech.

4. REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF MANNATECH.

4.1 REPRESENTATIONS AND WARRANTIES. Mannatech represents and warrants to the Partners as follows:

- (a) ORGANIZATION. Mannatech is a duly organized and validly existing Texas corporation, and has all requisite corporate power and authority to own and operate its properties and assets and to carry on its business as now conducted.
- (b) CAPITALIZATION. Mannatech has an authorized capitalization of 10,000,000 shares of Common Stock of which, on the Execution Date, 10,000 shares are issued and outstanding. Except for options which have been granted to present or former employees of Mannatech to purchase shares of Mannatech Common Stock, there are no outstanding options, warrants, calls, subscription rights or other rights to acquire any shares of capital stock of Mannatech or any agreement for the issuance of such shares.
- (c) AUTHORIZATION. Mannatech has all requisite corporate power and authority to execute, deliver and perform this Agreement and to perform the transactions contemplated by this Agreement. Mannatech has taken all requisite corporate action to authorize the execution, delivery and performance of this Agreement. This Agreement is the legal, valid and binding obligation of Mannatech, enforceable against Mannatech in accordance with its terms.
- (d) STATUS OF SHARES. The Shares will be validly issued and outstanding, fully paid and nonassessable, with no personal liability attaching to the ownership thereof.
- (e) NO VIOLATION. The execution, delivery and performance of this Agreement by Mannatech will not conflict with or constitute a breach of any of the terms or provisions of, or a default under, the Articles of Incorporation or

Bylaws of Mannatech, or any agreement to which Mannatech is a party or by which Mannatech is bound.

- (f) PARTNERSHIP AGREEMENT. Mannatech has been provided with a copy of and has reviewed and is familiar with the terms of each of the Partnership Agreements.

4.2 PARTNERSHIP TAX RETURN. Mannatech shall prepare and timely file a short-year federal income tax return for the Partnership covering the period commencing January 1, 1997, and ending on the date on which the Effective Time occurs (the "Return"). Not later than fifteen days prior to the date such return is to be filed, Mannatech will provide the Partners with a copy of such return and give the Partners an opportunity to provide Mannatech with comments with respect thereto. All income and losses reported on the Return shall be allocated to the Partners in accordance with their respective interests in the Partnership prior to the Effective Time. Any payments made under the Marketing Agreement or the License Agreement after the Effective Time with respect to periods of time prior to the Effective Time shall be (i) distributed to the Partners and (ii) accounted for as Partnership income prior to the Effective Time and reflected in Partnership income on the Return. Except as provided for in the preceding sentence and notwithstanding the provisions of Section 3.3.1 of the Partnership Agreements, no Partner shall be allocated any portion of Partnership income or losses which arise from any business or activity of the Partnership on or after the Effective Time.

5. MUTUAL RELEASES.

5.1 MANNATECH RELEASE OF PARTNERS. Except for any claim with respect to or arising out of any representation, warranty, covenant or agreement of the Partners, or any of them, expressly set forth in this Agreement, effective as of the Effective Time Mannatech releases and discharges each of the Partners and each of their respective successors and assigns, individually and collectively, of and from any and all liabilities, actions, causes of action, claims, demands, damages, costs and expenses of whatsoever kind or character, known or unknown, arising out of, with respect to, by reason of, or in any manner relating to or on account of the business, management, operation or affairs of any of the Partnerships or Dynamic Eight or any act or omission of any Partner in connection therewith, or any benefit received by any Partner under this Agreement or the Merger Agreement, including, without limitation, the Shares and the Merger Shares.

5.2 PARTNERS RELEASE OF MANNATECH. Except for any claim with respect to or arising out of any representation, warranty, covenant or agreement of Mannatech expressly set forth in this Agreement, effective as of the Effective Time the Partners, and each of them, release and discharge Mannatech and each of its officers, directors, employees, agents, stockholders, successors, and assigns, individually and collectively, of and from any and all liabilities, actions, causes of action, claims, demands, damages, costs and expenses of whatsoever kind or character, known or unknown, arising out of, with respect to, by reason of, or in any manner relating to or on account of the business, management, operation or affairs of any of the Partnerships or

Dynamic Eight or any act or omission of Mannatech in connection therewith; PROVIDED, HOWEVER, that the Partners specifically retain and do not waive or release any claim for any compensation due to the Partnerships under the terms of the Marketing Agreement or the License Agreement for periods of time prior to the Effective Time, which compensation, if any, shall be paid to the Partners as provided for in Section 4.2 above.

6. TERMINATION.

6.1 TERMINATION. This Agreement may be terminated at any time prior to the Effective Time:

- (a) By Mannatech or any Partner in his or its sole and absolute discretion (which termination shall not be a breach of this Agreement) if the Effective Time has not occurred within ninety (90) days after the date of this Agreement; PROVIDED, HOWEVER, that no party may exercise a right of termination pursuant to this Section 6.1(a) if an event preventing the Effective Time from occurring shall be due to the willful failure of the party seeking to terminate this Agreement to perform or observe in any material respect any of the covenants or agreements set forth herein to be performed or observed by such party;
- (b) By mutual consent of Mannatech and a Majority in Interest of the Partners (as hereinafter defined);
- (c) By a Majority in Interest of the Partners (as hereinafter defined) if at any time prior to the Effective Time any of the following shall occur and not be cured to the reasonable satisfaction of such Partners:
 - (i) Any representation or warranty of Mannatech set forth in Section 4.1 shall have been false when made or at any time prior to the Effective Time;
 - (ii) There has been any material adverse change in the financial condition or prospects of Mannatech;
 - (iii) The Merger Agreement shall have been terminated in accordance with its terms;
 - (iv) The Board of Directors of Mannatech shall have failed to take all proper action to authorize the execution, delivery and performance of this Agreement; or
 - (v) Any suit, action or other proceeding is pending or (to the knowledge of any party) threatened before any court or governmental agency seeking to restrain, prohibit or obtain damages or other relief in connection with this Agreement or the consummation of the transactions contemplated hereby.

As used in Section 6.1(b) and this Section 6.1(c) "Majority in Interest of the Partners" shall mean Partners who, in the event of the issuance of the Shares as contemplated by Section 2.1(b) above and Schedule 1 hereto, will own more than fifty percent (50%) of all the Shares.

- (d) By Mannatech if at any time prior to the Effective Time any of the following shall occur and not be cured to the reasonable satisfaction of Mannatech:
- (i) Any representation or warranty of the Partners set forth in Section 3.1 or 3.2 shall have been false when made or any time prior to the Effective Time.
 - (ii) The Merger Agreement shall have been terminated in accordance with its terms; or
 - (iii) Any suit, action or other proceeding is pending or (to the knowledge of any party) threatened before any court or governmental agency seeking to restrain, prohibit or obtain damages or other relief in connection with this Agreement or the consummation of the transactions contemplated hereby.

6.2 EFFECT OF TERMINATION. In the event of the termination of this Agreement without breach by any party hereto, this Agreement shall become void and have no effect, without any liability on the part of any party or its directors, officers or shareholders. Nothing contained in this Section 6.2 shall relieve any party hereto of any liability for a breach of this Agreement.

7. GENERAL PROVISIONS.

7.1 SURVIVAL. All representations, warranties, covenants and agreements set forth in this Agreement shall survive the Effective Time and the closing of the transactions contemplated by this Agreement.

7.2 EXPENSES. Mannatech shall pay all costs and expenses of Mannatech and the Partners incidental to the negotiation, preparation and carrying out of this Agreement.

7.3 NOTICES. All notices that are required or may be given pursuant to the terms of this Agreement shall be in writing and delivered personally or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows, and shall be deemed to have been given upon delivery to the addressee or upon the third business day after such mailing, whichever is earlier:

If to Mannatech: Mannatech, Incorporated
600 S. Royal Lane, Suite 200
Coppell, Texas 75019
Attention: President

With copy to: Ms. Deanne Varner
600 S. Royal Lane, Suite 200
Coppell, Texas 75019

If to the Partners: Mr. Gary W. Watson
600 S. Royal Lane, Suite 600
Coppell, Texas 75019

With copy to: Mr. James M. Doyle, Jr.
Matthews & Branscomb, P.C.
106 S. St. Mary's, Suite 700
San Antonio, Texas 78205

7.4 ENTIRE AGREEMENT. This Agreement supersedes all prior agreements between the parties (written or oral) with respect to the subject matter hereof, and is intended as a complete and exclusive statement of the terms of the agreement between the parties.

7.5 CHOICE OF LAW; AMENDMENTS; HEADINGS. This Agreement shall be governed by the internal laws of the State of Texas (without regard to the choice of law provisions thereof). This Agreement may not be changed or terminated orally, but only by a written instrument executed by each of the parties hereto. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

7.6 WAIVER. No provision of this Agreement may be waived unless in writing signed by all the parties hereto. No waiver by any party of any default, misrepresentation or breach of warranty or covenant hereunder shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

7.7 ASSIGNMENTS AND THIRD PARTIES. Except as specifically contemplated by this Agreement, no party hereto shall assign this Agreement or any of its rights hereunder without the prior written consent of the other parties. Except as otherwise provided herein, this Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns, and shall specifically inure to the benefit of the partners and shareholders of the Partners, as the case may be.

7.8 FURTHER ASSURANCES. Mannatech and the Partners agree to take such further actions and to deliver or cause to be delivered such other instruments and documents as may reasonably be requested for the purpose of carrying out this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Execution Date.

MANNATECH

Mannatech, Incorporated

By: /s/ Samuel L. Caster

Samuel L. Caster, President

PARTNERS

/s/ Charles E. Fioretti

Charles E. Fioretti

/s/ William C. Fioretti

William C. Fioretti

/s/ Samuel L. Caster

Samuel L. Caster

By: /s/ William C. Fioretti

William C. Fioretti, General Partner

/s/ Patrick D. Cobb

Patrick D. Cobb

/s/ Dick R. Hankins

Dick R. Hankins

/s/ Don W. Herndon

Don W. Herndon

/s/ Ray Robbins

Ray Robbins

/s/ Gary L. Watson

Gary L. Watson

SCHEDULE 1
TO
EXCHANGE AGREEMENT

LIMITED PARTNER -----	NUMBER OF SHARES TO BE RECEIVED -----
Charles E. Fioretti	2,787.62
William C. Fioretti	1,481.12
Samuel L. Caster	3,005.48
The Fioretti Family Partnership, Ltd.	1,524.36
Patrick D. Cobb	223.01
Dick R. Hankins	223.01
Don W. Herndon	223.01
Gary L. Watson	223.01

PLAN AND AGREEMENT OF REORGANIZATION

This Plan and Agreement of Reorganization (this "Agreement") is made and entered into effective as of the 1st day of June, 1997, by and among the undersigned parties (collectively, the "Parties").

RECITALS

A. The Parties to this Agreement are as follows:

- (1) Mannatech, Incorporated, a Texas corporation ("Mannatech").
- (2) The following Texas limited partnerships (collectively, the "Partnerships"): Dynamic Eight Partners, Ltd., Power Three Partners, Ltd., Eleven Point Partners, Ltd., and Beta M Partners, Ltd.
- (3) The following general partners of the Partnerships (collectively, the "General Partners"), each of which is a Texas corporation: Eight Point Services, Inc., the general partner of Dynamic Eight Partners, Ltd.; Triple Gold Business, Inc., the general partner of Power Three Partners, Ltd.; Five Small Fry, Inc., the general partner of Eleven Point Partners, Ltd.; and Beta Nutrient Technology, Inc., the general partner of Beta M Partners, Ltd.
- (4) The following individual limited partners of Power Three Partners, Ltd., Eleven Point Partners, Ltd., and Beta M Partners, Ltd. (collectively, the "Limited Partners"): Charles E. Fioretti, William C. Fioretti, Samuel L. Caster, The Fioretti Family Partnership, Ltd., Patrick D. Cobb, Dick R. Hankins, Don W. Herndon, and Gary L. Watson.

B. The Parties have agreed to cause each of the General Partners to be merged with and into Mannatech (the "Merger") through a statutory merger under Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

C. Simultaneously with the consummation of the Merger, the Parties have agreed that the Limited Partners will contribute their limited partnership interests in each of the Partnerships (other than Dynamic Eight Partners, Ltd.) to Mannatech in exchange for Mannatech stock in a transaction complying with Code Section 351(a) (the "Contributions").

D. As a result of the Merger and the Contributions, Mannatech will be the sole partner of each of the Partnerships, each of the Partnerships will terminate under the provisions of Code Section 708(a)(1)(A), and the Parties have agreed that all the assets of each of the Partnerships shall be distributed to Mannatech.

AGREEMENT

NOW, THEREFORE, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. MERGER. Mannatech and each of the General Partners agree to enter into the Agreement and Plan of Merger a copy of which is attached as Exhibit "A" hereto (the "Merger Agreement"), to use their best efforts to cause the Merger to be consummated in accordance with the terms of the Merger Agreement, and to cause each of the General Partners to be merged into Mannatech in a statutory merger which is tax free to each of the parties to the Merger Agreement under Code Section 368(a)(1)(A).

2. CONTRIBUTIONS. Each of the Limited Partners and Mannatech agree to enter into the Exchange Agreement a copy of which is attached as Exhibit "B" hereto (the "Exchange Agreement"), to use their best efforts to consummate the transactions contemplated by the Exchange Agreement, and to cause the Partnership Interests (as such term is defined in the Exchange Agreement) to be contributed to Mannatech in exchange for Mannatech stock in a transaction which meets the requirements of Code Section 351(a).

3. DISSOLUTION. Following the consummation of the transactions contemplated by the Merger Agreement and the Exchange Agreement, Mannatech will be the sole partner of each of the Partnerships and each of the Partnerships shall be dissolved. Following the dissolution of the Partnerships, all the properties and assets of the Partnerships shall vest in and transfer to Mannatech without any further action on the part of the Parties, and, effective as of the Effective Time (as such term is defined in the Merger Agreement), each Partnership transfers and assigns to Mannatech all its assets and properties of whatsoever kind or nature.

4. GENERAL PROVISIONS. Each of the Parties covenants and agrees to execute and deliver such other and further documents and instruments as may be necessary or appropriate to further evidence or consummate the transactions contemplated by this Agreement, the Merger Agreement or the Exchange Agreement. This Agreement shall be governed by the internal laws of the State of Texas (without regard to choice of law provisions). This Agreement may not be changed or modified orally, but only by a written instrument executed by each of the Parties. Headings contained in this Agreement are for reference only, and shall not affect the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the effective date set forth above.

MANNATECH:

Mannatech, Incorporated

By: /s/ Samuel L. Caster

Samuel L. Caster, President

PARTNERSHIPS:

Dynamic Eight Partners, Ltd.

By: Eight Point Services, Inc., General Partner

By: /s/ Charles E. Fioretti

Charles E. Fioretti, President

Power Three Partners, Ltd.

By: Triple Gold Business, Inc., General Partner

By: /s/ Charles E. Fioretti

Charles E. Fioretti, President

Eleven Point Partners, Ltd.

By: Five Small Fry, Inc., General Partner

By: /s/ Charles E. Fioretti

Charles E. Fioretti, President

Beta M Partners, Ltd.

By: Beta Nutrient Technology, Inc., General
Partner

By: /s/ Charles E. Fioretti

Charles E. Fioretti, President

GENERAL PARTNERS:

Eight Point Services, Inc.

By: /s/ Charles E. Fioretti

Charles E. Fioretti, President

Triple Gold Business, Inc.

By: /s/ Charles E. Fioretti

Charles E. Fioretti, President

Five Small Fry, Inc.

By: /s/ Charles E. Fioretti

Charles E. Fioretti, President

Beta Nutrient Technology, Inc.

By: /s/ Charles E. Fioretti

Charles E. Fioretti, President

LIMITED PARTNERS:

/s/ Charles E. Fioretti

Charles E. Fioretti

/s/ William C. Fioretti

William C. Fioretti

/s/ Samuel L. Caster

Samuel L. Caster

The Fioretti Family Partnership, Ltd.

By: /s/ William C. Fioretti

William C. Fioretti, General Partner

/s/ Patrick D. Cobb

Patrick D. Cobb

/s/ Dick R. Hankins

Dick R. Hankins

/s/ Don W. Herndon

Don W. Herndon

/s/ Gary L. Watson

Gary L. Watson

EXCHANGE AGREEMENT

This Exchange Agreement is entered into by and among, Gary Watson ("Watson"), Patrick Cobb ("Cobb"), Samuel Caster ("Caster") Charles Fioretti ("C. Fioretti") and William Fioretti ("Fioretti") [collectively, the "Makers", singularly, the "Maker"] and Mannatech, Incorporated ("Mannatech"), on this the 31st day of August, 1997

RECITALS

1. Mannatech from time-to-time advanced to and on behalf of Agritech Labs, Inc. and Agritech, Incorporated, (collectively referred to herein as "Agritech") the total sum of \$918,148.06, which Mannatech carries on its books as an account receivable ("Obligation").
2. The Makers are shareholders of both Mannatech and Agritech.
3. At this time, Mannatech has expressed doubts as to the creditworthiness and collectibility of the Obligation.
4. Accordingly, the Makers have agreed to assume the Obligation by apportioning the same among them, personally, with each evidencing the amount of the Obligation assumed by the execution and delivery of Promissory Note ("Note"), in the singular, "Notes" in the plural) upon which such Maker is personally liable. Such will have the effect of removing the account receivable of Mannatech from the books of Mannatech, and replacing the same with various notes receivable of the various Makers. Mannatech agrees to this assumption of the Obligation by the Makers.
5. The parties wish to make a written memorial of their various agreements.

AGREEMENTS

1. Each Maker shall execute and deliver a Note to Mannatech, bearing the following terms and conditions, and in the amount, as to each Maker as is set forth beside his name below:
 - a. Interest Rate: 6% per annum from the date of the Note.
 - b. Repayment Terms: On or before that date upon which good funds are received by each Maker on account of stock that he owns being sold in the Initial Public Offering of Mannatech, Incorporated or December 31, 1998, whichever shall first occur. Interest on the unpaid balance of each Note shall be due monthly,

and may be deducted automatically from any amounts due any subject Maker by Mannatech, if and only if, the Note of such subject Maker is in default. No interest shall be charged in respect of the principal balance of the Notes.

c. Application of Payments and Prepayments: The Notes or any of them may be prepaid in whole or in part at any time.

d. Interest After Maturity and Collection: Interest after maturity shall accrue at the highest lawful rate permitted under applicable Texas law, which shall govern the Note, generally. In the event that any Note is placed in the hands of an attorney for collection, reasonable attorney's fees may additionally be collected from the subject Maker. Any attempt to enforce any rights under this Agreement or any of the Notes shall, by the agreement of the parties, occur in a venue situs or judicial district appropriate to Dallas County, Texas.

e. Form of Note: The form of the promissory note to be used as to each Maker is set forth on Exhibit "B" hereto.

f. Amount of Each Note: The Amount of each Note, as to the subject Maker is as follows:

Watson:	\$ 45,907.40
Cobb:	\$ 45,907.40
Caster:	\$275,444.42
S. Fioretti	\$275,444.42
W. Fioretti	\$275,444.42

2. This Agreement represents the entire agreement among the parties regarding the Obligation and the various Notes, save and except for the Notes themselves. To the extent that any provision of this Agreement would contravene with any provision of any of the Notes, the language of the Notes shall govern the parties. THE NOTES ARE NOT SUBJECT TO THIS AGREEMENT, AND ARE CONSEQUENTLY FULLY NEGOTIABLE.

This Agreement is entered into effective as of the _____ day of _____, 1997.

Mannatech, Inc.

/s/ Anthony E. Canale

Anthony E. Canale
Chief Operating Officer

/s/ Gary Watson

Gary Watson

/s/ Patrick Cobb

Patrick Cobb

/s/ Samuel Caster

Samuel Caster

/s/ Charles Fioretti

Charles Fioretti

/s/ William Fioretti

William Fioretti

STOCK OPTION

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

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.

Hereafter, 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: -----

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "AGREEMENT") dated as of April , 1998 is by and between Mannatech, Incorporated, a Texas corporation (the "COMPANY"), and _____ ("DIRECTOR").

RECITALS

A. Director is a member of the Board of Directors of the Company (the "BOARD OF DIRECTORS") and in such capacity is performing a valuable service to the Company.

B. The Texas Business Corporation Act, as amended to date (the "CORPORATION ACT") specifically provides that indemnification and advancement of expenses under any agreement is valid to the extent it is consistent with the Corporation Act, as limited by the Articles of Incorporation of the Company (the "ARTICLES"), and thereby contemplates that agreements may be entered into between the Company and members of the Board of Directors with respect to the indemnification of such directors.

C. The general availability of directors' and officers' liability insurance ("INSURANCE") covering certain liabilities which may be incurred by the Company's directors and officers in the performance of their services to the Company and the applicability, amendment and enforcement of statutory and bylaw provisions have raised questions concerning the adequacy and reliability of the protection afforded to directors.

D. In order to induce Director to serve as a member of the Board of Directors for the current term and for any subsequent term to which he is elected by the shareholders of the Company, the Company has deemed it to be in its best interest to enter into this Agreement with Director.

NOW, THEREFORE, in consideration of Director's agreement to serve as a member of the Board of Directors after the date hereof, the parties hereto agree as follows:

1. DEFINITIONS.

As used in this Agreement, the following terms shall have the following meanings:

(a) CHANGE IN CONTROL. A "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) (the "EXCHANGE ACT"), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company, is or becomes the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the outstanding securities of the Company, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors and any new director whose election by the Board of Directors or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the shareholders of the Company approve (x) a merger or consolidation of the

Company with any other entity (other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation), (y) a plan of complete liquidation of the Company or (z) an agreement or agreements for the sale or disposition, in a single transaction or series of related transactions, by the Company of all or substantially all of the property and assets of the Company. Notwithstanding the foregoing, events otherwise constituting a Change in Control in accordance with the foregoing shall not constitute a Change in Control if such events are solicited by the Company and are approved, recommended or supported by the Board of Directors in actions taken prior to, and with respect to, such events.

(b) REVIEWING PARTY. A "Reviewing Party" means (i) the Board of Directors or a committee of directors of the Company, who are not officers, appointed by the Board of Directors, provided that a majority of such directors are not parties to the claim or (ii) special, independent counsel selected and appointed by the Board of Directors or by a committee of directors of the Company who are not officers.

2. INDEMNIFICATION OF DIRECTOR.

The Company hereby agrees that it shall hold harmless and indemnify Director to the fullest extent authorized and permitted by the provisions of the Articles and the Company's Bylaws (the "BYLAWS") and the provisions of the Corporation Act, or by any amendment thereof, but in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than the Articles, Bylaws or Corporation Act permitted the Company to provide prior to such amendment, or other statutory provisions authorizing or permitting such indemnification which is adopted after the date hereof.

3. INSURANCE

3.1 INSURANCE POLICIES. So long as Director may be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that Director is or was a director, to the extent that the Company maintains one or more insurance policy or policies providing directors' and officers' liability insurance, Director shall be covered by such policy or policies in accordance with its or their terms, to the maximum extent of the coverage applicable to any director or officer then serving the Company.

3.2 MAINTENANCE OF INSURANCE. The Company shall not be required to maintain the Insurance or any policy or policies of comparable insurance, as the case may be, if such insurance is not reasonably available or if, in the reasonable business judgement of the Board of Directors which shall be conclusively established by such determination by the Board of Directors, or any appropriate committee thereof, either (i) the premium cost for such insurance is substantially disproportionate to the amount of coverage thereunder or (ii) the coverage provided by such insurance is so limited by exclusions that there is insufficient benefit from such insurance.

3.3 SELF-INSURANCE. To the extent Director is not indemnified under other Sections of this Agreement and is not fully, by reason of deductible or otherwise, covered by directors' and officers' liability insurance, the Company shall maintain self-insurance for, and thereby

indemnify and hold harmless, Director from and against any and all expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by Director in connection with any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, in which Director was or is made a party or was or is involved by reason of the fact that Director is or was a director of the Company. Notwithstanding the foregoing, payments of self-insurance under this Section to Director by the Company shall not exceed the amount of \$5,000,000 for any event and further shall be limited in accordance with Section 5 hereof; PROVIDED, HOWEVER, that nothing in this Section 3.3 shall limit the Company's obligation to indemnify Director as set forth in this Agreement. An "event" as used in the preceding sentence in reference to a limitation on self-insurance shall include the same acts or omissions by Director and interrelated, repeated or continuous acts or omissions.

4. ADDITIONAL INDEMNIFICATION.

Subject only to the exclusions set forth in Section 5 hereof, the Company hereby agrees that it shall hold harmless and indemnify Director:

(a) against any and all judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses (including court costs and attorneys' fees) actually incurred by Director in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, including an action by or on behalf of shareholders of the Company or by or in the right of the Company, to which Director is, was or at any time becomes a party, or is threatened to be made a party, by reason of the fact that Director is, was or at any time becomes a director or officer of the Company, or, while a director or officer of the Company, is or was serving or at any time serves at the request of the Company as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another domestic or foreign corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise; and

(b) otherwise to the fullest extent as may be provided to Director by the Company under the Corporation Act.

5. LIMITATIONS ON ADDITIONAL INDEMNIFICATION.

No indemnification pursuant to this Agreement shall be paid by the Company:

(a) in respect to any transaction if it shall be determined by the Reviewing Party, or by final judgment or other final adjudication, that Director derived an improper personal benefit;

(b) on account of Director's conduct which is determined by the Reviewing Party, or by final judgment or other final adjudication, to have involved acts or omissions not in good faith, intentional misconduct or a knowing violation of law;

(c) if the Reviewing Party or a court having jurisdiction in the matter shall determine that such indemnification is in violation of the Articles, the Bylaws or the law.

6. ADVANCEMENT OF EXPENSES.

In the event of any threatened or pending action, suit or proceeding in which Director is a party or is involved and which may give rise to a right of indemnification under this Agreement, following written request to the Company by Director, the Company shall promptly pay to Director amounts to cover expenses incurred by Director in such proceeding in advance of its final disposition upon the receipt by the Company of (i) a written affirmation by Director of his good faith belief that he has met the standard of conduct necessary for indemnification under the Corporation Act, (ii) a written undertaking executed by or on behalf of Director to repay the amount paid or reimbursed if it is ultimately determined that he has not met that standard or if it is ultimately determined that indemnification of Director against expenses incurred by him in connection with that proceeding is prohibited by the Corporation Act and (iii) satisfactory evidence as to the amount of such expenses.

7. REPAYMENT OF EXPENSES.

Director agrees that Director shall reimburse the Company for all reasonable expenses paid by the Company in defending any civil, criminal, administrative, arbitrative or investigative action, suit or proceeding against Director or any amount paid in settlement or any other amounts paid hereunder in the event and only to the extent that it shall be determined by final judgment or other final adjudication that Director is not entitled to be indemnified by the Company for such expenses under the provisions of the Corporation Act or any applicable law.

8. DETERMINATION OF INDEMNIFICATION; BURDEN OF PROOF.

With respect to all matters concerning the rights of Director to indemnification and payment of expenses under this Agreement or under the provisions of the Articles and Bylaws now or hereafter in effect, the Company shall appoint a Reviewing Party and any determination by the Reviewing Party shall be conclusive and binding on the Company and Director. If under applicable law, the entitlement of Director to be indemnified under this Agreement depends on whether a standard of conduct has been met, the burden of proof of establishing that Director did not act in accordance with such standard of conduct shall rest with the Company. Director shall be presumed to have acted in accordance with such standard and entitled to indemnification or advancement of expenses hereunder, as the case may be, unless, based upon a preponderance of the evidence, it shall be determined by the Reviewing Party that Director did not meet such standard. For purposes of this Agreement, unless otherwise expressly stated herein, the termination of any action, suit or proceeding by judgment, order, settlement, whether with or without court approval, or conviction, or upon a plea of nolo contendere or its equivalent shall not create a presumption that Director did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

9. EFFECT OF CHANGE IN CONTROL.

If there has not been a Change in Control after the date of this Agreement, the determination of (i) the rights of Director to indemnification and payment of expenses under this Agreement or under the provisions of the Articles and the Bylaws, (ii) standard of conduct and (iii) evaluation of the reasonableness of amounts claimed by Director shall be made by the Reviewing Party or such other body or persons as may be permitted by the Corporation Act. If there has been a Change in Control after the date of this Agreement, such determination and evaluation shall be made by a special, independent counsel who is selected by Director and approved by the Company, which approval shall not be unreasonably withheld, and who has not otherwise performed services for Director or the Company.

10. CONTINUATION OF INDEMNIFICATION.

All agreements and obligations of the Company contained herein shall continue during the period that Director is a director or officer of the Company, or, while a director or officer of the Company, is or was serving at the request of the Company as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another domestic or foreign corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, and shall continue thereafter so long as Director shall be subject to any possible claim or 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, by reason of the fact that Director was a director of the Company or serving in any other capacity referred to herein.

11. NOTIFICATION AND DEFENSE OF CLAIM.

Promptly after receipt by Director of notice of the commencement of any action, suit or proceeding, Director shall, if a claim in respect hereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof; provided, however, that delay in so notifying the Company shall not constitute a waiver or release by Director of rights hereunder and that omission by Director to so notify the Company shall not relieve the Company from any liability which it may have to Director otherwise than under this Agreement, except to the extent that the Company's ability to defend is adversely affected by such delay. With respect to any such action, suit or proceeding as to which Director notifies the Company of the commencement thereof:

(a) The Company shall be entitled to participate therein at its own expense.

(b) Except as otherwise provided below, to the extent that it may wish, the Company, jointly with any other indemnifying party similarly notified, shall be entitled to assume the defense thereof and to employ counsel reasonably satisfactory to Director. After notice from the Company to Director of its election to so assume the defense thereof, the Company shall not be liable to Director under this Agreement for any legal or other expenses subsequently incurred by Director in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. Director shall have the right to employ counsel of his own choosing in such action, suit or proceeding but the fees and expenses of such counsel incurred after notice from the Company of assumption by the Company of the defense thereof shall be at the expense of Director unless (i) the employment of counsel by Director has been specifically authorized by the Company, such authorization to be conclusively established by action by disinterested members of the Board of Directors though less than a quorum; (ii) representation by the same counsel of both Director and the Company would, in the reasonable judgment of Director and the Company, be inappropriate due to an actual or potential conflict of interest between the Company and Director in the conduct of the defense of such action, such conflict of interest to be conclusively established by an opinion of counsel to the Company to such effect; (iii) the counsel employed by the Company and reasonably satisfactory to Director has advised Director in writing that such counsel's representation of Director would likely involve such counsel in representing differing interests which could adversely affect the judgment or loyalty of such counsel to Director, whether it be a conflicting, inconsistent, diverse or other interest; or (iv) the

Company shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel shall be paid by the Company. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which a conflict of interest has been established as provided in (ii) hereof. Notwithstanding the foregoing, if an insurance company has supplied directors' and officers' liability insurance covering an action, suit or proceeding, then such insurance company shall employ counsel to conduct the defense of such action, suit or proceeding unless Director and the Company reasonably concur in writing that such counsel is unacceptable. After notice from the insurer, the Company shall not be liable to Director under this Agreement for any legal or other costs and expenses subsequently incurred by Director.

(c) The Company shall not be liable to indemnify Director under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. The Company shall not settle any action or claim in any manner which would impose any liability or penalty on Director without Director's written consent. Neither the Company nor Director shall unreasonably withhold consent to any proposed settlement.

12. ENFORCEMENT.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on the Company hereby in order to induce Director to serve as a director of the Company and acknowledges that Director is relying upon this Agreement in continuing in such capacity.

(b) If a claim for indemnification or advancement of expenses is not paid in full by the Company within ninety (90) days after a written claim by Director has been received by the Company, Director may at any time assert the claim and bring suit against the Company to recover the unpaid amount of the claim. In the event Director is required to bring any action to enforce rights or to collect moneys due under this Agreement and is successful in such action, the Company shall reimburse Director for all of Director's reasonable attorneys' fees and expenses in bringing and pursuing such action.

13. PROCEEDINGS BY DIRECTOR.

The Company shall not be liable to make any payment under this Agreement in connection with any action, suit or proceeding, or any part thereof, initiated or otherwise brought by Director unless such action, suit or proceeding, or part thereof, (i) was authorized by the Company by a majority of the disinterested members of the Board of Directors whether or not constituting a quorum or (ii) was brought by Director pursuant to Section 12(b) hereof.

14. EFFECTIVENESS.

This Agreement is effective for, and shall apply to, (i) any claim which is asserted or threatened before, on or after the date of this Agreement and (ii) any action, suit or proceeding which is threatened before, on or after the date of this. So long as the foregoing is satisfied, this Agreement shall be effective for, and be applicable to, acts or omissions occurring prior to, on or after the date hereof.

15. NON-EXCLUSIVITY.

The rights of Director under this Agreement shall not be deemed exclusive, or in limitation of, any rights to which Director may be entitled under any applicable common or statutory law, or pursuant to the Articles, the Bylaws, vote of shareholders or otherwise.

16. OTHER PAYMENTS.

The Company shall not be liable to make any payment under this Agreement in connection with any action, suit or proceeding against Director to the extent Director has otherwise received payment of the amounts otherwise payable by the Company hereunder.

17. SUBROGATION.

In the event the Company makes any payment under this Agreement, the Company shall be subrogated, to the extent of such payment, to all rights of recovery of Director with respect thereto, and Director shall execute all agreements, instruments, certificates or other documents and do or cause to be done all things necessary or appropriate to secure such recovery rights to the Company including, without limitation, executing such documents as shall enable the Company to bring an action or suit to enforce such recovery rights.

18. SURVIVAL; CONTINUATION.

The rights of Director under this Agreement shall inure to the benefit of Director, his heirs, executors, administrators, personal representatives and assigns, and this Agreement shall be binding upon the Company, its successors and assigns. The rights of Director under this Agreement shall continue so long as Director may be subject to any action, suit or proceeding because of the fact that Director is or was a director or officer of the Company or, while a director or officer of the Company, is or was serving at the request of the Company as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another domestic or foreign corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise. If the Company, in a single transaction or series of related transactions, sells, leases, exchanges, or otherwise disposes of all or substantially all of its property and assets, the Company shall, as a condition precedent to any such transaction, cause effective provision to be made so that the persons or entities acquiring such property and assets shall become bound by and replace the Company under this Agreement.

19. AMENDMENT AND TERMINATION.

No amendment, modification, termination or cancellation of this Agreement shall be effective unless made in writing signed by both parties hereto.

20. HEADINGS.

Section headings of the sections and paragraphs of this Agreement have been inserted for convenience of reference only and do not constitute a part of this Agreement.

21. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by certified mail (return receipt requested) or sent by overnight delivery service, cable, telegram, facsimile transmission or telex to the parties at the following addresses or at such other addresses as shall be specified

by the parties by like notice:

(a) if to the Company:

Mannatech, Incorporated
600 S. Royal Lane, Suite 200
Coppell, Texas 75019
Fax: (214) 265-1999
Attention: Chief Executive Officer

(b) if to the Director:

Notice so given shall, in the case of notice so given by mail, be deemed to be given and received on the fourth calendar day after posting, in the case of notice so given by overnight delivery service, on the date of actual delivery and, in the case of notice so given by cable, telegram, facsimile transmission, telex or personal delivery, on the date of actual transmission or, as the case may be, personal delivery.

22. SEVERABILITY.

If any provision of this Agreement shall be held to be illegal, invalid or unenforceable under any applicable law, then such contravention or invalidity shall not invalidate the entire Agreement. Such provision shall be deemed to be modified to the extent necessary to render it legal, valid and enforceable, and if no such modification shall render it legal, valid and enforceable, then this Agreement shall be construed as if not containing the provision held to be invalid, and the rights and obligations of the parties shall be construed and enforced accordingly.

23. COMPLETE AGREEMENT.

This Agreement, those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

24. COUNTERPARTS.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, with the same effect as if all parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument.

25. CHOICE OF LAW. THIS AGREEMENT WILL BE GOVERNED BY THE INTERNAL LAW, AND NOT THE LAW OF CONFLICTS, OF THE STATE OF TEXAS.

INDEMNIFICATION AGREEMENT SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

MANNATECH, INCORPORATED

By: -----

Name: -----

Title: -----

, Director

SCHEDULE I
(Signing Directors)

1. Charles E. Fioretti
2. Samuel L. Caster
3. Patrick D. Cobb
4. Steven A. Barker
5. Chris T. Sullivan

SECURED PROMISSORY NOTE

Dallas County, Texas Date: December 31, 1997 \$162,051.90

For value received, the undersigned, BILL McANALLEY ("Maker") a resident of Dallas County, Texas, promises to pay to the order of MANNATECH, INC. ("Payee"), whose principal place of business is in Dallas County, Texas, in lawful money of the United States of America. All past due principal hereof and interest thereon shall bear interest from the maturity of such principal, and both principal and interest shall be payable to Payee at Coppell, Texas, or such other place in Dallas County, Texas as Payee may designate in writing.

This Note shall bear no interest, except after maturity.

This principal shall be payable as follows: On or before December 31, 1998, or upon the date upon which good funds are or could be available from the initial public offering of the capital stock of Mannatech, Inc., whichever shall first occur.

The timely payment of this Promissory Note is secured by the pledge of 53,756 shares of capital stock of Mannatech, Inc. owned by the Maker, evidenced by a Security Agreement of even date herewith.

Maker may at any time, prepay in whole, or from time to time, in part, and without any premium or penalty therefor, the principal amount then remaining unpaid, together with all accrued interest payable thereon, if any, and interest shall cease to run from the date of payment of such part or all of the principal amount hereof as shall so be prepaid. Any such prepayment hereunder shall be applied first to accrued interest, if any, and the balance to

principal, but no part of prepayment shall, until this Note is fully paid and satisfied, affect the obligations to continue to pay the regular installments required hereunder until the entire indebtedness has been paid.

If Maker shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking for Maker any arrangement, composition, readjustment, or similar relief under any present or future statute, law or regulation, or shall file any answer admitting the material allegations of a petition filed against Maker in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee or receiver, on all or any substantial part of the properties of Maker, or if a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Maker to be bankrupt or insolvent under the federal bankruptcy laws or any applicable law of the United States of America or any state law, or appointing a receiver or trustee or assignee in bankruptcy or insolvency of Maker or any of Maker's properties, and such decree or order shall have continued undischarged or unstayed for a period of 30 days; or if Maker shall make an assignment for the benefit of creditors, or if Maker shall fail to pay this note or any installment hereof, whether principal or interest, when, due, then Payee shall have the option, to the extent permitted by applicable law, to declare this Note due and payable, whereupon the entire unpaid principal balance of this note and all accrued unpaid interest thereon shall at once mature and become due and payable without presentment, demand, protest or

notice of any kind (including, but not limited to, notice of intention to accelerate or notice of acceleration), all of which are hereby expressly waived by Maker. The time of payment of this note is also subject to acceleration in the same manner provided in this paragraph in the event Maker defaults or otherwise fails to discharge its obligations under any of the instruments securing payment hereof or relating hereto.

Maker and any and all sureties, guarantors and endorsers of this Note and all other parties now or hereafter liable hereon, severally waive grace, demand, presentment for payment, protest, notice of any kind (including, but not limited to, notice of dishonor, notice of protest, notice of intention to accelerate and notice of acceleration) and diligence in collecting and bringing suit against any party hereto and agree (i) to all extensions and partial payments, with or without notice, before or after maturity, (ii) to any substitution, exchange or release of any security now or hereafter given for this note, (iii) to the release of any party primarily or secondarily liable hereon, and (iv) that it will not be necessary for Payee, in order to enforce payment of this Note, to first institute or exhaust Payee's remedies against Maker or any other party liable therefor or against any security for this Note.

If this Note is not paid at maturity, however, and such maturity is brought about and is placed in the hands of an attorney for collection, or if collected through any legal proceedings including but not limited to probate, insolvency or bankruptcy proceedings, or if suit is brought on the same, Makers agree to pay a reasonable amount of attorneys' fees and expenses of collection,

which amount shall be not less than ten percent (10%) of the amount then due hereon.

If Maker shall fail to pay this Note or any installment hereof, whether principal or interest, when due, and if Makers shall not have cured such default in the payment of principal and interest, or either, within three (3) days after Makers shall have received from the Payees written notice of such Payee's intent to accelerate the maturity of this Note, then Payees may, at their option, without further demand, notice or presentment, all of which are hereby severally waived by Makers, and by any and all sureties, guarantors, and endorsers of this Note, accelerate the maturity of this Note, upon which the entire unpaid balance of the principal hereof together with all accrued but unpaid interest thereon shall be at once due and payable.

As used in this Note, the term "Maker" shall be deemed to include BILL McANALLEY, and any of their successors in interest or assignees.

As used in this Note, the term "Payee" shall be deemed to include MANNATECH, INC., and any subsequent holders hereof.

This Note shall be governed by and construed under the laws of the State of Texas and the laws of the United States of America.

/s/ Bill McAnalley

BILL McANALLEY, Maker

SECURED PROMISSORY NOTE

Dallas County, Texas

Date: December 31, 1997

\$121,782.14

For value received, the undersigned, PETER HAMMER ("Maker") a resident of Denton County, Texas, promises to pay to the order of MANNATECH, INC. ("Payee"), whose principal place of business is in Dallas County, Texas, in lawful money of the United States of America. All past due principal hereof and interest thereon shall bear interest from the maturity of such principal, and both principal and interest shall be payable to Payee at Coppel, Texas, or such other place in Dallas County, Texas as Payee may designate in writing.

This Note shall bear no interest, except after maturity.

This principal shall be payable as follows: On or before December 31, 1998, or upon the date upon which good funds are or could be available from the initial public offering of the capital stock of Mannatech, Inc., whichever shall first occur.

The timely payment of this Promissory Note is secured by the pledge of 40,397 shares of capital stock of Mannatech, Inc. owned by the Maker, evidenced by a Security Agreement of even date herewith.

Maker may at any time, prepay in whole, or from time to time, in part, and without any premium or penalty therefor, the principal amount then remaining unpaid, together with all accrued interest payable thereon, if any, and interest shall cease to run from the date of payment of such part or all of the principal amount hereof as shall so be prepaid. Any such prepayment hereunder shall be applied first to accrued interest, if any, and the balance to

principal, but no part of prepayment shall, until this Note is fully paid and satisfied, affect the obligations to continue to pay the regular installments required hereunder until the entire indebtedness has been paid.

If Maker shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking for Maker any arrangement, composition, readjustment, or similar relief under any present or future statute, law or regulation, or shall file any answer admitting the material allegations of a petition filed against Maker in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee or receiver, on all or any substantial part of the properties of Maker, or if a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Maker to be bankrupt or insolvent under the federal bankruptcy laws or any applicable law of the United States of America or any state law, or appointing a receiver or trustee or assignee in bankruptcy or insolvency of Maker or any of Maker's properties, and such decree or order shall have continued undischarged or unstayed for a period of 30 days; or if Maker shall make an assignment for the benefit of creditors, or if Maker shall fail to pay this note or any installment hereof, whether principal or interest, when due, then Payee shall have the option, to the extent permitted by applicable law, to declare this Note due and payable, whereupon the entire unpaid principal balance of this note and all accrued unpaid interest thereon shall at once mature and become due and payable without presentment, demand, protest or

notice of any kind (including, but not limited to, notice of intention to accelerate or notice of acceleration), all of which are hereby expressly waived by Maker. The time of payment of this note is also subject to acceleration in the same manner provided in this paragraph in the event Maker defaults or otherwise fails to discharge its obligations under any of the instruments securing payment hereof or relating hereto.

Maker and any and all sureties, guarantors and endorsers of this Note and all other parties now or hereafter liable hereon, severally waive grace, demand, presentment for payment, protest, notice of any kind (including, but not limited to, notice of dishonor, notice of protest, notice of intention to accelerate and notice of acceleration) and diligence in collecting and bringing suit against any party hereto and agree (i) to all extensions and partial payments, with or without notice, before or after maturity, (ii) to any substitution, exchange or release of any security now or hereafter given for this note, (iii) to the release of any party primarily or secondarily liable hereon, and (iv) that it will not be necessary for Payee, in order to enforce payment of this Note, to first institute or exhaust Payee's remedies against Maker or any other party liable therefor or against any security for this Note.

If this Note is not paid at maturity, however, and such maturity is brought about and is placed in the hands of an attorney for collection, or if collected through any legal proceedings including but not limited to probate, insolvency or bankruptcy proceedings, or if suit is brought on the same, Makers agree to pay a reasonable amount of attorneys' fees and expenses of collection,

which amount shall be not less than ten percent (10%) of the amount then due hereon.

If Maker shall fail to pay this Note or any installment hereof, whether principal or interest, when due, and if Makers shall not have cured such default in the payment of principal and interest, or either, within three (3) days after Makers shall have received from the Payees written notice of such Payee's intent to accelerate the maturity of this Note, then Payees may, at their option, without further demand, notice or presentment, all of which are hereby severally waived by Makers, and by any and all sureties, guarantors, and endorsers of this Note, accelerate the maturity of this Note, upon which the entire unpaid balance of, the principal hereof together with all accrued but unpaid interest thereon shall be at once due and payable.

As used in this Note, the term "Maker" shall be deemed to include PETER HAMMER, and any of their successors in interest or assignees.

As used in this Note, the term "Payee" shall be deemed to include MANNATECH, INC., and any subsequent holders hereof.

This Note shall be governed by and construed under the laws of the State of Texas and the laws of the United States of America.

/s/ Peter Hammer

PETER HAMMER, Maker

Banc One Leasing Corporation Tel 800 334-5422
PO Box 711085
Columbus OH 43271 1085

[LOGO]

December 18, 1997

Mannatech, Incorporated
Attn: Cindy Bodine
600 South Royal Lane, Ste 200
Coppell, TX 75019

Dear Ms. Bodine:

We are pleased to confirm that Banc One Leasing Corporation (LESSOR) has committed to a Lease Line of Credit not to exceed \$1,500,000.00 to Mannatech, Incorporated (LESSEE) for the type(s) of equipment as set forth below:

Various Equipment

This Commitment will expire December 15, 1998, subject to the following conditions:

1. The amount advanced shall not exceed the amount committed.
2. In LESSOR'S sole judgement, there shall not have been a material adverse change in the financial condition or business of LESSEE or any guarantor.
3. There shall not have been a change in the Internal Revenue Code of 1986 or any regulation thereunder, which in LESSOR'S sole judgement would adversely affect the economics to LESSOR of the transaction.
4. Execution of a personal guaranty by Charles E. Fioretti and Samuel L. Caster.

If the Lease Line of Credit covered by this Commitment is not funded by December 15, 1998, this Commitment shall expire.

The details of the particular Equipment Schedules funded under this Lease Line of Credit may vary, as LESSOR may deem necessary in its sole judgement, on such items as:

1. Term of transaction.
2. Rental rate factor.
3. Documentation required.

A Commitment Fee of \$15,000.00 is due with the return of this letter. This fee will be applied to the first rental payment(s) when due.

If the Lease Agreement is executed and closed, the Commitment Fee will apply to the first rental payment(s) due. If the Commitment is not used, LESSOR will not be obligated to return the Commitment Fee.

As it becomes necessary for LESSOR to make progress payments and/or advance payments to equipment suppliers, these advances will be evidenced by an interim funding schedule and other relevant documents which are attached. There will be a documentation fee for each interim funding schedule of \$375.00, plus a fee of \$25.00 for each disbursement of funds.

This Commitment is subject to the terms and conditions outlined herein, contained in each Equipment Schedule, and in the Master Lease Agreement. By execution of this letter and the enclosed Master Lease, you will be agreeing to these terms. If this Commitment Letter is not received within 15 days of the above date, this Commitment is withdrawn.

On behalf of Banc One Leasing Corporation, please accept my thanks for the opportunity to be of service. Should you have any questions, please contact Zane Burgess at (817)884-4815.

Yours Truly,

/s/ Mary C. Heubach
Mary C. Heubach
Quality Analyst

MCH/mas

Acknowledged and agreed this 23rd day of December, 1997.

Mannatech, Incorporated
LESSEE

By: Patrick Cobb

Title: CFO

MASTER LEASE AGREEMENT

[LOGO]

This MASTER LEASE AGREEMENT is made, entered and dated as of December 23, 1997 by and between:

LESSOR:	LESSEE:
BANC ONE LEASING CORPORATION 111 Polaris Parkway, Suite A-3 Columbus, Ohio 43240	MANNATECH, INCORPORATED 600 SOUTH ROYAL LANE, STE 200 COPPELL, TX 75019

1. LEASE OF EQUIPMENT: Lessor leases to Lessee, and Lessee leases from Lessor, all the property described in the Lease Schedules which are signed from time to time by Lessor and Lessee.

2. CERTAIN DEFINITIONS: "Schedule" means each Lease Schedule signed by Lessee and Lessor which incorporates the terms of this Master Lease Agreement, together with all exhibits, riders, attachments and addenda thereto. "Equipment" means the property described in each Schedule, together with all Attachments, additions, accessions, parts, repairs, improvements, replacements and substitutions thereto. "Lease", "herein", "hereunder", "hereof" and similar words mean this Master Lease Agreement and all Schedules, together with all exhibits, riders, attachments and addenda to any of the foregoing, as the same may from time to time be amended, modified or supplemented. "Prime Rate" means the prime rate of interest announced from time to time as the prime rate by Bank One, Columbus, NA; provided, that the parties acknowledge that the Prime Rate is not intended to be the lowest rate of interest charged by said bank in connection with extensions of credit. "Lien" means any security interest, lien, mortgage, pledge, encumbrance, judgment, execution, attachment, warrant, writ, levy, other judicial process or claim of any nature whatsoever by or of any person. "Fair Market Value" means the amount which would be paid for an item of Equipment by an informed and willing buyer (other than a used equipment or scrap dealer) and an informed and willing seller neither under a compulsion to buy or sell. "Lessor's Cost" means the invoiced price of any item of Equipment plus any other cost to Lessor of acquiring an item of Equipment. All terms defined in the Lease are equally applicable to both the singular and plural form of such terms.

3. LEASE TERM AND RENT: The term of the lease of the Equipment described in each Schedule ("Lease Term") commences on the date stated in the Schedule and continues for the term stated therein. As rent for the Equipment described in each Schedule, Lessee shall pay Lessor the rent payments and all other amounts stated in such Schedule, payable on the dates specified therein. All payments due under the Lease shall be made in United States dollars at Lessor's office stated in the opening paragraph or as otherwise directed by Lessor in writing.

4. ORDERING, DELIVERY, REMOVAL AND INSPECTION OF EQUIPMENT: If an event of default occurs or if for any reason Lessee does not accept, or revokes its acceptance of, equipment covered by a purchase order or purchase contract or if any commitment or agreement of Lessor to lease equipment to Lessee expires, terminates or is otherwise canceled, then automatically upon notice from Lessor, any purchase order or purchase contract and all obligations hereunder shall be assigned to Lessee and Lessee shall pay and perform all obligations thereunder. Lessee agrees to pay, defend, indemnify and hold Lessor harmless from any liabilities, obligations, claims, costs and expenses (including reasonable attorney fees and expenses) of whatever kind imposed on or asserted against Lessor in any way related to any purchase orders or purchase contracts. Lessee shall make all arrangements for, and Lessee shall pay all costs of, transportation, delivery, installation and testing of Equipment. The Equipment shall be delivered to Lessee's premises stated in the applicable Schedule and shall not be removed without Lessor's prior written consent. Lessor has the right upon reasonable notice to Lessee to inspect the Equipment wherever located. Lessor may enter upon any premises where Equipment is located and remove it immediately, without notice or liability to Lessee, upon the expiration or other termination of the Lease Term.

5. MAINTENANCE AND USE: Lessee agrees it will, at its sole expense: (a) repair and maintain the Equipment in good condition and working order and supply and install all replacement parts or other devices when required to so maintain the Equipment or when required by applicable law or regulation, which parts or devices shall automatically become part of the Equipment; (b) use and operate the Equipment in a careful manner in the normal course of its business and only for the purposes for which it was designed in accordance with the manufacturer's warranty requirements, and comply with all laws and regulations relating to the Equipment, and obtain all permits or licenses necessary to install, use or operate the Equipment; and (c) make no alterations, additions, subtractions, upgrades or improvements to the Equipment without Lessor's prior written consent, but any such alterations, additions, upgrades or improvements shall automatically become part of the Equipment. The Equipment will not be used or located outside of the United States.

6. NET LEASE; NO EARLY TERMINATION: The Lease is a net lease. Lessee's obligation to pay all rent and all other amounts payable under the Lease is absolute and unconditional under any and all circumstances and shall not be affected by any circumstances of any character including, without limitation, (a) any setoff, claim, counterclaim, defense or reduction which Lessee may have at any time against Lessor or any other party for any reason, or (b) any defect in the condition, design or operation of, any lack of fitness for use of, any damage to or loss of, or any lack of maintenance or service for any of the Equipment. Each Schedule is a noncancelable lease of the Equipment described therein and Lessee's obligation to pay rent and perform all other obligations

thereunder and under the Lease are not subject to cancellation or termination by Lessee for any reason.

7. NO WARRANTIES BY LESSOR: LESSOR LEASES THE EQUIPMENT AS-IS, WHERE-IS, AND WITH ALL FAULTS. LESSOR MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, OF ANY KIND AS TO THE EQUIPMENT INCLUDING, WITHOUT LIMITATION: ITS MERCHANTABILITY; ITS FITNESS FOR ANY PARTICULAR PURPOSE; ITS DESIGN, CONDITION, QUALITY, CAPACITY, DURABILITY, CAPABILITY, SUITABILITY OR WORKMANSHIP; ITS NON-INTERFERENCE WITH OR NON-INFRINGEMENT OF ANY PATENT, TRADEMARK, COPYRIGHT OR OTHER INTELLECTUAL PROPERTY RIGHT; OR ITS COMPLIANCE WITH ANY LAW, RULE, SPECIFICATION, PURCHASE ORDER OR CONTRACT PERTAINING THERETO. Lessor hereby assigns to Lessee the benefit of any assignable manufacturer's or supplier's warranties, but Lessor, at Lessee's written request, will cooperate with Lessee in pursuing any remedies Lessee may have under such warranties. Any action taken with regard to warranty claims against any manufacturer or supplier by Lessee will be at Lessee's sole expense. LESSOR MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, OF ANY KIND AS TO THE FINANCIAL CONDITION OR FINANCIAL STATEMENTS OF ANY PARTY OR AS TO THE TAX OR ACCOUNTING TREATMENT OR CONSEQUENCES OF THE LEASE, THE EQUIPMENT OR THE RENTAL PAYMENTS.

8. INSURANCE: Lessee at its sole expense shall at all times keep each item of Equipment insured against all risks of loss or damage from every cause whatsoever for an amount not less than the greater of the full replacement value or the Lessor's Cost of such item of Equipment. Lessee at its sole expense shall at all times carry public liability and property damage insurance in amounts satisfactory to Lessor protecting Lessee and Lessor from liabilities for injuries to persons and damage to property of others relating in any way to the Equipment. All insurers shall be reasonably satisfactory to Lessor. Lessee shall deliver to Lessor satisfactory evidence of such coverage. Proceeds of any insurance covering damage or loss of the Equipment shall be payable to Lessor as loss payee and shall, at Lessor's option, be applied toward (a) the replacement, restoration or repair of the Equipment, or (b) payment of the obligations of Lessee under the Lease. Proceeds of any public liability or property insurance shall be payable first to Lessor as additional insured to the extent of its liability, then to Lessee. If an event of default occurs and is continuing, or if Lessee fails to make timely payments due under Section 9 hereof, then Lessee automatically appoints Lessor as Lessee's attorney-in-fact with full power and authority in the place of Lessee and in the name of Lessee or Lessor to make claim for, receive payment of, and sign and endorse all documents, checks or drafts for loss or damage under any such policy. Each insurance policy will require that the insurer give Lessor at least 30 days prior written notice of any cancellation of such policy and will require that Lessor's interests remain insured regardless of any act, error, omission, neglect or misrepresentation of Lessee. The insurance maintained by Lessee shall be primary without any right of contribution from insurance which may be maintained by Lessor.

9. LOSS AND DAMAGE: (a) Lessee bears the entire risk of loss, theft, damage or destruction of Equipment in whole or in part from any reason whatsoever ("Casualty Loss"). No Casualty Loss to Equipment shall relieve Lessee from the obligation to pay rent or from any other obligation under the Lease.

9. LOSS AND DAMAGE (continued): In the event of Casualty Loss to any item of Equipment, Lessee shall immediately notify Lessor of the same and Lessee shall, if so directed by Lessor, immediately repair the same. If Lessor determines that any item of Equipment has suffered a Casualty Loss beyond repair ("Lost Equipment"), then Lessee, at the option of Lessor, shall: (i) Immediately replace the Lost Equipment with similar equipment in good repair, condition and working order free and clear of any Liens and deliver to Lessor a bill of sale covering the replacement equipment, in which event such replacement equipment shall automatically be Equipment under the Lease; or (2) On the rent payment date which is at least 30 but no more than 60 days after the date of the Casualty Loss, pay to Lessor all amounts then due and payable by Lessee under the Lease for the Lost Equipment plus the Stipulated Loss Value for such Lost Equipment as of the date of the Casualty Loss. Upon payment by Lessee of all amounts due under the above clause (2), the Lease of the Lost Equipment will terminate and Lessor shall transfer to Lessee all of Lessor's right, title and interest in such Equipment on an "as-is, where-is" basis with all faults, without recourse and without representation or warranty of any kind, express or implied.

(b) "Stipulated Loss Value" of any item of Equipment during its Lease Term equals the present value discounted in arrears to the applicable date at the applicable SLV Discount Rate of (1) the remaining rents and all other amounts [including, without limitation, any balloon payment and, as to a terminal rental adjustment clause ("TRAC") lease, the TRAC value stated in the Schedule, and any other payments required to be paid by Lessee at the end of the applicable Lease Term] payable under the Lease for such item on and after such date to the end of the applicable Lease Term and (2) an amount equal to the Economic Value of the Equipment. For any item of Equipment, "Economic Value" means the Fair Market Value of the Equipment at the end of the applicable Lease Term as originally anticipated by Lessor at the Commencement Date of the applicable Schedule; provided, that Lessee agrees that such value shall be determined by the books of Lessor as of the Commencement Date of the applicable Schedule. After the payment of all rent due under the applicable Schedule and the expiration of the Lease Term of any item of Equipment, the Stipulated Loss Value of such item equals the Economic Value of such item. Stipulated Loss Value shall also include any Taxes payable by Lessor in connection with its receipt thereof. For any item of Equipment, "SLV Discount Rate" means an interest rate equal to the Prime Rate in effect on the Commencement Date of the Schedule for such item minus two percentage points.

10. TAX BENEFITS INDEMNITY. (a) The Lease has been entered into on the basis that Lessor shall be entitled to such deductions, credits and other tax benefits as are provided by federal, state and local income tax law to an owner of the Equipment (the "Tax Benefits") including, without limitation: (1) modified accelerated cost recovery deductions on each item of Equipment under Section 168 of the Code (as defined below) in an amount determined commencing with the taxable year in which the Commencement Date of the applicable Schedule occurs, using the maximum allowable depreciation method available under Section 168 of the Code, using a recovery period (as defined in Section 168 of the Code) reasonably determined by Lessor, and using an initial adjusted basis which is equal to the Lessor's Cost of such item; (2) amortization of the expenses paid by Lessor in connection with the Lease on a straight-line basis over the term of the applicable Schedule; and (3) Lessor's federal taxable income will be subject to the maximum rate on corporations in effect under the Code as of the Commencement Date of the applicable Schedule.

(b) If on any one or more occasions (1) Lessor shall lose, shall not have or shall lose the right to claim all or any part of the Tax Benefits, (2) there shall be reduced, disallowed, recalculated or recaptured all or any part of the Tax Benefits, or (3) all or any part of the Tax Benefits is reduced by a change in law or regulation (each of the events described in subparagraphs 1, 2 or 3 of this paragraph (b) will be referred to as a "Tax Loss"), then, upon 30 days written notice by Lessor to Lessee that a Tax Loss has occurred, Lessee shall pay Lessor an amount which, in the reasonable opinion of Lessor and after the deduction of all taxes required to be paid by Lessor with respect to the receipt of such amount, will provide Lessor with the same after-tax net economic yield which was originally anticipated by Lessor as of the Commencement Date of the applicable Schedule.

(c) A Tax Loss shall occur upon the earliest of: (1) the happening of any event (such as disposition or change in use of an item of Equipment) which may cause such Tax Loss; (2) Lessor's payment to the applicable taxing authority of the tax increase resulting from such Tax Loss; or (3) the adjustment of Lessor's tax return to reflect such Tax Loss.

(d) Lessor shall not be entitled to payment under this section for any Tax Loss caused solely by one or more of the following events: (1) a disqualifying sale or disposition of an item of Equipment by Lessor prior to any default by Lessee; (2) Lessor's failure to timely or properly claim the Tax Benefits in Lessor's tax return; (3) a disqualifying change in the nature of Lessor's business or liquidation thereof; (4) a foreclosure by any person holding through Lessor a security interest on an item of Equipment which foreclosure results solely from an act of Lessor; or (5) Lessor's failure to have sufficient taxable income or tax liability to utilize the Tax Benefits.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended. For the purposes of this section 10, the term "Lessor" shall include any affiliate group (within the meaning of section 1504 of the Code) of which Lessor is a member for any year in which a consolidated income tax return is filed for such affiliated group. Lessee's obligations under this section shall survive the expiration, cancellation or termination of the Lease.

11. GENERAL TAX INDEMNITY: Lessee will pay, and will defend, indemnify and hold

Lessor harmless on an after-tax basis from, any and all Taxes (as defined below) and related audit and contest expenses on or relating to (a) any of the Equipment, (b) the Lease, (a) purchase, acceptance, ownership, lease, possession, use, operation, transportation, return or other disposition of any of the Equipment, and (d) rentals or earnings relating to any of the Equipment or the Lease. "Taxes" means present and future taxes or other governmental charges that are not based on the net income of Lessor, whether they are assessed to or payable by Lessee or Lessor, including, without limitation (i) sales, use, excise, licensing, registration, titling, franchise, business and occupation, gross receipts, stamp and personal property taxes, (ii) levies, imposts, duties, assessments, charges and withholdings, (iii) penalties, fines, and additions to tax and (iv) interest on any of the foregoing. Unless Lessor elects otherwise, Lessor will prepare and file all reports and returns relating to any Taxes and will pay all Taxes to the appropriate taxing authority. Lessee will reimburse Lessor for all such payments promptly on request. On or after any applicable assessment/levy/lien date for any personal property Taxes relating to any Equipment, Lessee agrees that upon Lessor's request Lessee shall pay to Lessor the personal property Taxes which Lessor reasonably anticipates will be due, assessed, levied or otherwise imposed on any Equipment during its Lease Term. If Lessor elects in writing, Lessee will itself prepare and file all such reports and returns, pay all such Taxes directly to the taxing authority, and send Lessor evidence thereof. Lessee's obligations under this section shall survive the expiration, cancellation or termination of the Lease.

12. GENERAL INDEMNITY: Lessee assumes all risk and liability for, and shall defend, indemnify and keep Lessor harmless on an after-tax basis from, any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs and expenses, including reasonable attorney fees and expenses, of whatsoever kind and nature imposed on, incurred by or asserted against Lessor, in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, possession, use, selection, delivery, lease, operation, condition, sale, return or other disposition of the Equipment or any part thereof (including, without limitation, any claim for latent or other defects, whether or not discoverable by Lessee or any other person, any claim for negligence, tort or strict liability, any claim under any environmental protection or hazardous waste law and any claim for patent, trademark or copyright infringement). Lessee will not indemnify Lessor under this section for loss or liability arising from events which occur after the Equipment has been returned to Lessor or for loss or liability caused directly and solely by the gross negligence or willful misconduct of Lessor. In this section, "Lessor" also includes any director, officer, employee, agent, successor or assign of Lessor. Lessee's obligations under this section shall survive the expiration, cancellation or termination of the Lease.

13. PERSONAL PROPERTY: Lessee represents and agrees that the Equipment is, and shall at all times remain, separately identifiable personal property. Upon Lessor's request, Lessee shall furnish Lessor a landlord's and/or mortgagee's waiver and consent to remove all Equipment. Lessor may display notice of its interest in the Equipment by any reasonable identification. Lessee shall not alter or deface any such indicia of Lessor's interest.

14. DEFAULT: Each of the following events shall constitute an event of default under the Lease: (a) Lessee fails to pay any rent or other amount due under the Lease within ten days of its due date; or (b) Lessee fails to perform or observe any of its obligations in Sections 8, 18, or 22 hereof; or (a) Lessee fails to perform or observe any of its other obligations in the Lease for more than 30 days after Lessor notifies Lessee of such failure; or (d) Lessee or any Lessee affiliate defaults in the payment, performance or observance of any obligation under any loan, credit agreement or other lease in which Lessor or any subsidiary (direct or indirect) of Banc One Corporation (which is Lessor's ultimate parent corporation) is the creditor or lessor; or (e) any statement, representation or warranty made by Lessee in the Lease, in any Schedule or in any document, certificate or financial statement in connection with the Lease proves at any time to have been untrue or misleading in any material respect as of the time when made; or (f) Lessee becomes insolvent or bankrupt, or Lessee admits its inability to pay its debts as they mature, or Lessee makes an assignment for the benefit of creditors, or Lessee applies for, institutes or consents to the appointment of a receiver, trustee or similar official for Lessee or any substantial part of its property or any such official is appointed without Lessee's consent, or Lessee applies for, institutes or consents to any bankruptcy, insolvency, reorganization, debt moratorium, liquidation, or similar proceeding relating to Lessee or any substantial part of its property under the laws of any jurisdiction or any such proceeding is instituted against Lessee without stay or dismissal for more than 30 days, or Lessee commences any act amounting to a business failure or a winding up of its affairs, or Lessee ceases to do business as a going concern; or (g) with respect to any guaranty, letter of credit, pledge agreement, security agreement, mortgage, deed of trust, debt subordination agreement or other credit enhancement or credit support agreement (whether now existing or hereafter arising) signed or issued by any party in connection with all or any part of Lessee's obligations under the Lease, the party signing or issuing any such agreement defaults in its obligations thereunder or any such agreement shall cease to be in full force and effect or shall be declared to be null, void, invalid or unenforceable by the party signing or issuing it; or (h) there shall occur in Lessor's reasonable opinion any material adverse change in the financial condition, business or operations of Lessee.

14. DEFAULT (continued): As used in this section 14, the term "Lessee" also includes any guarantor (whether now existing or hereafter arising) of all or any part of Lessee's obligations under the Lease and/or any issuer of a letter of credit (whether now existing or hereafter arising) relating to all or any part of Lessee's obligations under the Lease, and the term "Lease" also includes any guaranty or letter of credit (whether now existing or hereafter arising) relating to all or any part of Lessee's obligations under the Lease.

15. REMEDIES. If any event of default exists, Lessor may exercise in any order one or more of the remedies described in the lettered subparagraphs of this Section, and Lessee shall perform its obligations imposed thereby:

(a) Lessor may require Lessee to return any or all Equipment as provided in the Lease.

(b) Lessor or its agent may repossess any or all Equipment wherever found, may enter the premises where the Equipment is located and disconnect, render unusable and remove it, and may use such premises without charge to store or show the Equipment for sale.

(c) Lessor may sell any or all Equipment at public or private sale, with or without advertisement or publication, may re-lease or otherwise dispose of it or may use, hold or keep it.

(d) Lessor may require Lessee to pay to Lessor on a date specified by Lessor, with respect to any or all Equipment (i) all accrued and unpaid rent, late charges and other amounts due under the Lease on or before such date, plus (ii) as liquidated damages for loss of a bargain and not as a penalty, and in lieu of any further payments of rent, the Stipulated Loss Value of the Equipment on such date, plus (iii) interest at the Overdue Rate on the total of the foregoing ("Overdue Rate" means an interest rate per annum equal to the higher of 18% or 2% over the Prime Rate, but not to exceed the highest rate permitted by applicable law). The parties acknowledge that the foregoing money damage calculation reasonably reflects Lessor's anticipated loss with respect to the Equipment and the related Lease resulting from the event of default. If an event of default under section 14 (f) of this Master Lease Agreement exists, then Lessee will be automatically liable to pay Lessor the foregoing amounts as of the next rent payment date unless Lessor otherwise elects in writing.

(e) Lessee shall pay all costs, expenses and damages incurred by Lessor because of the event of default or its actions under this section, including, without limitation any collection agency and/or attorney fees and expenses, any costs related to the repossession, safekeeping, storage, repair, reconditioning or disposition of the Equipment and any incidental and consequential damages.

(f) Lessor may terminate the Lease and/or any or all Schedules, may sue to enforce Lessee's performance of its obligations under the Lease and/or may exercise any other right or remedy then available to Lessor at law or in equity.

Lessor is not required to take any legal process or give Lessee any notice before exercising any of the above remedies. None of the above remedies is exclusive, but each is cumulative and in addition to any other remedy available to Lessor. Lessor's exercise of one or more remedies shall not preclude its exercise of any other remedy. No action taken by Lessor shall release Lessee from any of its obligations to Lessor. No delay or failure on the part of Lessor to exercise any right hereunder shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise of any right preclude any other exercise thereof or the exercise of any other right. After any default, Lessor's acceptance of any payment by Lessee under the Lease shall not constitute a waiver by Lessor of such default, regardless of Lessor's knowledge or lack of knowledge at the time of such payment, and shall not constitute a reinstatement of the Lease if the Lease has been declared in default by Lessor, unless Lessor has agreed in writing to reinstate the Lease and to waive the default.

If Lessor actually repossesses any Equipment, then it will use commercially reasonable efforts under the then current circumstances to attempt to mitigate its damages; provided that Lessor shall not be required to sell, re-lease or otherwise dispose of any Equipment prior to Lessor enforcing any of the remedies described above. Lessor may sell or re-lease the Equipment in any manner it chooses, free and clear of any claims or rights of Lessee and without any duty to account to Lessee with respect thereto except as provided below. If Lessor actually sells or re-leases the Equipment, it will credit the net proceeds of any sale of the Equipment, or the net present value (discounted at the then current Prime Rate) of the rents payable under any new lease of the Equipment, against and up to (but not exceeding) the Stipulated Loss Value of the Equipment and any other amounts Lessee owes Lessor, or will reimburse Lessee for and up to (but not exceeding) Lessee's payment thereof. The term "net" as used above shall mean such amount after deducting the costs and expenses described in clause (e) above of this section. If Lessor elects in writing not to sell or re-lease any Equipment, it will similarly credit or reimburse Lessee for Lessor's reasonable estimate of such Equipment's Fair Market Value.

16. LESSOR'S RIGHT TO PERFORM: If Lessee fails to make any payment under the Lease or fails to perform any of its other agreements in the Lease including, without limitation, its agreement to provide insurance coverage as stated in the Lease), Lessor may itself make such payment or perform such agreement, and the amount of such payment and the amount of the expenses of Lessor incurred in connection with such payment or performance shall be deemed to be

additional rent, payable by Lessee on demand.

17. FINANCIAL REPORTS: Lessee agrees to furnish to Lessor: (a) annual financial statements setting forth the financial condition and results of operation of Lessee (financial statements shall include the balance sheet, income statement and changes in financial position and all notes thereto) within 120 days of the end of each fiscal year of Lessee; (b) quarterly financial statements setting forth the financial condition and results of operation of Lessee within 60 days of the end of each of the first three fiscal quarters of Lessee; and (c) such other financial information as Lessor may from time to time reasonably request including, without limitation, financial reports filed by Lessee with federal or state regulatory agencies. All such financial information shall be prepared in accordance with generally accepted accounting principles. If Lessee fails to furnish the annual financial statements to Lessor within 30 days of Lessor's written request, then Lessor may, at its option, charge Lessee a non-performance fee equal to all the rentals due under the Lease for the then current month (unless otherwise prohibited by law) and such fees shall be deemed to be additional rent, payable by Lessee on demand.

18. NO CHANGES IN LESSEE: Lessee shall not: (a) liquidate, dissolve or suspend business; (b) sell, transfer or otherwise dispose of all or a majority of its assets, except that Lessee may sell its inventory in the ordinary course of its business; (c) enter into any merger, consolidation or similar reorganization unless it is the surviving corporation; (d) transfer all or any substantial part of its operations or assets outside of the United States of America; or (e) without 30 days advance written notice to Lessor, change its name or chief place of business. Lessee shall at all times maintain a tangible net worth which is no less than the greater of 75% of its tangible net worth as of the date of the Master Lease Agreement or 75% of its highest tangible net worth thereafter.

19. LATE CHARGES: If any rent or other amount payable under the Lease is not paid when due, then as compensation for the administration and enforcement of Lessee's obligation to make timely payments, Lessee shall pay with respect to each overdue payment on demand an amount equal to the greater of fifteen dollars (\$15.00) or five percent (5%) of the each overdue payment (but not to exceed the highest late charge permitted by applicable law) plus any collection agency fees and expenses.

20. NOTICES; POWER OF ATTORNEY: (a) Service of all notices under the Lease shall be sufficient if given personally or couriered or mailed to the party involved at its respective address set forth herein or at such other address as such party may provide in writing from time to time. Any such notice mailed to such address shall be effective three days after deposit in the United States mail with postage prepaid. (b) With respect to any power of attorney covered by the Lease, the powers conferred on Lessor thereby: are powers coupled with an interest; are irrevocable; are solely to protect Lessor's interests under the Lease; and do not impose any duty on Lessor to exercise such powers. Lessor shall be accountable solely for amounts it actually receives as a result of its exercise of such powers.

21. ASSIGNMENT BY LESSOR: Lessor and any assignee of Lessor, with or without notice to or consent of Lessee, may sell, assign, transfer or grant a security interest in all or any part of Lessor's rights, obligations, title or interest in the Equipment, the Lease, any Schedule or the amounts payable under the Lease or any Schedule to any entity ("transferee"). The transferee shall succeed to all of Lessor's rights in respect to the Lease (including, without limitation, all rights to insurance and indemnity protection described in the Lease). Lessee agrees to sign any acknowledgement and other documents reasonably requested by Lessor or the transferee in connection with any such transfer transaction. Lessee, upon receiving notice of any such transfer transaction, shall comply with the terms and conditions thereof. Lessee agrees that it shall not assert against any transferee any claim, defense, setoff, deduction or counterclaim which Lessee may now or hereafter be entitled to assert against Lessor. Unless otherwise agreed in writing, the transfer transaction shall not relieve Lessor of any of its obligations to Lessee under the Lease and Lessee agrees that the transfer transaction shall not be construed as being an assumption of such obligations by the transferee.

22. NO ASSIGNMENT, SUBLEASE OR LIEN BY LESSEE: LESSEE SHALL NOT, DIRECTLY OR INDIRECTLY, (a) MORTGAGE, ASSIGN, SELL, TRANSFER, OR OTHERWISE DISPOSE OF THE LEASE OR ANY INTEREST THEREIN OR THE EQUIPMENT OR ANY PART THEREOF, OR (b) SUBLEASE, RENT, LEND OR TRANSFER POSSESSION OR USE OF THE EQUIPMENT OR ANY PART THEREFOR TO ANY PARTY, OR (c) CREATE, INCUR, GRANT, ASSUME OR ALLOW TO EXIST ANY LIEN ON THE LEASE, ANY SCHEDULE, THE EQUIPMENT OR ANY PART THEREOF.

23. EXPIRATION OF LEASE TERM: (a) At least 90 days (or earlier if otherwise specified), but no more than 270 days prior to expiration of the Lease Term of each Schedule, Lessee shall give Lessor written notice of its electing one of the following options for all (but not less than all) of the Equipment covered by such Schedule: return the Equipment under clause (b) below; or purchase the Equipment under clause (c) below. The election of an option shall be irrevocable if Lessee fails to give timely notice of its election, it shall be deemed to have elected to return the Equipment.

(b) If Lessee elects or is deemed to have elected to return the Equipment at the expiration of the Lease Term of a Schedule or if Lessee is obligated at any time to return the Equipment, then Lessee shall, at its sole expense and risk, deinstall, disassemble, pack, crate, insure and return the Equipment to Lessor (all in accordance with applicable industry standards) at any location in the continental United States of America selected by Lessor. The Equipment shall be in the same condition as when received by Lessee, reasonable wear, tear and depreciation resulting from normal and proper use excepted (or, if applicable, in the condition set forth in the Lease or the Schedule), shall be in good operating order and maintenance as required by the Lease, shall be certified as being eligible for any available manufacturer's maintenance program, shall be free and clear of any Liens as required by the Lease, shall comply with all applicable laws and regulations and shall include all manuals, specifications, repair and maintenance records and similar documents. Until Equipment is returned as required above, all terms of the Lease shall remain in full force and effect including, without limitation, obligations to pay rent and insure the Equipment; provided, that after the expiration of any Schedule and before Lessee has completed its return of the Equipment or its purchase option (if elected), the term of the lease of the Equipment covered by such Schedule shall be month-to-month or such shorter period as may be specified by Lessor.

(c) If Lessee gives Lessor timely notice of its election to purchase Equipment, then on the expiration date of the applicable Schedule Lessee shall purchase all (but not less than all) of the Equipment and shall pay to Lessor the Fair Market Value of the Equipment plus all Taxes (other than income taxes on Lessor's gains on such sale), costs and expenses incurred or paid by Lessor in connection with such sale plus all accrued but unpaid amounts due with respect to the Equipment and/or the Schedule. The Stipulated Loss Value or Economic Value of any item of Equipment shall have no bearing or influence on the determination of Fair Market Value under this clause (c). Upon payment in full of the above amounts, and if no default has occurred and is continuing under the Lease, Lessor shall transfer title to such Equipment to Lessee "as-is, where-is" with all faults and without recourse to Lessor and without any representation or warranty of any kind whatsoever by Lessor, express or implied.

(d) For purposes of the purchase option of the Lease, the determination of the Fair Market Value of any Equipment shall be determined (1) without deducting any costs of dismantling or removal from the location of use, (2) on the assumption that the Equipment is in the condition required by the applicable return and maintenance provisions of the Lease and is free and clear of any Liens as required by the Lease, and (3) shall be determined by mutual agreement of Lessee and Lessor or, if Lessor and Lessee are not able to agree on such value, by the Appraisal Procedure. "Appraisal Procedure" means the determination of Fair Market Value by an independent appraiser acceptable to Lessor and Lessee, or, if the parties are unable to agree on an acceptable appraiser, by averaging the valuation (disregarding the one which differs the most from the other two) of three independent appraisers, the first appointed by Lessor, the second appointed by Lessee and the third appointed by the first two appraisers. For purposes of the "Remedies" section of the Lease, the Fair Market Value shall be determined by Lessor in good faith and any such valuation shall be on an "as-is, where is" basis without regard to the first sentence of this clause (d). Lessee, at its sole expense, shall pay all fees, costs and expenses of the above described appraisers.

24. GOVERNING LAW: THE INTERPRETATION, CONSTRUCTION AND VALIDITY OF THE LEASE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF OHIO. WITH RESPECT TO ANY ACTION BROUGHT BY LESSOR AGAINST LESSEE TO ENFORCE ANY TERM OF THE LEASE, LESSEE HEREBY IRREVOCABLY CONSENTS TO THE JURISDICTION AND VENUE OF ANY STATE OR FEDERAL COURT IN THE FRANKLIN COUNTY, OHIO, WHERE LESSOR HAS ITS PRINCIPAL PLACE OF BUSINESS AND WHERE PAYMENTS ARE TO BE MADE BY LESSEE.

25. MISCELLANEOUS: (a) Subject to the limitations herein, the Lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, successors and assigns. (b) This Master Lease Agreement and each Schedule may be executed in any number of counterparts, which together shall constitute a single instrument. Only one counterpart of each Schedule shall be marked "Lessor's Original" and all other counterparts shall be marked "Duplicate". A security interest in any Schedule may be created through transfer and possession only of the counterpart marked "Lessor's Origin at". (c) Section and paragraph headings in this Master Lease Agreement and the Schedules are for convenience only and have no independent meaning. (d) The terms of the Lease shall be severable and if any term thereof is declared unconscionable, invalid, illegal or void, in whole or in part, the decision so holding shall not be construed as impairing the other terms of the Lease and the Lease shall continue in full force and effect as if such invalid, illegal, void or unconscionable term were not originally included herein. (e) All indemnity obligations of Lessee under the Lease and all rights, benefits and protections provided to Lessor by warranty disclaimers shall survive the cancellation, expiration or termination of the Lease. (f) Lessor shall not be liable to Lessee for any indirect, consequential or special damages for any reason whatsoever. (g) Each payment made by Lessee shall be applied by Lessor in such manner as Lessor determines in its discretion which may include, without limitation, application as follows: first, to accrued late charges; second, to accrued rent; and third,

the balance to any other amounts then due and payable by Lessee under the Lease.
(h) If the Lease is signed by more than one Lessee, each of such Lessees shall be jointly and severally liable for payment and performance of all of Lessee's obligations under the Lease.

26. ENTIRE AGREEMENT: THE LEASE REPRESENTS THE FINAL, COMPLETE AND ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO. THERE ARE NO ORAL OR UNWRITTEN AGREEMENTS OR UNDERSTANDINGS AFFECTING THE LEASE OR THE EQUIPMENT. Lessee agrees that Lessor is not the agent of any manufacturer or supplier, that no manufacturer or supplier is an agent of Lessor, and that any representation, warranty or agreement made by a manufacturer, supplier or their employees, sales representatives or agents shall not be binding on Lessor.

27. JURY WAIVER: ALL PARTIES TO THIS MASTER LEASE AGREEMENT WAIVE ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY ON ANY MATTER WHATSOEVER ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY RELATED TO THIS MASTER LEASE AGREEMENT.

MANNATECH, INCORPORATED

BANC ONE LEASING CORPORATION

(Name of Lessee)

Lessor

By: /s/ Anthony Park

Title: Funding Authority

By: /s/ Patrick Cobb

Title: CFO

Lessee's Witness: /s/ Cindy Bodine

Regardless of any prior, present or future oral agreement or course of dealing, no term or condition of the Lease may be amended, modified, waived, discharged, cancelled or terminated except by a written instrument signed by the party to be bound; except Lessee authorizes Lessor to complete the Acceptance Date of each Schedule and the serial numbers of any Equipment.

MANNATECH, INCORPORATED

(Name of Lessee)

By /s/ Patrick Cobb

Title: Secretary

CORPORATE MASTER LEASE ACKNOWLEDGMENT

State of TEXAS :
 : ss
County of DALLAS :

The above mentioned foregoing instrument, was acknowledged before me this 23rd of December, 1997 by (Officers' Name) PATRICK D. COBB, (Officer's Title) CHIEF FINANCIAL OFFICER, of MANNATECH, INCORPORATED, a TEXAS corporation, on behalf of the corporation.

/s/ Vincenza C. Calvey

Notary Public

[Notary Seal]

Commission Expires 9-11-2001

COVENANT ADDENDUM TO MASTER LEASE AGREEMENT

Dated 12/23/97

Master Lease Agreement Dated 12/23/97

Lessee: MANNATECH, INC.

Reference is made to the Master Lease Agreement identified above ("Master Lease",) by and between Banc One Leasing Corporation ("Lessor") and the lessee identified above ("Lessee"). This Covenant Addendum modifies the terms and conditions of the Master Lease. Unless otherwise defined herein, capitalized terms defined in the Master Lease shall have the same meaning when used herein. As part of the valuable consideration to induce the execution of the Master Lease, Lessor and Lessee hereby agree as follows:

1. The following is added to Section 18 of the Master Lease:

"During the term of the lease, Lessee agrees and covenants that it will:

Mergers. Not merge, transfer, acquire or consolidate with or into any other entity without the prior written consent of Lessor.

Liabilities. Promptly inform the Lessor of (a) any and all material adverse changes in the financial condition of Lessee and any guarantor, (b) all litigation and claims affecting Lessee and any guarantor which could materially affect the financial condition of Lessee and any guarantor; and (c) furnish such additional information and statements, as the Lessor may request from time to time.

Maintain Basic Business. Carry on and conduct its business in substantially the same manner and in substantially the same manner and in substantially the same fields as such business is now and heretofore been carried on.

Insurance. Maintain insurance against fire, business interruption, public liability, theft and other casualty on all of its insurable real and personal property to their full replacement costs with companies acceptable to Lessor.

Compliance. Conduct its business affairs in a reasonable and prudent manner and in compliance with all applicable federal, state and municipal laws, ordinances, rules and regulations respecting properties, charters, business and operations, including without limitation, compliance with the Americans with Disabilities Act, all applicable environmental statutes, rules, regulations and ordinances and with all

minimum funding standards and other requirements of the Employee Retirement Income Security Act of 1974, as amended, and other laws applicable to Lessee's employee benefit plan.

Records Inspection. Permit the duly authorized representative(s) of Lessor at all reasonable times to examine and inspect the books and records of it or any related business entity of it, to make abstracts and copies thereof, and to visit and inspect any of its property wherever same may be located.

Indebtedness. Not create, incur or assume any indebtedness for borrowed money or issue or assume any other note, debenture, bond or other evidences of indebtedness, or guarantee any such indebtedness or such evidences of indebtedness of others, or contribute or agree to contribute or otherwise maintain or support the capital requirements of another, other than (i) borrowings outstanding to Lessor or any affiliate of Lessor, (ii) borrowings outstanding on the date hereof and disclosed in writing to the Lessor, (iii) and purchase money loans not to exceed \$ 500,000 per fiscal year.

Liens. Not mortgage, pledge, assign, hypothecate, encumber, create or grant a security interest in any of its assets except (i) liens and security interests securing indebtedness owed by Lessee to Lessor or any affiliate of Lessor; (ii) liens for taxes, assessments, or similar charges either (a) not yet due, or (b) being contested in good faith by appropriate proceedings for which Lessee has established adequate reserves; (iii) purchase money liens or purchase money security interests upon or in any property acquired or held by Lessee in the ordinary course of business to secure any indebtedness permitted by this Lease (iv) liens and security interests which as of the date of this Lease have been disclosed to and approved by Lessor in writing.

Transfer of Assets. Not sell, transfer or otherwise dispose of any of its assets or properties, other than in the ordinary course of business.

Change in Management. Not permit or suffer any change in its senior executive or management personnel.

Transfer of Ownership. Not permit the sale, pledge, or other transfer of any ownership interest in Lessee.

Financial Records. Maintain its books and records in accordance with generally accepted accounting principles, consistently applied, and permit Lessor to examine, audit and make and take away copies or reproductions of Lessee's books and records, at all reasonable times.

Loans. Not make loans to any person or entity in excess of \$500,000 per fiscal

year without the advance written consent of Lessor.

Affiliates. Not enter into any transaction, including, without limitation, the purchase, sale, or exchange of property or the rendering of any service, with any Lessee Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of Lessee's business and upon fair and reasonable terms no less favorable than would be obtained in a comparable arm's length transaction with a person or entity not a Lessee Affiliate. "Lessee Affiliate" means any individual or entity directly or indirectly controlling, controlled by or under common control with Lessee.

Depository Relationship. Establish and maintain its primary operating account(s) with an affiliate of Lessor.

Debt to Tangible Net Worth Ratio. Maintain a ratio of Total Liabilities to Tangible Net Worth no greater than 4.00:1 through March 31, 1998 and 3.50:1 thereafter ("Total Liabilities" shall mean total liabilities less debt expressly subordinated to Lessor and "Tangible Net Worth" shall mean tangible net worth plus debt expressly subordinated to Lessor).

Cash Flow. Maintain a Cash Flow Coverage Ratio of no less than 1.2:1 ("Cash Flow Coverage Ratio" is defined as (earnings before interest, depreciation and amortization less distributions plus lease expense) divided by (principal plus interest plus lease expense)).

Except as expressly amended by this Addendum, the Master Lease remains unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Covenant Addendum as of the date referenced above.

MANNATECH, INC.
(Lessee)

Banc One Leasing Corporation
(Lessor)

By: /s/ Patrick Cobb

By: /s/ Anthony Park

Title: CFO

Title: Funding Authority

Witness: Cindy Bodine

INTERIM LEASE SCHEDULE NO. 1000063904

Lessor: Banc One Leasing Corporation

Lessee: MANNATECH, INCORPORATED

This Interim Lease Schedule is signed and delivered under the Master Lease Agreement dated as of 12/23/97 as amended from time to time ("Master Lease") between the above Lessee and Lessor. Unless otherwise defined herein, capitalized terms not defined herein shall have the meanings assigned to them in the Master Lease. This Interim Lease schedule is a "Schedule" as defined in Section 2 of the Master Lease. The terms and conditions of the Master Lease are incorporated herein as if fully set forth in this Interim Lease Schedule.

A. TERMS.

Cut-Off Date: 12-11-98

Prime Rate Overage: 0.50 percentage points

Stipulated Loss Value Percentage: 110.000

Maximum Funding Amount: \$ 1,500,000.00

B. EQUIPMENT. Pursuant to the terms of the Lease, Lessor agrees to acquire and lease to Lessee, and Lessee agrees to lease from Lessor, the Equipment described on each and every Interim schedule A-1 executed by Lessee and Lessor which refers to this Interim Schedule and is made a part hereof. The term "Equipment" for the purposes of this Interim Lease Schedule shall include both Equipment which has been fully installed and accepted by Lessee and Equipment which is in the process of production and/or installation and has not yet been accepted by Lessee and for which Lessor has made progress payments. Lessee agrees that the Equipment is and will be used at all times solely for commercial purposes, and not for personal, family and household purposes.

C. TERM. Upon and after the date of execution hereof, the Equipment shall be subject to the terms and conditions of the Lease. The Interim Term of the Lease with respect to the Equipment shall commence on the Acceptance Date of the applicable Schedule A-1. Upon the beginning of the Lease Term of a Lease Schedule (the "Replacement Schedule") executed pursuant to a Commitment Letter between Lessee and Lessor ("Commitment Letter") and the Master Lease, the Interim Term of the Lease shall terminate with respect to the Equipment subject to the Replacement Schedule. Until the beginning of the Lease Term under a Replacement Schedule, the Interim Term shall be the "Lease Term" as defined in the Master Lease. In the event that a Replacement Schedule has not been commenced for the Equipment then remaining subject to this Interim Lease Schedule on or before the Cut-Off Date referred to above ("Cut-Off Date"), Lessee shall, without demand from Lessor, pay Lessor all accrued and unpaid Interim Interest and shall purchase from Lessor (on an AS IS, WHERE IS BASIS without recourse to or warranty from Lessor, express or implied) all of Lessor's rights to the Equipment then subject to this Interim Lease Schedule for a purchase price equal to the Stipulated Loss Value for such Equipment (as hereinafter defined).

D. INTERIM INTEREST. For the period from and including the date of disbursement by Lessor of the Funding Amount for each item of Equipment (pursuant to the Interim Funding Authorizations) to the Commencement Date of the Replacement Schedule for the item of Equipment, or to such earlier date as this Interim Lease Schedule shall terminate ("Interim Period"), Lessee shall pay Lessor the product of (i) the Funding Amount of each item of Equipment and (ii) the Interim Interest Rate, all divided by three hundred sixty (360) days and multiplied by the number of days in the Interim Period for each Interim Funding Authorization (the "Interim Interest"). The total amount of accrued and unpaid Interim Interest for each item of Equipment shall be due and payable (i) on demand, or absent demand, monthly, and (ii) on the earlier of the Commencement Date of each Replacement Schedule, or the Cut-Off Date or such date as this Interim Lease Schedule shall terminate. The Funding Amount of each item of Equipment is the total amount of money disbursed by Lessor for such item of Equipment pursuant to the Interim Funding Authorizations. "Interim Interest Rate" as used herein means a variable rate of interest per annum equal to the sum of (i) the Prime Rate, plus (ii) the Prime Rate Overage as set forth above, with the Interim Interest Rate changing without notice to the Lessee immediately with each change in the Prime Rate; provided, however, the Interim Interest Rate shall not exceed the maximum rate permitted by applicable law.

E. STIPULATED LOSS VALUE. As used herein and in the Master Lease, during the Interim Term of the Lease, Stipulated Loss Value for any item of Equipment shall equal the Stipulated Loss Value Percentage set forth above of the Lessor's Cost related to such Equipment. As used herein and in the Master Lease, during the Interim Term of the Lease, Lessor's Cost shall mean the aggregate Funding Amount related to such item of Equipment. Any payment due to Lessor pursuant to Section 9(a) of the Master Lease shall be due within 30 days of the Casualty Loss.

F. AGREEMENT TO PURCHASE EQUIPMENT. Subject to the terms and conditions hereof and in the Commitment Letter, and provided no default, or event which with the passing of time or giving of notice or both would constitute a default, under the Lease has occurred and is continuing, Lessor agrees to purchase the Equipment, or make progress payments which are required to effect the purchase of the Equipment, from various Suppliers on any date occurring on or before the Cut-Off Date. Lessor shall not be required or obligated to make any purchase or make any progress payment hereunder if the Funding Amount of such purchase or progress payments, when added to the aggregate of all previous Funding Amounts pursuant to this Interim Lease Schedule and all other Interim Lease Schedules entered into pursuant to the Commitment Letter, would cause the aggregate Funding Amount to exceed the Maximum Funding Amount set forth above ("Maximum Funding Amount"). All funds for each and every Equipment purchase or progress payment shall be paid directly to the applicable Supplier unless Lessor otherwise agrees. The obligation of Lessor to make any Equipment purchase or progress payment is subject to the performance by Lessee of all of its agreements and covenants under the Lease and the fulfillment of the following conditions:

- (1) Lessee has executed and delivered to Lessor all related documents reasonably required by Lessor for any such purchase or progress payment (including, without limitation the following documents inform and substance satisfactory to Lessor: (i) an Interim Schedule A-1 describing the Equipment; (ii) a Interim Funding Authorization indicating the manner in which the purchase proceeds are to be disbursed; and (iii) a fully executed Assignment of Purchase Order).

- (2) Lessor has received such executed financing statements, fixture filings, waiver and/or subordination agreements and other documents as it may reasonably request to perfect its ownership interest in the Equipment (including, without limitation, any lien, mortgagee, landlord or similar waivers).
- (3) Lessor has received such other documents, certificates and opinions, including, but not limited to, supplier's invoices, evidence of insurance, opinions of Lessee's counsel, as it shall reasonably request.

G. REPLACEMENT SCHEDULE. Immediately upon Lessor's request, Lessee agrees to execute a Replacement Schedule. The form Of the Replacement Schedule and Addenda there to and completion of the terms of the Replacement Schedule and addenda thereto shall be pursuant to the Commitment Letter. Lessor shall not be obligated to accept the Replacement Schedule except as provided in the Commitment Letter and the Replacement Schedule. Lessee shall have none of the options set forth in Section 23 of the Master Lease at the end of the Interim Term.

H. TITLE TO EQUIPMENT. Lessee agrees that Lessor is or will be the lawful owner of the Equipment and that good and marketable title to the Equipment shall remain with Lessor at all times. Lessee at its sole expense will protect and defend Lessor's good and marketable title to the Equipment against all claims and demands whatsoever except for Liens created directly by Lessor. This Interim Lease Schedule is intended to be a lease transaction.

I. OTHER DOCUMENTS; EXPENSES. Lessee agrees to sign and deliver to Lessor any additional documents deemed desirable by Lessor to effect the terms of the Master Lease or this Interim Lease schedule including, without limitation, Uniform Commercial Code financing statements which Lessor is authorized to file with the appropriate filing officers. Lessee hereby irrevocably appoints Lessor as Lessee's attorney-in-fact with full power and authority in the place of Lessee and in the name of Lessee to prepare, sign, amend, file or record any Uniform Commercial Code financing statements or other documents deemed desirable by Lessor to perfect, establish or give notice of Lessor's interests in the Equipment or in any collateral as to which Lessee has granted Lessor a security interest. The signing or filing of Uniform Commercial Code financing statements and other recordings are undertaken as a precaution only since the parties intend this Interim Lease Schedule to be a lease transaction. Lessee shall pay upon Lessor's written request any actual out-of-pocket costs and expenses paid or incurred by Lessor in connection with the above terms of this section or the funding and closing of this Interim Lease schedule.

J. REPRESENTATIONS AND WARRANTIES. Lessee represents and warrants that: (a) Lessee is a corporation, partnership or proprietorship duly organized, validly existing and in good standing under the laws of the state of its organization and is qualified to do business and is in good standing under the laws of each other state in which the Equipment is or will be located; (b) Lessee has full power, authority and legal right to sign, deliver and perform the Master Lease, this Interim Lease Schedule and all related documents and such actions have been duly authorized by all necessary corporate, partnership or proprietorship action; and (c) the Master Lease, this Interim Lease Schedule and each related document has been duly signed and delivered by Lessee and each such document constitutes a legal, valid and binding obligation of Lessee enforceable in accordance with its terms.

Except as expressly modified hereby, all terms and provisions of the Agreement shall remain in full force and effect. This Schedule is not binding or effective with respect to the Lease or Equipment until executed on behalf of Lessor and Lessee by authorized representatives of Lessor and Lessee, respectively.

IN WITNESS WHEREOF, Lessee and Lessor have caused this Schedule to be executed by their duly authorized representatives as of the date first above written.

Lessee:

MANNATECH INCORPORATED

By: /s/ Patrick Cobb

Title: CFO

Witness: Cindy Bodine

Lessor:

BANC ONE LEASING CORPORATION

By: /s/ Anthony Park

Title: Funding Authority

Acceptance Date: 2-12-98

CORPORATE LEASE ACKNOWLEDGMENT

State of TEXAS :
 : ss
County of DALLAS :

The above mentioned foregoing instrument, was acknowledged before me this 23rd, of December, 1997 by (Officers' Name) PATRICK D. COBB, (Officer's Title) CHIEF FINANCIAL OFFICER of MANNATECH, INCORPORATED, a TEXAS corporation, on behalf of the corporation.

/s/ Vincenza C. Calvey

Notary Public

[Notary Seal]

Commission Expires 9-11-2001

LESSEE'S SECRETARY CERTIFICATE OF

MANNATECH, INCORPORATED

(the "Corporation")

The undersigned, who is the duly elected and acting Secretary or Assistant Secretary of the Corporation, hereby certifies that the following is a true and correct copy of resolutions duly adopted by the Board of Directors of the Corporation in conformity with its charter, articles of incorporation and by-laws [select one]

_____ at a meeting of said Board duly called and held _____, 19__ at which a quorum was present and acting

-or-

_____ by unanimous written action of said Board as allowed by statute, effective 12/23, 1997

and that such resolutions have not been amended or altered and are in full force and effect on the date hereof.

"RESOLVED, that any officer of this Corporation be and is hereby authorized and empowered in the name and on behalf of this Corporation from time to time (i) to enter into one or more lease agreements, loan and security agreements or conditional sale agreements ("Agreements") with Banc One Leasing Corporation (the "Company") as lessor, secured party or seller, as the case may be, concerning property to be leased, pledged as collateral, or sold to this Corporation in such amounts and on such terms and conditions as such officer deems appropriate; (ii) to mortgage, pledge, assign, and/or grant a security interest in any of this Corporation's property, (iii) to supplement or amend any such Agreements, and (iv) to execute and deliver such other documents (including, without limitation, leases or promissory notes) and to do and perform all other acts as such officer deems necessary, convenient or proper to carry out the foregoing; and

FURTHER RESOLVED, that all that any officer shall have done or may do in connection with the Agreements or the transactions described above is hereby ratified and approved; and

FURTHER RESOLVED, that the foregoing resolutions shall remain in full force and effect until written notice of their amendment or rescission shall have been received by the Company."

The undersigned further certifies that the following are names and specimen signatures of officers of the Corporation authorized by the above resolutions, each of whom has been duly elected to hold and currently holds the office of the Corporation set forth opposite his or her name:

Name -----	Office -----	Signature -----
Sam Caster -----	President	/s/ Sam Caster -----
Charles Fioretti -----	CEO & Chairman of the Board	/s/ Charles Fioretti -----
_____	_____	_____

Name

Office

Signature

Patrick Cobb

Secretary

/s/ Patrick Cobb

IN WITNESS WHEREOF, I have hereto set my hand and affixed the seal of the Corporation this 23 day of December, 1997.

(Corporate Seal)

/s/ Patrick Cobb

Secretary or Assistant Secretary (Select One)

Print Name: Patrick Cobb

Banc One Leasing Corporation

INTERIM SCHEDULE A-1

QUANTITY DESCRIPTION PAGE 1

All of the property described on the invoices which are referred to in any and all Interim Funding Authorizations executed in connection with this Lease, together with all parts, attachments, accessions, additions now or hereafter related thereto, and all substitutions, replacements, and proceeds thereof, wherever located, including without limitation insurance proceeds.

TOGETHER WITH ALL ATTACHMENTS, ADDITIONS, ACCESSIONS, PARTS, REPAIRS, IMPROVEMENTS, REPLACEMENTS AND SUBSTITUTIONS THERETO.

This Interim Schedule A-1 is attached to and made a part of Interim Lease Schedule Number 1000063904 and constitutes a true and accurate description of the equipment.

Lessee agrees that (i) Lessor has not selected, manufactured, sold or supplied any of the Equipment, (ii) Lessee has selected all of the Equipment and its suppliers, and (iii) Lessee has received a copy of, and approved, the purchase orders or purchase contracts for the Equipment. AS BETWEEN LESSEE and LESSOR, LESSEE AGREES THAT: (check one)

X THE EQUIPMENT IS IN THE PROCESS OF PRODUCTION AND/OR INSTALLATION AND
- - - HAS NOT YET BEEN ACCEPTED BY LESSEE.

X (a) LESSEE HAS RECEIVED, INSPECTED AND APPROVED ALL OF THE EQUIPMENT;
- - - (b) ALL EQUIPMENT IS IN GOOD WORKING ORDER AND COMPLIES WITH ALL
PURCHASE ORDERS OR CONTRACTS AND ALL APPLICABLE SPECIFICATIONS;
(c) LESSEE IRREVOCABLY ACCEPTS ALL EQUIPMENT FOR PURPOSES OF THE LEASE
"AS-IS, WHERE-IS" WITH ALL FAULTS AND (d) LESSEE UNCONDITIONALLY WAIVES
ANY RIGHT THAT IT MAY HAVE TO REVOKE ITS ACCEPTANCE OF THE EQUIPMENT.

Lessee:

MANNATECH, INCORPORATED

By: /s/ Patrick Cobb

Date: 12/23/97

[LOGO]

May 14, 1997

Bill H. McAnalley, Ph.D.
4921 Corn valley
Grand Prairie, Texas 75052

Re: First Amendment to that Certain Letter of understanding Regarding Development of Proprietary Information for Mannatech, Incorporated, ("Mannatech" or "Corporation") effective as of August 1, 1997 ("Letter Agreement") attached for reference as Exhibit "A" hereto, by and between Bill H. McAnalley, Ph.D. ("BHD") and Mannatech, Incorporated ("Mannatech")

Dear Dr. Mcanalley:

This is to confirm our oral understanding regarding the modification to the Letter Agreement which has been reached between yourself and Mannatech.

The Letter Agreement will remain in full force and effect, with the exception of the agreement respecting additional compensation, set forth commencing on Page 1, and reading as follows:

The Corporation has agreed to pay to you .5% of its corporate Bonus volume for the united States and Canada [as such Bonus volume is computed, under the formula published, and in effect from time-to-time in the official Compensation Plan of the Corporation published by it as its corporate literature), so long as the Corporation continues to use any of the proprietary intellectual property of Mannatech, which you have developed or assisted in developing. This consideration is in addition to sums paid to you as a salaried employee of the Corporation. The right to receive this additional compensation shall not be assignable, except to a corporation entirely controlled by you, or a trust of which you are the settlor, but otherwise shall fully inure to the benefit of your heirs and successors.

In lieu of the foregoing additional compensation, you will be issued, within ten (10) days after the execution of this letter, capital stock in Mannatech in the amount of 303,667 shares. Additionally, Mannatech has agreed to issue to you at that same time, options to purchase up to 240,000 shares of the Capital stock of the Mannatech, as set forth in Exhibit "B" hereto. Notwithstanding any provision contained herein to the contrary, the you agrees to be bound by the underwriting agreements or requirements by and between the Mannatech 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 of stock or options conferred hereby, or otherwise granted under this Agreement, you agree to further be bound by such requirements, limitations, restrictions, and/or agreements, as agreed to by the Corporation. You hereby appoint the Corporation as your attorney-in-fact to execute all documents on your behalf concerning agreements offering the shares of stock and/or related options, as the case may be, conferred hereby, including, without limitation, those agreements with the underwriter, referenced above.

It has further been agreed that the Board of Directors of Mannatech will officially name you as the Chief Science Officer of the Mannatech, in addition to your current title of Vice President of Research, Development and New Products.

Additionally remaining in full force and effect and surviving the termination of any other agreements between the parties is the Non-Disclosure Agreement previously executed in favor of Mannatech by yourself.

Assuming that the foregoing comports with your understanding of the agreement that we have reached in this matter, please signify the same by executing this letter, and returning a signed copy of the same to our corporate counsel.

Thank you for your assistance and agreement in this very important matter.

Very truly yours,
Mannatech, incorporated

/s/ Charles E. Fioretti

Charles E. Fioretti
Chairman of the Board

AGREED:

/s/ Bill H. McAnalley

Bill H. McAnalley

ACKNOWLEDGEMENT

STATE OF TEXAS
COUNTY OF DALLAS

Section
Section

BEFORE, ME THE UNDERSIGNED AUTHORITY, personally appeared Bill H. McAnalley, who swore upon oath that the foregoing document was executed for the consideration and in the capacity therein stated.

SWORN AND SUBSCRIBED TO BEFORE ME on this the 19 day of August 1997.

/s/ Cheryl Anderson

Notary Public

{Seal}

August __ , 1996

Bill H. McAnalley, Ph.D.
4921 Corn valley
Grand Prairie, Texas 75052

RE: Letter of understanding Regarding Development of Proprietary
Information for Mannatech, Incorporated.

Dear Dr. McAnalley:

First, let me confirm to you your employment as Director of Research, Development and New Products at Mannatech, Incorporated ("Corporation") . Your employment, as for the majority of our employees, is simply at the will of the parties, and governed under all policies and procedures applicable to employees of the Corporation, and applicable state and federal law. We welcome you in your new role, and look forward to the exciting developments for our company and the many people using our products, that your expertise will undoubtedly bring.

The second purpose of this letter is to outline your additional compensation for the development of proprietary compositions, processes, uses, and the like which will constitute proprietary intellectual property of the Corporation. Such amounts will be paid monthly, based upon the results of the preceding months, or otherwise as the parties shall agree, as well as other duties and obligations that we believe should be discussed for clarity between the parties.

The Corporation has agreed to pay to you .5% of its corporate Bonus Volume for the United States and Canada [as such Bonus Volume is computed, under the formula published, and in effect from time-to-time in the official Compensation Plan of the Corporation published by it as its corporate literature], so long as the Corporation or continues to use any of the proprietary intellectual property of Mannatech, which you have developed or assisted in developing. This consideration is in addition to sums paid to you as a salaried employee of the Corporation. The right to receive this additional compensation shall not be assignable, except to a

1

EXHIBIT
A

corporation entirely controlled by you, or a trust of which you are the settlor, but otherwise shall fully inure to the benefit of your heirs and successors.

Any idea, technology, know-how, process, patent, formula, product, composition, iteration, use, information, or other intellectual property ("Intellectual Property") which shall come to you and/or be researched and developed during your employment with Mannatech, particularly including the intellectual Property which you directly work on for Mannatech, shall be determined as follows:

- (a) in the event that you have been requested to or offer to develop particular Intellectual Property for Mannatech, and do so, then such intellectual Property shall be the sole property of Mannatech;
- (b) in the event that you, during the period of your employment with Mannatech, discover or develop intellectual Property, other than that which you have been requested or offer to develop for Mannatech ("Additional Intellectual Property"), you shall first offer, in writing, such Additional intellectual Property to Mannatech. Mannatech shall have a period of thirty (30) days within which to accept or reject such Additional intellectual Property. If such Additional Intellectual Property is not accepted by Mannatech within such thirty-day (30) period, then such property will be deemed as rejected by Mannatech, and all rights to the same shall thereafter be assigned or released by Mannatech to you.
- (c) In the further event that Mannatech does not establish, with your cooperation, a budget and allocate funds for the development and protection, or otherwise diligently pursue the development and protection of (or is not in the process of pursuing or developing) such Additional Intellectual Property elected as its property, pursuant to paragraph (a) hereof, then you, may request, in writing, that such property right be assigned and transferred to you. Thereafter, Mannatech will have thirty (30) days, from the date of the receipt of such written request, within which to either transfer the same to you, in accordance with your request, or establish a budget and a working schedule for the development and protection of such Additional Intellectual Property, and thereafter diligently proceed to develop and protect such Additional Intellectual Property in accordance with such budget and working schedule.
- (d) Mannatech understands that you have contractual commitments with Carrington, Laboratories, Inc. and White

Gaps, Inc. to develop intellectual property which you have discovered prior to this date, and that such shall constitute an exception to this agreement, and Mannatech shall claim no ownership of any such intellectual property, the foregoing provisions of this agreement notwithstanding.

You agree to execute any document, accurately prepared by counsel of Mannatech, which shall serve to preserve the rights to the intellectual Property of Mannatech, including patent applications and related documents, and transfers and evidences of ownership of such rights in the Corporation. The obligation to acknowledge ownership of the Intellectual Property in the Corporation and to participate in the execution of documents to obtain, evidence and secure rights pertaining to the same, shall survive your employment and this agreement, and shall bind your heirs, successors, and if applicable, assigns. Accordingly, you hereby affirm that any rights which might vest in you with regard to any intellectual Property which shall come to you and/or be researched and developed during your employment with Mannatech, including without limitation the rights to manufacture, reproduce, use, publish, distribute, market sell, license or otherwise exploit, shall be transferred, at various times, at the request of the Corporation, to it, as its sole property, with no rights, except to the right of compensation, set forth above, remaining within your ownership.

It is our intention that you, working with others that the Corporation shall employ or retain on a contract basis, shall develop proprietary ingredients, formulations and products for the benefit of the Corporation. It is our specific understanding, based upon your recent proposal that you require certain resources which you have outlined in your strategic plan of action to us. The summary of the initial budget approved by the Board of Directors, is attached as Exhibit "A" hereto. Access to the subject budget shall be through a procedure, which you and the Corporation will develop together to assure both your research and development needs, as well as the Corporation's need for orderly disbursement of funds and accounting.

We will require that you, as well as all persons working with you or under your supervision, keep full and extensive origin and progress notes on any proprietary property, including that in process, which you may supervise or work on for the Corporation from the inception of the idea ("stream of consciousness" concerning the idea) through the conclusion of the refinement of the same.

We expect, and you agree, that all of the information that you generate in connection with the Proprietary Property, be kept confidential, and that all persons, including employees and independent contractors with whom you work be required to execute a confidentiality agreement which in form is agreeable to the

Corporation and its counsel. All personnel, both contract and employees, under your supervision shall be admonished by you regarding the methodology of keeping logs and data to establish ownership and confidentiality over the same. Any procedures regarding these requirements should be adopted in conjunction with personnel within the corporate office responsible for compliance and legal functions. If you should ever be the subject of a subpoena regarding any Proprietary Property, including any information of confidence, generally, regarding the Corporation, you agree to notify the Corporation and follow its direction and that of its counsel regarding any motion to quash, dissolve, limit or otherwise affect the obligation of the subpoena. The Corporation shall bear all expense in connection with the retention and compensation of such counsel, and accordingly will select and direct the same. You agree to follow the requirements of any final subpoena or order issued by a court of competent jurisdiction regarding the same.

You agree to fully debrief and explain all Proprietary Property of the Corporation to its officers and designees, as well as assist and/or direct in the creation of corporate literature and marketing information regarding the same.

Further, should the Corporation desire to test the efficacy or any other aspect of the Proprietary Property, you agree to participate, as requested by the Corporation, in the planning, design, effectuation, implementation, and analysis of such testing.

You specially represent and warrant that any of the Intellectual Property that you will research and develop for Mannatech is of independent, and novel origin, and does not rely in any aspect on other technologies and ideas that you may have, in the past, conceived, researched and/or developed for others or yourself in the past, except for technologies and ideas which are within the public domain. Further, you hereby represent and warrant as follows:

- That to your personal knowledge none of the Intellectual Property of which you conceive, research or develop, and ultimately convey to the Corporation shall violate or infringe any patent, copyright, right of privacy, nor constitute the misuse or misappropriation of any trade secret or confidential information;

- That you shall take reasonable steps to identify and secure any approvals or permissions required in connection with the production, manufacture, use or exploitation of the intellectual Property to the effect that the same have been or will have been, obtained prior to any transfer of the Intellectual Property to the Corporation [or if not reasonably obtainable, identified to the Corporation in writing), and that to the extent the same are secured, such shall remain in full force and effect with respect to such intellectual Property during the period of ownership by the

Corporation

The Corporation will, at its sole expense, arrange to have filed, first in your and/or any other inventor's names, with subsequent assignment to the Corporation, to the extent that the Corporation deems advisable, all patent, copyright, and other documentary registrations of rights pertaining to the Intellectual Property (except for trade and service marks pertaining to such Intellectual Property, which the Corporation shall, from the outset, own solely), including any foreign registrations and renewals and modifications thereof. You, in furtherance of this undertaking, agree to execute such documents and take such other action as may be required to effectuate such documentation and registration, provided that the full expense related to the same shall be borne by the Corporations

From time-to-time, as our relationship evolves, we may reach other requirements, undertakings or provisions which require additional documentation, and which may either supplement or amend this letter. Such supplements and amendments shall be binding on the Corporation and yourself only to the extent that they are included in a writing signed by both parties.

We welcome you, your expertise, and your scientific endeavor for our Corporation. We genuinely hope that this agreement will constitute a first effort to being a leader in defining the cutting edge of nutritional and personal care products for domestic and world markets.

This Letter of Understanding is effective between the parties, as of August 1, 1996.

If the foregoing terms and conditions are agreeable to you, please execute and return a duplicate of the original of the letter, such to constitute the agreement between us.

Very truly yours,
MANNATECH, INCORPORATED

Ronald Kozak
Chief Executive Officer

DV:ss
attachment as indicated (budget)
ACCEPTED AND AGREED:

BILL H. MCANALLEY, PHD.

INCENTIVE STOCK OPTION

To: BILL McANALLEY

Name4921 Corn Valley, Grand Prairie. Texas 85052

Address

Date of Grant: June 23, 1997

You are hereby granted an option, effective as of the date hereof, to purchase 240,000 shares of common stock, \$0.001 par value per share ("Common Stock"), of Mannatech. Incorporated, a Texas corporation (the "Company") at a price of \$1.35 per share pursuant to the Company's 1997 Stock Option Plan (the "Plan").

Subject to the condition set forth in the immediately following paragraph. 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. but in any event not earlier than one (1) year from date of grant. On and after one year and prior to two years from the date of grant, your option may be exercised for up to 33 1/3% of the total number of shares subject to the option minus the number of shares previously purchased by exercise of the option (as adjusted for 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). Each succeeding year thereafter, your option may be exercised for up to an additional 33 1/3% of the total number of shares subject to the option minus the number of shares previously purchased by exercise of the option (as adjusted for 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). Thus, subject as aforesaid to the condition set forth in the next paragraph, this option is fully exercisable on and after three years after the date of grant, except if terminated earlier as provided herein. No fractional shares shall be issued or delivered. This option shall terminate and is not exercisable after [ten (10)] years from the date of its grant (the "Scheduled Termination Date"), except if terminated earlier as hereafter provided.

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) (unless prohibited by the Committee) 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 (as determined in accordance with the Plan) on the date of delivery of such-certificates to the Company, accompanied by an assignment of the stock to the Company; or (c) (unless prohibited by the Committee) 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, to the extent not previously exercised by you, terminate thirty (30) day's after the date on which your employment by the Company or a Company subsidiary corporation is terminated (whether such termination be voluntary or involuntary) other than by reason of disability as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder, or death, in which case your option will terminate one year from the date of termination of employment due to disability or death (but in no event later than the Scheduled Termination Date). After the date your employment is terminated, as aforesaid, you may exercise this option only for the number of shares which you had a right to purchase and did not purchase on the date your employment terminated. If you are employed by a Company subsidiary corporation, your employment shall be deemed to have terminated on the date your employer ceases to be a Company subsidiary corporation, unless you are on that date transferred to the Company or another Company subsidiary corporation. Your employment shall not be deemed to have terminated if you are transferred from the Company to a Company subsidiary corporation, or vice versa, or from one Company subsidiary corporation to another Company subsidiary corporation.

If you die while employed by the Company or a Company subsidiary corporation, your executor or administrator, as the case may be, may, at any time within one year after the date of your death (but in no event later than the Scheduled Termination Date), exercise the option as to any shares which you had a right to purchase and did not purchase during your lifetime. If your employment with the Company or a Company parent or subsidiary corporation is terminated by reason of your becoming disabled (within the meaning of Section 22(e)(3) of the Code and the regulations thereunder), you or your legal guardian or custodian may at any time within one year after the date of such termination (but in no event later than the Scheduled Termination Date), exercise the option as to any shares which you had a right to purchase and did not purchase prior to such termination. Your executor, administrator, guardian or custodian must present proof of his authority satisfactory to the Company prior to being allowed to exercise this option.

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 Committee.

This option is not transferable otherwise than by will or the laws of descent and distribution, and is exercisable during your lifetime only by you, including, for this purpose, your legal guardian or custodian in the event of disability. 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 Plan pursuant to which this option is granted is approved by the shareholders of the Company in the manner prescribed by the Code and the regulations thereunder;

(b) Until this option and the optioned 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; or

(c) 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.

(d) Until you have paid or made suitable arrangements to pay (which may include payment through the surrender of Common Stock, unless prohibited by the Committee) (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 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 he 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 upon registration of the legended shares under the Securities Act of 1933, as amended, and under any applicable state laws or upon receipt of any opinion of counsel acceptable to the Company that said registration is no longer required.

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.

Subject to the \$100,000 per year limitation of Section 422(d) of the Code, it is the intention of the Company and you that this option shall, if possible, be an "Incentive Stock Option" as that term is used in Section 422 of the Code and the regulations thereunder. In the event this option is in any way inconsistent with the legal requirements of the Code or the regulations thereunder for an "Incentive Stock Option," this option shall be deemed automatically amended as of the date hereof to conform to such legal requirements, if and to the extent that such conformity may be achieved by amendment.

Nothing herein shall modify your status as an at-will employee of the Company. Further, nothing herein guarantees you employment for any specified period of time. This means that either you or the Company may terminate your employment at any time for any reason, or no reason. You recognize that, for instance, you may terminate your employment or the Company may terminate your employment prior to the date on which your option becomes vested. The preceding sentences of this paragraph, however, shall not apply to the extent of any inconsistency with a provision or provisions of a written contract of employment between you and the Company for so long, but only so long, as such contract remains in full force and effect or the provisions involved survive the termination of such contract.

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 shall be subject to the terms of the Plan in effect on the date this option is granted, which terms are hereby incorporated herein by reference and made a part hereof. In the event of any conflict between the terms of this option and the terms of the Plan in effect on the date of this option, the terms of the Plan shall govern. 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.

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 _____
Its _____

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.

Further in this regard, the undersigned acknowledges that, under Section 422(d) of the Code, to the extent that the aggregate fair market value of stock with respect to which incentive stock options are exercisable for the first time by the undersigned during any calendar year exceeds \$100,000.00, such options shall be treated as options which are not incentive options.

(Signature) (Date)

COMMERCIAL LEASE AGREEMENT

MEPC QUORUM PROPERTIES II INC.,

as LANDLORD,

and

MANNATECH, INC.

as TENANT

pertaining to 110,157 square feet
in Freeport North Industrial Park,
Coppell, Texas

COMMERCIAL LEASE AGREEMENT

THIS COMMERCIAL LEASE AGREEMENT (this LEASE) is made and entered into by and between MEPC Quorum Properties II Inc., a Delaware corporation (LANDLORD), and Mannatech, Inc., a Texas (TENANT).

1. PREMISES/LEASE TERM. In consideration of the mutual obligations of Landlord and Tenant set forth herein, Landlord leases to Tenant, and Tenant hereby takes from Landlord, approximately 110,157 square feet (the PREMISES) in the approximate 280,000 square foot warehouse building structure (the BUILDING) owned by Landlord on the land (the LAND) consisting of approximately 14.3978 acres located in the city of Coppell, Dallas County, Texas, as such Land is more particularly described on EXHIBIT "A" attached hereto and incorporated herein by reference, together with the non-exclusive use of all rights, privileges, easements, appurtenances, and amenities belonging to or in any way pertaining to the Land for a term (the LEASE TERM or the TERM OF THIS LEASE) beginning on the date of this Lease (hereinafter defined) and ending at 11:59 p.m. on January 19, 2007. The Land, the Building (including the Premises comprising a part thereof) and the other Improvements (hereinafter defined) are collectively referred to herein as the PROJECT. The location of the Premises within the Building and the configuration of the Project is illustrated by the Site Plan (herein so called) attached hereto as EXHIBIT "B" and incorporated herein by reference.

2. CONDITION OF PREMISES/AS IS ACCEPTANCE. TENANT REPRESENTS AND WARRANTS THAT IT HAS HAD AMPLE OPPORTUNITY TO INSPECT, AND THAT IT HAS ACTUALLY INSPECTED, THE PREMISES AND THE PROJECT AND THAT TENANT HAS FOUND THE PREMISES AND THE PROJECT TO BE SUITABLE FOR TENANT'S PURPOSES AND IN GOOD AND SATISFACTORY CONDITION. TENANT ACKNOWLEDGES AND AGREES THAT LANDLORD HAS NOT MADE ANY REPRESENTATIONS, AGENTS OR PROMISES WITH RESPECT TO THE CONDITION OF THE PREMISES OR THE PROJECT, INCLUDING THE ENVIRONMENTAL CONDITION, THE PREMISES' AND THE PROJECT'S STATE OF REPAIR, OR THEIR SUITABILITY FOR ANY PURPOSE OF TENANT AND THAT LANDLORD HAS MADE NO PROMISES TO ALTER, REMODEL OR IMPROVE OR REPAIR THE LAND, THE PREMISES OR THE PROJECT OR ANY PORTION THEREOF. TENANT ACCEPTS THE PREMISES IN ITS "AS IS", "WHERE IS" CONDITION AND "WITH ALL FAULTS". LANDLORD HEREBY DISCLAIMS ANY AND ALL REPRESENTATIONS, INCLUDING IMPLIED REPRESENTATIONS, AND SPECIFICALLY INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION REGARDING HABITABILITY, REPAIR, WORKMANSHIP OR SUITABILITY FOR ANY INTENDED PURPOSE.

3. RENT.

A. BASE MONTHLY RENT. Tenant agrees to pay to Landlord the sum of \$3,855,495.00 as rent for the Premises, which sum shall be payable in advance, as follows (BASE MONTHLY RENT):

- On January 20, 1997 (the RENT COMMENCEMENT DATE), the sum of \$11,543.72; and
- Beginning on February 1, 1997 and continuing through December 31, 2001, the amount of \$29,834.19 per month; and
- On January 1, 2002, the sum of \$31,610.91; and
- Beginning on February 1, 2002 and continuing through December 31, 2006, the amount of \$34,424.06 per month; and
- On January 1, 2007, the sum of \$21,098.62.

Each installment of Base Monthly Rent shall be due and payable on the first day of each calendar month during the Lease Term; provided that one (1) full installment of Base Monthly Rent is due and payable on the date of this Lease, such to be applied to the first installment of Base Monthly Rent due on January 20, 1997 and thereafter applied to Base Monthly Rent until fully applied.

B. ADDITIONAL RENT. Tenant agrees to reimburse Landlord for Tenant's Proportionate Share (hereinafter defined) of (i) Real Property Taxes (hereinafter defined), (ii) Landlord's cost of obtaining and maintaining Landlord's Insurance (hereinafter defined), and (iii) the cost of any maintenance performed by Landlord under Paragraph 11A(2) below or which, in Landlord's reasonable discretion, is for the benefit of the Project as a whole and not reasonably allocable to any specific tenant or tenants (collectively, the ADJUSTMENTS). During each month of the term of this Lease, on the same day that Base Monthly Rent is due hereunder, Tenant shall pay to Landlord as additional Rent an amount equal to 1/12 of Tenant's proportionate Share of the estimated total annual cost of the Adjustments, as determined by Landlord. Tenant authorizes Landlord to use such funds to pay such costs. The initial monthly payments of Adjustments are based upon the estimated amounts for the current Lease Year (hereinafter defined) and shall be increased or decreased each Lease Year to reflect the projected actual cost of all Adjustments. If Tenant's total payments are less than Tenant's proportionate Share of the actual costs of all such items, Tenant shall pay the difference to Landlord within ten (10) days after demand. If the total payments of Tenant are more than Tenant's proportionate Share of the actual costs of all such items, Landlord shall retain such excess and credit it against Tenant's next monthly estimated payments of Adjustments. The amount of the Base Monthly Rent and the estimated monthly payments (based upon a complete calendar month) of Tenant's proportionate Share of the Adjustments for the Lease Year in which the date of this Lease occurs are as follows:

(1) Base Monthly Rent	\$29,834.19
(2) Real property Taxes	\$ 4,589.88
(3) Insurance	\$ 458.99
(4) Maintenance	\$ 917.98

Monthly Payment Total	\$35,801.04

Tenant's PROPORTIONATE SHARE, as used in this Lease, shall mean a fraction, the numerator of which is the number of square feet of rentable area contained in the Premises and the denominator of which is the entire number of square feet of rentable area contained in the Building (as to costs which do not materially vary based on the occupancy of the Building) or is the entire rented area contained in the Building (as to costs which do materially vary based on the occupancy of the Building). If the Premises is part of a larger development (the DEVELOPMENT) owned by Landlord and the Building and one or more other buildings on parts of the Development other than the Land share the benefit of or may properly be allocated a portion of any expense, Landlord shall reasonably allocate any such expense among the Building and such other building(s) prior to applying Tenant's Proportionate Share to such expense.

C. AUDIT OF ADJUSTMENTS. Within ninety (90) days after the end of each Lease Year, Landlord will provide to Tenant a statement of Adjustments paid by Landlord for the just ended Lease Year. Tenant may at any time within thirty (30) days after its receipt of Landlord's statement, but in any event upon ten (10) days advance written notice to Landlord, audit, inspect and copy the books and records of Landlord with respect to the Adjustments. Landlord shall cooperate with Tenant in providing Tenant reasonable access to its books and records during normal business hours for this purpose. If the results of any inspection or audit show an overcharge to Tenant of more than five percent (5%) of the actual amount of Adjustments owed by Tenant, then Landlord shall pay the reasonable costs of such audit (assuming the audit is performed by a third party unaffiliated with Tenant and not including the travel, meal or incidental expenses of the auditor), and Landlord shall credit or refund to Tenant any overcharge of such items as discovered by the inspection or audit within thirty (30) days of completion of such inspection or audit. In the event such audit discloses an overcharge to Tenant of up to but no more than five percent, there will be no credit or refund to Tenant, and Tenant will pay the cost of the audit. In the event such audit discloses an undercharge of Adjustments billed to Tenant, Tenant shall pay Landlord the amount of such undercharge within thirty (30) days of the completion of such audit and the cost of the audit. In the event Landlord disputes the amount of Adjustments or Tenant's Proportionate Share thereof, as determined by Tenant's audit,

Landlord shall have a period of thirty (30) days from its receipt of Tenant's audit results to have its own independent auditor inspect Tenant's audit and the books and records pertaining to the Adjustments and deliver the results thereof to Tenant. Landlord's failure to conduct such an audit and deliver the results thereof to Tenant within such thirty (30) day period shall constitute acceptance by Landlord of the results of Tenant's audit. If Landlord delivers Tenant Landlord's audit within such thirty (30) day period, Tenant shall have fifteen (15) days to review and object to the results thereof. The results of Landlord's audit shall be conclusive and binding upon Tenant unless Tenant objects in writing, such objections to be specific, to such results within such fifteen (15) day period.

D. LEASE YEAR. A LEASE YEAR shall mean a twelve (12) month period commencing each January 1st and ending on the following December 31st; provided, however, Landlord may from time to time (but no more often than once every eighteen (18) months) change the twelve (12) month period designated as a Lease Year by notice thereof to Tenant, in which event the obligations of Tenant measured by Lease Years shall be prorated as appropriate during any Lease Year of less than twelve (12) months based on the number of days in any such Lease Year divided by 365; and provided, further, the first and last Lease Years, and all obligations of Tenant measured by such Lease Years, shall be prorated as appropriate based upon the number of days in the applicable Lease Year during the term of this Lease divided by 365.

E. DEFINITION OF RENT. As used in this Lease, RENT shall mean the Base Monthly Rent and all other amounts provided for in this Lease to be paid by Tenant to Landlord, all of which shall constitute rental in consideration for this Lease and the leasing of the premises. The Rent shall be paid at the times and in the amounts provided for herein in legal tender of the United States of America to Landlord at the address specified in Paragraph 31 hereof or to such other person or at such other address as Landlord may from time to time designate in writing. Rent shall be paid without notice, demand, abatement, deduction or offset (unless expressly provided for elsewhere in this Lease) and shall be a covenant of Tenant independent of any obligation of landlord under this Lease. Tenant's obligation to pay any installment of Rent shall not be deemed satisfied until such installment of Rent has actually been received by Landlord.

F. INTEREST ON DELINQUENT RENT. Any Rent due from Tenant to Landlord which is not paid when due shall bear interest at the lower of (i) eighteen percent (18%) per annum or (ii) the highest rate from time to time allowed by applicable law, from the date such payment is due until paid, but the payment of such interest shall not excuse or cure the default. This provision for default interest shall be in addition to all of Landlord's other rights and remedies hereunder or at law or equity and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner. Any assessed default interest will be additional Rent owed hereunder.

4. COMPLIANCE WITH LAWS. Tenant shall comply with all Applicable Laws in connection with Tenant's use and occupancy of the Premises and Tenant's performance of its obligations under this Lease, all at Tenant's expense. As used herein the term APPLICABLE LAWS means and includes any and all federal, state and local laws, ordinances, orders, deed restrictions (specifically including the Declaration of Protective Covenants dated May 18, 1995 and recorded in Volume 95098, Page 924, ET SEQ. of the Official Public Records of Real Property in Dallas County, Texas (as amended, modified, supplemented, restated and assigned from time to time, the DECLARATION)), easements of record, rules, and regulations of all governmental bodies (state, federal, and municipal) applicable to or having jurisdiction over the use, occupancy, operation and maintenance of the Project, including without limitation, the Americans With Disabilities Act of 1990, as amended from time to time (ADA), and Environmental Laws (hereinafter defined), as such may be amended or modified from time to time.

5. ALTERATIONS AND IMPROVEMENTS BY TENANT

A. CONDITIONS PRECEDENT TO ALL ALTERATIONS AND IMPROVEMENTS. Except as expressly permitted by this Paragraph 5, Tenant may not make or permit any alterations, improvements, or additions in or to the Premises or the Project without Landlord's prior written consent. All alterations and improvements desired by Tenant are subject to the following conditions/requirements:

(1) Subject to subparagraph 5B below, all alterations, improvements and additions will be at the sole cost and expense of Tenant;

(2) All alterations, improvements and additions in and to the Premises requested by Tenant must be made in accordance with plans and specifications first approved in writing by Landlord;

(3) Tenant's contractors and subcontractors are subject to Landlord's prior approval. In addition, each of Tenant's contractor(s) and subcontractor(s) must deliver evidence satisfactory to Landlord that the insurance specified on EXHIBIT "C" (attached hereto and incorporated herein by reference) is in force prior to commencing work;

(4) All alterations, improvements and additions made by Tenant must comply with all Applicable Laws including, specifically, the ADA, and applicable building permits and certificates of occupancy. Landlord's approval of Tenant's plans and specifications for the alterations or improvements will not act as a confirmation or agreement by Landlord that the improvements and alterations comply with Applicable Laws;

(5) Tenant must deliver to Landlord evidence that Tenant has obtained all necessary governmental permits and approvals for the improvements, alterations and additions prior to starting any work;

(6) All alterations, improvements and additions must be done in a good and workmanlike manner so as not to damage or alter the primary structure or structural qualities or the utility or other systems of the Premises or the Building and is subject to approval by Landlord during and after construction, in its sole discretion. Tenant agrees to meet with Landlord's project manager, who for purposes of this Lease shall be Rob Ahmuty until further notice, as deemed reasonably necessary by such project manager during any construction by Tenant pursuant to this Paragraph 5 so that Landlord can evaluate the progress of such work and its impact on the remainder of the Project;

(7) Lien releases from each of Tenant's contractor(s) and subcontractor(s) satisfactory to Landlord must be submitted to Landlord within thirty (30) days after completion of the work performed by the contractor(s) or subcontractor(s); and

(8) Tenant shall be solely responsible for the safety and security of all equipment and property installed or placed in, on or about the Premises by Tenant or any of Tenant's agents, employees, officers, partners or contractors (together with Tenant, collectively, the TENANT PARTIES and individually a TENANT PARTY).

B. FINISH ALLOWANCE: notwithstanding subparagraph 5A(1) above, Landlord grants Tenant an allowance in the amount of \$330,471.00 (the FINISH ALLOWANCE) to be utilized by Tenant in performing alterations and improvements to the Premises to "finish-out" the Premises. Any improvements or alterations performed by Tenant and paid for out of the Finish Allowance, including without limitation, any work related thereto such as design, engineering, and construction management services, is referred to herein as the TENANT FINISH WORK. Landlord will pay such invoices up to, but not in excess of, the Finish Allowance conditioned upon:

(1) Tenant shall submit all invoices received in connection with the Tenant Finish Work to Landlord for payment not less than fifteen (15) days prior to the due date of such invoice. Landlord, at its option, will not be obligated to pay any invoice not received by such date; and

(2) Landlord having satisfied itself that all conditions/requirements set forth in subparagraph 5A above have been satisfied; and

(3) Landlord having inspected and approved of the work for which payment is sought, such approval not to be unreasonably withheld; and

(4) The Finish Allowance may not be used or allocated for any materials or property, or for the labor incurred in constructing or installing same, that would be characterized as Tenant's Property under subparagraph 5C below, it being the intention of both parties hereto that, without limiting subparagraph 5D below, all improvements and alterations paid for with the Finish Allowance will in all events and circumstances be Landlord's property.

Any decision to pay or not pay any invoice will be made within ten (10) business days after receiving the subject invoice; provided, however, that Landlord may further condition such approval upon the satisfaction of any of the conditions/requirements of Paragraph 5A or this Paragraph 58 that may not have been satisfied within such ten (10) day period (I.E., lien waivers). All invoices will be paid within fifteen (15) days after Landlord has approved the invoice and is satisfied that all conditions and requirements set forth in Paragraph 5A and this Paragraph 5B have been satisfied. All cost and expenses incurred by Tenant in making any alterations or improvements to the Premises or the Project in excess of the Finish Allowance will be Tenant's sole cost and expense. If the Finish Allowance has not been fully utilized within one (1) year after the Commencement Date, and provided that Tenant is not then in default under this Lease, the remaining balance will be applied to Base Monthly Rent and Adjustments until the Finish Allowance is exhausted.

C. TENANT'S PROPERTY. Tenant, at its own cost and expense, may erect such shelves, racks, bins and trade fixtures (collectively, TENANT'S PROPERTY) within the Premises as it desires and without Landlord's prior consent provided that (a) such items do not alter the basic character of the Premises or the Building; (b) such items do not overload or damage the Premises or the Building or the utility or other systems serving same; (c) such items may be removed without material injury to the Premises and the Building; and (d) the construction, erection or installation thereof complies with all Applicable Laws, applicable building permits and certificates of occupancy; and (e) provided that Tenant's installation of Tenant's Property prior to the Commencement Date will be subject to Paragraph 5B above. All of Tenant's Property shall remain the property of Tenant and shall be removed on or before the earlier to occur of the date of termination of this Lease or Tenant's vacating of the Premises. Tenant shall promptly repair any damage to the Project or the Premises caused by the removal of any of Tenant's Property. Any of Tenant's Property not so removed and any other property of Tenant not removed prior to the termination of this Lease or Tenant's vacating of the Premises shall thereupon be conclusively presumed to have been abandoned by Tenant, and Landlord may, at its option, take over possession of any and all of the foregoing and either (i) declare the same to be the property of Landlord by written notice to Tenant at the address provided herein or (ii) at the sole cost and expense of Tenant, remove, store, and/or dispose of the same or any part thereof, all at Tenant's cost, in any manner that Landlord shall choose without incurring liability to Tenant or any other person.

D. LANDLORD'S PROPERTY/RESTORATION OF PREMISES BY TENANT. Except as provided in Paragraph 5C above, all alterations, additions, and improvements made to, or fixtures or other improvements placed in or on, the Premises, whether temporary or permanent in character are a part of the Premises and are the property of Landlord when they are made to or placed in or on the Premises, without compensation to Tenant;

provided that, at Landlord's option, upon the termination of this Lease, Landlord may require Tenant, at Tenant's cost, to remove any improvements, other than the Tenant Finish Work, made to the Premises or Project by Tenant and restore the Premises to substantially the condition it was in upon the completion of the Tenant Finish Work, reasonable wear and tear excepted.

E. ADDITIONAL PARKING AREA. Tenant has informed Landlord that possible improvements that Tenant may desire include the construction of an additional parking area in the Adjacent Area (the Adjacent Area is illustrated on the Site Plan). Landlord agrees not to unreasonably withhold its consent to such additional parking provided, however, that (i) any construction by Tenant of an additional parking area shall be subject to all of the requirements and conditions set forth in Paragraph 5A(1)-(E) above, and (ii) Tenant may not alter or damage any of the perimeter berms in the Adjacent Area. Plans and specifications for any additional parking area, as required pursuant to paragraph 5A(2) above, must include, without limitation, contemplated lighting systems, landscaping, irrigation/sprinkler systems and striping design for the new parking area and a restriping design for the existing parking area located within the Adjacent Area.

F. INDEMNITY. Tenant hereby indemnifies and holds Landlord harmless from any claims, demands, actions, losses, and damages arising from activities of Tenant or any Tenant Party, or any of their invitees, in connection with any alterations, improvements or additions made or contracted for by Tenant.

6. USE. Subject to Applicable Laws, the Premises shall be used only for the purpose of manufacturing, receiving, storing, shipping and selling (other than retail) products, materials and merchandise made and/or distributed by Tenant, and for such other lawful purposes as may be incidental thereto. Provided that such use is permitted by Applicable Laws, any manufacturing performed by Tenant at the Premises shall be limited to the manufacture and/or assembly of pharmaceutical, diet supplement and/or other human health related products. Outside storage, including without limitation, storage of trucks and other vehicles, is prohibited without Landlord's prior written consent. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise or vibrations to emanate from the Premises, nor take any other action that would constitute a health or environmental hazard or nuisance or that would disturb, interfere with, or endanger Landlord or the occupant of any other land or buildings in the vicinity of the Project or any other tenant of the Project. Tenant's use of the Premises must in any event comply with all Applicable Laws including, without limitation, the Declaration. TENANT ACKNOWLEDGES AND AGREES THAT LANDLORD HAS MADE NO REPRESENTATIONS OR WARRANTIES, AND LANDLORD HAS DISCLAIMED AND HEREBY DOES DISCLAIM, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, THAT THE PREMISES ARE SUITABLE FOR ANY INTENDED PURPOSE OF TENANT, INCLUDING, WITHOUT LIMITATION, THE MANUFACTURE AND/OR ASSEMBLY, STORAGE, DISTRIBUTION OR SALE OF PHARMACEUTICAL, DIET SUPPLEMENT AND/OR OTHER HUMAN HEALTH RELATED PRODUCTS. TENANT SHALL MAKE ITS OWN DETERMINATIONS AS TO THE SUITABILITY OF THE PREMISES FOR ITS INTENDED USE. BY ENTERING INTO THIS LEASE, TENANT REPRESENTS AND WARRANTS THAT IT HAS INVESTIGATED AND SATISFIED ITSELF AS TO WHETHER OR NOT APPLICABLE LAWS PERMIT ITS INTENDED USE OF THE PREMISES AND THAT TENANT IS RELYING SOLELY UPON SUCH INVESTIGATIONS, AND NOT UPON ANY REPRESENTATIONS OF LANDLORD, IN ENTERING INTO THIS LEASE. If Tenant's particular use of the Premises requires that additional improvements or modifications be made to the Premises or the Project by Landlord so that the Premises and the Project complies in all respects with Applicable Laws, Tenant shall be solely responsible for such costs.

7. HAZARDOUS MATERIALS

A. HAZARDOUS MATERIALS DEFINED. As used in this Lease, the term HAZARDOUS MATERIALS means and includes (i) any hazardous, toxic or dangerous waste, substance or material, as defined for purposes of the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act of 1976, as amended, or any other Applicable Laws applicable to the Premises and establishing liability, standards, or regulating or requiring action as to the industrial hygiene, use, generation, treatment, discharge, spillage, storage,

uncontrolled loss, seepage, filtration, disposal, removal, or existence of a hazardous, toxic or dangerous waste, substance or material (collectively, ENVIRONMENTAL LAWS) and (ii) any waste, substance or material which, even if not so regulated, is known to pose a hazard to the health and safety of persons or property, specifically including, without limitation, oil and petroleum products and by-products and asbestos.

B. PROHIBITION OF HAZARDOUS MATERIALS/TENANT'S LIABILITY.

Except for Hazardous Materials that are used only as an incidental part of Tenant's day-to-day business operations and not as an integral part thereof (E.G., fuel for forklifts and similar equipment, office supplies, cleaning solvents), Tenant may not use, treat, handle, store, generate, dispose of or release or cause or permit any Tenant Party, or any of their invitees, to use, handle, store, generate, treat, dispose of or release, in, on, under or from the Premises or the Project any Hazardous Materials. Without limiting any of the above:

(1) Tenant covenants and agrees that it shall at its own expense procure, maintain in effect and comply with all conditions of any and all permits, licenses and other governmental and regulatory approvals required for Tenant's use of the Premises and any operations or conduct of Tenant involving the use, handling, generation, treatment, storage, disposal, management or release of any Hazardous Materials. Tenant shall cause any and all Hazardous Materials that are to be removed from the Premises to be transported solely by duly licensed haulers and to duly licensed facilities for final disposal of such Hazardous Materials. Tenant shall in all respects, handle, treat, deal with and manage any and all Hazardous Materials in, on, under or about the Premises as a result of the actions, conduct or any part of the business operations of Tenant or any Tenant Party, or any of their invitees, in complete conformity with all Applicable Laws and prudent industry practices regarding the management of such Hazardous Materials. All reporting obligations relating to Hazardous Materials in, on, under or about the Premises as a result of the actions, conduct or any part of the business operations of Tenant or any Tenant Party, or any of their invitees, are solely the responsibility of Tenant. Upon expiration or earlier termination of this Lease, Tenant covenants and agrees to cause all Hazardous Materials existing in, on, or under the Premises to be removed from the Premises and transported for use, storage or disposal in accordance and in compliance with all Applicable Laws. In addition, and unless Landlord instructs Tenant otherwise, at the expiration of the term of this Lease, Tenant shall remove all tanks or fixtures which were placed on the Premises by or on behalf of Tenant or any Tenant Party during the term of this Lease and which contain, have contained or are contaminated with, Hazardous Materials;

(2) Tenant shall immediately notify Landlord in writing of (i) any Tenant Release (hereinafter defined), (ii) any enforcement, clean-up, removal or other governmental or regulatory action instituted, completed or threatened against Tenant, the Premises, the Project, or any part thereof pursuant to any Applicable Laws; (iii) any claim made or threatened by any person against Tenant, Landlord, the Premises, or the Project relating to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials; and (iv) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials in, on or about or under the Premises or with respect to any Hazardous Materials removed from the Premises, including, any complaints, notices, warnings, reports or asserted violations in connection therewith. Tenant shall also provide to Landlord, as promptly as possible, and in any event within five (5) business days after Tenant first received or sent the same, with copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Premises or Tenant's use thereof. Tenant shall not take any remedial action in response to the presence of any Hazardous Materials in, on, about or under the Premises, nor enter into any settlement agreement, consent, decree or other compromise in respect to any claims relating to or in any way connected with the Premises without first notifying Landlord of Tenant's intention to do so and affording Landlord ample opportunity to appear, intervene or otherwise appropriately assert

and protect Landlord's interest with respect thereto;

(3) Tenant shall indemnify, at Landlord's option, defend (with counsel reasonably acceptable to Landlord), protect and hold Landlord and each of Landlord's officers, directors, partners, employees, agents, attorneys, successors and assigns free and harmless from and against any and all claims, liabilities, damages, costs, penalties, forfeitures, losses or expenses (including attorneys' fees) for death or injury to any person or damage to any property whatsoever (including water tables and atmosphere) arising or resulting in whole or in part, directly or indirectly, from the presence, release or discharge of Hazardous Materials in, on, under, upon or from the Premises to the extent that such presence, release or discharge was caused or permitted by Tenant or any Tenant Party, or any of their invitees, or from the transportation or disposal of Hazardous Materials to or from the Premises or the Project by Tenant or any Tenant Party, or any of their invitees (herein, a TENANT RELEASE). Tenant's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary repairs, clean-up or detoxification or decontamination of the Premises or the Project and any other land contaminated or adversely effected by the Tenant Release and the presence and implementation of any closure, remedial action or other required plans in connection therewith, and shall survive the expiration of or early termination of this Lease;

(4) Landlord shall have the right from time, but not more than once per year unless Landlord in good faith believes a Tenant Release or a violation of Applicable Laws or this Paragraph 7 may have occurred, to require Tenant to undertake and submit to Landlord, at Tenant's expense, an environmental audit from an environmental company reasonably acceptable to Landlord which audit shall evidence Tenant's compliance with this Paragraph 7. In addition, Landlord may, at its expense, commission an environmental audit of the Premises at any time after prior written notice to Tenant. If any lender or governmental agency requires testing to ascertain whether or not a release of Hazardous Materials has occurred in, on or under the Premises or the Project, and it is determined that a Tenant Release has in fact occurred, then, without limitation of any other remedy Landlord may have hereunder, Tenant shall reimburse the actual costs of the testing to Landlord on demand as additional Rent (provided that such reimbursement shall not be in limitation of any of Tenant's other obligations or Landlord's remedies under this Paragraph 7).

(5) Tenant shall execute affidavits, representations, and the like from time to time at Landlord's request concerning Tenant's actual knowledge and belief regarding the presence of Hazardous Materials in, on or under the Premises.

C. SURVIVAL. The respective covenants, rights, and obligations of Landlord and Tenant under this Paragraph 7 shall survive the expiration or earlier termination of this Lease.

8. SIGNAGE. Any signage Tenant desires for the Premises shall be subject to Landlord's written approval and shall be submitted to Landlord prior to the Commencement Date of this Lease. Tenant shall repair, paint and/or replace the building facia surface to which its signs are attached upon vacation of the Premises, or the removal or alteration of its signage. Tenant shall not (i) make any changes to the exterior of the Building, (ii) install any exterior lights, decorations, balloons, flags, pennants, banners or painting, or (iii) erect or install any signs, windows or door lettering, placards, decorations or advertising media of any type which can be viewed from the exterior of the Building, without Landlord's prior written consent. All signs, decorations, advertising media, blinds, draperies and other window treatment or bars or other security installations visible from outside the Building shall conform in all respects to the criteria established by Landlord and Applicable Laws.

9. TAXES.

A. REAL PROPERTY TAXES. Subject to reimbursement by Tenant as provided in Paragraph 3B above, Landlord shall pay all taxes, assessments and governmental charges of any kind and nature and all assessments due to deed restrictions and/or owner or community associations (collectively referred to herein as REAL PROPERTY TAXES), that accrue against the Project, or any part thereof. If at any time during the term of this Lease, there shall be levied, assessed or imposed on Landlord a capital levy or other tax directly on the Rent received under this Lease and/or a franchise tax, assessment, levy or charge measured by or based, in whole or in part, upon Rent paid under this Lease, then all such taxes, assessments, levies or charges, or the part thereof so measured or based, shall be deemed to be included within the term REAL PROPERTY TAXES for the purposes hereof. Landlord shall have the right to employ a tax consulting firm to attempt to assure a fair tax burden on the Land and the Premises within the applicable taxing jurisdiction. Tenant agrees to pay its Proportionate Share of the cost of such consultant as additional Rent.

B. PERSONAL PROPERTY TAXES. Tenant shall be liable for all taxes levied or assessed against Tenant's Property and any other personal property or fixtures placed or installed in the Premises or the Project by or on behalf of Tenant. If any such taxes are levied or assessed against Landlord or Landlord's property and (i) Landlord pays the same, or (ii) the assessed value of Landlord's property is increased by inclusion of such personal property and fixtures and Landlord pays the increased taxes, then, Tenant shall pay to Landlord such taxes within ten (10) days after demand.

10. UTILITIES. Landlord agrees to provide water and electricity lines to the outside of the exterior walls of the Building. Tenant shall pay for all water, gas, heat, light, power, telephone, sewer, sprinkler charges and other utilities and services used on or at the Premises, together with any taxes, penalties, surcharges or the like pertaining to the Tenant's use of the Premises, and any maintenance charges for utilities. Tenant shall pay its Proportionate Share of all charges for jointly metered and common area utilities as additional Rent. Landlord shall not be liable for any interruption or failure of utility service at the Premises and all Rent owed pursuant to the terms of this Lease shall continue to be due notwithstanding such interruption.

11. REPAIRS AND MAINTENANCE.

A. LANDLORD'S OBLIGATION TO REPAIR AND MAINTAIN.

(1) Landlord, at its own cost and expense, shall maintain the structural soundness of the Building's roof, foundation and exterior walls in good repair, except for reasonable wear and tear and except for damage caused by any act or omission of Tenant or any Tenant Party or their invitees. Landlord may elect to repair any damage caused by Tenant or any Tenant Party or their invitees, and if Landlord so elects, Tenant shall pay Landlord the cost or anticipated cost of such repair on demand, subject to Paragraph 12C hereof. The term WALLS as used herein shall not include windows, glass or plate glass, doors, special store fronts or office entries. Tenant shall promptly give Landlord written notice of any defect or need for repairs, after which Landlord shall make reasonable opportunity to repair same or cure such defect.

(2) Landlord shall maintain or cause to be maintained all exterior painting, parking areas and landscaped areas of the Project in good condition and repair, other than those areas that are expressly Tenant's obligations under Paragraph 11B below. Tenant shall reimburse Landlord for Tenant's Proportionate Share of any costs incurred by Landlord under this paragraph, net of the Adjustments being escrowed monthly for maintenance under Paragraph 3B above. All such amounts shall be owed to Landlord as additional Rent.

B. TENANT'S OBLIGATION TO REPAIR AND MAINTAIN. Except only for maintenance, repair and replacement performed by Landlord pursuant to Paragraph

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hereof, Tenant, at its own cost and expense, shall maintain in good condition and promptly make all necessary repairs and replacements to (i) all parts of the Premises, (ii) the water and electricity lines and appurtenances from the outside of the exterior walls of the Building to and within the Premises, (iii) any and all overhead doors, loading docks, loading dock levelers and loading dock equipment, (iv) the walkways, parking areas and facilities, driveways and alleys located within the Adjacent Area, as illustrated on EXHIBIT "B" attached hereto, and (v) any spur track servicing the Premises. Tenant shall also keep the Adjacent Area in a clean and sanitary condition. If applicable and if requested by the railroad company, Tenant agrees to sign a joint maintenance agreement with the railroad company servicing the Premises. Without limitation of any of the above, from and after the Commencement Date, and regardless of whether or not Tenant is occupying the Premises, Tenant shall be responsible for ensuring that the Premises are heated to the extent necessary to prevent any freeze or cold weather associated damage to the Premises or the Building or any of the Building systems (I.E., water pipes). Tenant shall be solely responsible for any damage to the Premises or the Building, or any Building systems, as well as any other property damage, associated with or resulting from Tenant's failure to adequately heat the Premises during the Lease Term. Tenant, at its own cost and expense, shall enter into a regularly scheduled preventive maintenance/service contract with a maintenance contractor approved by Landlord for servicing all hot water, heating and air conditioning systems and equipment within the Premises; which service contract must include all services suggested by the equipment manufacturer in its operations/maintenance manual and must become effective within thirty (30) days of the date Tenant takes possession of the Premises.

Landlord reserves the right to perform any of Tenant's obligations set forth under this paragraph including utility line maintenance and any other items that are otherwise Tenant's obligations under this paragraph to the extent that Tenant fails to perform its obligations thereunder within the time frames set forth in Paragraph 18F. In such event, Landlord shall be entitled to an administrative fee of ten percent (10%) of the costs and expense of all of the foregoing, and Tenant shall be liable for the cost and expense of such repair, replacement, maintenance and other such items, as well as the administrative fee.

12. INSURANCE.

A. **LANDLORD'S INSURANCE.** Landlord shall maintain insurance covering the Building (except that Landlord shall not be required to insure any part of the partitions, fixtures, additions and other improvements that may have been constructed, erected or installed in or about the Premises or for the benefit of, or by or for Tenant) in an amount not less than one hundred percent (100%) of the replacement cost thereof insuring against the perils of Fire, Lightning, Extended Coverage, Vandalism and Malicious Mischief (collectively, **LANDLORD'S INSURANCE**).

B. **TENANT'S INSURANCE.** Tenant, at its own expense, shall maintain during the term of this Lease a policy or policies of worker's compensation (or its equivalent provided such is approved by Landlord, such not to be unreasonably withheld) and commercial general liability insurance, including personal injury and property damage, with contractual liability endorsement, in the amount of Five Hundred Thousand Dollars (\$500,000.00) for property damages and One Million Dollars (\$1,000,000.00) per occurrence for personal injuries or deaths of persons occurring in or about the Premises and the Project; provided, such limits may be adjusted upward in Landlord's reasonable discretion based upon inflation or upon the type of business conducted by Tenant in the Premises. Said policies shall (i) name Landlord as an additional insured and insure Landlord's contingent liability under this Lease (except for the worker's compensation policy, which instead shall include waiver of subrogation endorsement in favor of Landlord), (ii) be issued on an occurrence (not claims made) basis, (iii) be issued by an insurance company which is acceptable to Landlord, and (iv) provide that said insurance shall not be cancelled unless sixty (60) days prior written notice shall have been given to Landlord. In addition to the above, Tenant shall maintain insurance insuring the interest of Tenant and covering all of Tenant's property and all partitions, fixtures, additions and other improvements that may have been constructed,

erected or installed in or about the Premises or for the benefit of, or by or for Tenant that Tenant is entitled to remove upon the termination of this Lease, and covering all contents of the premises, in an amount not less than one hundred percent (100%) of the replacement cost thereof insuring against the perils of Fire, Lightning, Extended Coverage, Vandalism and Malicious Mischief. Said policy or policies or certificates thereof shall be delivered to Landlord by Tenant upon commencement of the term of the Lease and at least thirty (30) days prior to the effective date of each renewal of said insurance.

Tenant will not permit the Premises to be used for any purpose or in any manner that would (i) void the insurance thereon, (ii) increase the insurance risk, or (iii) cause the disallowance of any sprinkler credits, including without limitation, use of the Premises for the receipt, storage or handling of any product, material or merchandise that is explosive or highly inflammable. If any increase in the cost of any insurance on the Premises or the Building is caused by Tenant's use of the Premises, or because Tenant vacates the Premises, then Tenant shall pay the amount of such increase to landlord upon demand.

C. WAIVER OF SUBROGATION. NOTWITHSTANDING ANY OTHER PROVISION OF THIS LEASE, LANDLORD AND TENANT HEREBY WAIVE ANY RIGHTS EACH MAY HAVE AGAINST THE OTHER ON ACCOUNT OF ANY LOSS OR DAMAGE OCCASIONED TO LANDLORD OR TENANT, AS THE CASE MAY BE (WHETHER OR NOT SUCH LOSS OR DAMAGE IS CAUSED BY THE FAULT OR NEGLIGENCE OF THE OTHER PARTY), TO THEIR RESPECTIVE PROPERTY, THE PREMISES, ITS CONTENTS OR TO ANY OTHER PORTION OF THE BUILDING OR THE PROJECT ARISING FROM ANY RISK THAT WOULD BE COVERED BY ANY INSURANCE REQUIRED TO BE CARRIED UNDER THIS LEASE. THE PARTIES HERETO EACH, ON BEHALF OF THEIR RESPECTIVE INSURANCE COMPANIES INSURING THE PROPERTY OF EITHER LANDLORD OR TENANT AGAINST ANY SUCH LOSS, WAIVE ANY RIGHT OF SUBROGATION THAT IT MAY HAVE AGAINST LANDLORD OR TENANT, AS THE CASE MAY BE. EACH PARTY TO THIS LEASE AGREES IMMEDIATELY TO GIVE TO EACH SUCH INSURANCE COMPANY WRITTEN NOTIFICATION OF THE TERMS OF THE MUTUAL WAIVERS CONTAINED IN THIS PARAGRAPH, AND TO HAVE SAID INSURANCE POLICIES PROPERLY ENDORSED, IF NECESSARY, TO PREVENT THE INVALIDATION OF SAID INSURANCE COVERAGES BY REASON OF SAID WAIVERS.

13. LIABILITY/INDEMNIFICATION.

A. LANDLORD'S LIABILITY AND INDEMNITY. Except as otherwise expressly provided in this Lease, and unless such is due to the gross negligence or willful misconduct of Landlord, Landlord will not be liable to Tenant or any Tenant Party for, and Tenant hereby releases Landlord and agrees to hold Landlord harmless from and against, any injury to person or damage to property on or about the Premises caused by (i) the Premises becoming out of repair, (ii) the leakage of gas, oil, water or steam or by electricity emanating from any part of the Premises, or (iii) any other cause. Except for any claims, rights of recovery and causes of action that Tenant has expressly herein waved or released or for which Landlord is not responsible for hereunder, Landlord shall indemnify and hold Tenant harmless from and against any and all fines, suits, losses, costs, liabilities, claims, demands, action and judgments of every kind and character for any injury to any person or damage to any property in, on, or about the Premises or any part thereof, when such injury or damage shall be caused by the gross negligence or willful misconduct of Landlord, together with reasonable court costs and attorneys fees incurred by Tenant in defending same. Upon the occurrence of an event which Landlord is required to indemnify Tenant against, and upon demand by Tenant, Landlord shall employ counsel reasonably acceptable to Tenant and defend Tenant against any liability for such event, all at Landlord's cost. The provisions of this Section 13A shall survive the expiration or termination of this Lease with respect to any claims or liability occurring prior to such expiration or termination.

B. TENANT'S LIABILITY AND INDEMNITY. Tenant shall indemnify and hold Landlord harmless from and against any and all fines, suits, losses, costs, liabilities, claims, demands, actions and judgments of every kind and character (i) arising by reason of any breach, violation or non-performance by Tenant of any term, provision, covenant, condition or agreement to be performed or abided by Tenant

hereunder, and (ii) all claims, demands, actions, damages, losses, costs, liabilities, expenses and judgments suffered by, recovered from, or asserted against Landlord or any Landlord Party on account of death, injury or damage to person or property where such death, injury or damage is caused, in whole or in part, by Tenant or any Tenant Party or their invitees, together with reasonable court costs and attorneys fees incurred by Landlord in defending same. Upon the occurrence of an event which Tenant is required to indemnify Landlord against, and upon demand by Landlord, Tenant shall employ counsel reasonably acceptable to Landlord and defend Landlord against any liability for such event, all at Tenant's cost. The indemnities and covenants of Tenant in this Paragraph 148 are in addition to, and not in limitation of, and other indemnities made by Tenant elsewhere in this Lease. The provisions of this Section 13B shall survive the expiration or termination of this Lease with respect to any claims or liability occurring prior to such expiration or termination.

14. CASUALTY.

A. TERMINATION OF LEASE. If the Premises should be damaged or destroyed by fire or other peril, Tenant immediately shall give written notice to Landlord. If: (i) the Building should be totally destroyed by any peril covered by the insurance to be provided by Landlord under Paragraph 12A above; or if (ii) the Premises should be so damaged thereby that, in Landlord's estimation, rebuilding or repairs cannot be completed within one hundred eighty (180) days after the date of such damage; or if (iii) the Premises should be so damaged thereby that, in Landlord's estimation, rebuilding or repairs of the portion thereof required to be insured by Landlord can be substantially completed within one hundred eighty (180) days after the date of such damage, but the insurance proceeds available to Landlord will not, in Landlord's estimation, be sufficient to complete such rebuilding or repairs (due to such insurance proceeds being applied to mortgage debt or otherwise) and Landlord is either unable or unwilling to advance sufficient funds to complete such rebuilding or repairs; then in any of such events this Lease shall cease and terminate as if and to the extent the effective date of such termination had been the date originally scheduled for the expiration of the term of this Lease, and the Rent shall be abated during the previously unexpired term of this Lease, effective upon the date of the occurrence of such damage.

B. RESTORATION OF PREMISES BY LANDLORD. Subject to the provisions of Section 14A above, if the Premises should be damaged by any peril covered by the insurance to be provided by Landlord under Paragraph 12A above, and in Landlord's estimation, rebuilding or repairs of the portion thereof required to be insured by Landlord can be substantially completed within one hundred eighty (180) days after the date of such damage, this Lease shall not terminate, and Landlord shall restore the Premises to substantially its previous condition, except that Landlord shall not be required to rebuild, repair or replace any part of the partitions, fixtures, additions and other improvements that may have been constructed, erected or installed in, or about the Premises or for the benefit of, or by or for Tenant. During any period of rebuilding, repair and restoration, Landlord shall allow Tenant a fair diminution in Rent. Subject to Force Majeure, if such repairs and rebuilding of the Premises have not been substantially completed within one hundred eighty (180) days after the date of such damage, Tenant, as Tenant's exclusive remedy, shall give Landlord notice of Tenant's intention to terminate the Lease effective as of the date specified in such notice, which date shall be not less than thirty (30) days after the notice. If the repairs and rebuilding have not been substantially completed by the date specified in such notice, Tenant, as Tenant's exclusive remedy, may immediately terminate this Lease by delivering written notice of termination to Landlord, in which event the rights and obligations hereunder shall cease and terminate as if and to the extent the effective date of such termination had been the date originally scheduled for the expiration of the term of this Lease, and Rent shall be abated during the previously unexpired term of this Lease, effective upon the date of the termination.

15. CONDEMNATION. If more than eighty percent (80%) of the Premises are taken for any public or quasi-public use under governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof and the taking

prevents or materially interferes with the use of the Premises for the purpose for which they were leased to Tenant, this Lease shall terminate and the Rent shall be abated during the unexpired portion of this Lease, effective on the date of such taking. If less than eighty percent (80%) of the Premises are taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof, this Lease shall not terminate, but the Rent payable hereunder during the unexpired portion of this Lease shall be reduced to such extent as may be fair and reasonable under all of the circumstances. All compensation awarded in connection with or as a result of any of the foregoing proceedings shall be the property of Landlord, and Tenant hereby assigns any interest in any such award to Landlord; provided, however, Landlord shall have no interest in any award made to Tenant for loss of business or goodwill or for the taking of Tenant's fixtures and improvements, if a separate award for such items is made to Tenant.

16. ASSIGNMENT AND SUBLETTING.

A. PROHIBITION ON ASSIGNMENT AND SUBLETTING. Tenant shall not have the right to assign, sublet, transfer or encumber this Lease, or any interest therein, without the prior written consent of Landlord. Any attempted assignment, subletting, transfer or encumbrance by Tenant in violation of the terms and covenants of this paragraph shall be void. If Tenant requests Landlord's consent to an assignment of this Lease or subletting of all or a part of the Premises, it shall submit to Landlord, in writing, the name of the proposed assignee or subtenant, the commencement date of such assignment or subletting, the nature and character of the business of the proposed assignee or subtenant and the proposed rates, terms and other pertinent conditions of such assignment or subletting. Upon receipt of a request for consent to an assignment or subletting, and unless such request pertains to an assignment or sublease governed by Paragraph 16B below, Landlord shall have the option (to be exercised within thirty (30) days from the submission of Tenant's written request) to (i) cancel this Lease (or the applicable portion thereof as to a partial subletting) as of the commencement date stated in the above-mentioned notice of subletting or assignment, unless Tenant withdraws the proposal to sublet or assign within ten (10) days after Landlord's notice of cancellation is given, (ii) permit such assignment or subletting, or (iii) reasonably withhold its consent to such assignment or subletting. If Landlord elects to cancel this Lease and Tenant does not withdraw the proposal to sublet or assign, then the term of this Lease (as to the applicable portion of the Premises), and the tenancy and occupancy of the applicable portion of the Premises by Tenant hereunder, shall cease, terminate, expire, and come to an end as if the cancellation date was the original termination date of this Lease with respect to the applicable portion of the Premises. In the event Landlord consents to a proposed assignment or subletting and the rent due and payable by any such assignee or sublessee under any such permitted assignment or sublease (or a combination of the rent payable under such assignment or sublease plus any bonus or any other consideration therefor or any payment, incident thereto) exceeds the Base Monthly Rent payable under Paragraph 3 of this Lease for the applicable space, net of Tenant's actual reasonable costs incurred in connection with such assignment or subletting (E.G. attorneys' fees, marketing costs (but not Tenant's internal costs)) and net of any finish out allowance granted by Tenant in connection with any assignment or sublease not in excess of market (E.G., Tenant may not recover any finish out allowance in excess of that which would be granted to a similarly situated tenant for similar space in similar properties in the Dallas/Forth Worth area), Tenant shall pay to Landlord all such excess rent and other excess consideration within ten (10) days following receipt thereof by Tenant, whether or not such assignment or subletting pertains to an assignment or subletting permitted under Paragraph 16B below.

B. PERMITTED ASSIGNMENTS/SUBLEASES.

(1) Notwithstanding the provisions of Paragraph 16A, Tenant may, without the consent of Landlord, at any time assign or otherwise transfer this Lease or any portion thereof to any Affiliate (hereinafter defined); or any corporation resulting from the consolidation or merger of Tenant into or with any other entity; or to any person, firm, entity or corporation acquiring a majority of Tenant's issued and outstanding capital stock or substantially all of Tenant's

assets. As used herein, the term AFFILIATE shall mean a person or entity, corporate or otherwise, that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with Tenant. The term CONTROL means the right and power, direct or indirect, to direct or cause the direction of the management and policies of a person or business entity, corporation or otherwise, through ownership or voting securities, by contract or otherwise; provided, however, that in the event of an assignment, the assignee shall assume in writing the terms and conditions set forth herein to be observed and performed by the Tenant in a form reasonably approved by Landlord. A sublease or assignment pursuant to this Paragraph 163(1) shall not be subject to Landlord's recapture rights set forth in Paragraph 16A above.

(2) Notwithstanding the provisions of Paragraph 16A, and without limiting the provisions of Paragraph 163(1) above, Landlord agrees not to unreasonably withhold its consent to a one (1) time sublease of all or a portion of the Premises by the Tenant named herein provided that such sublease has a term not to exceed one (1) calendar year, inclusive of any renewal or extension rights, and the term of such sublease shall in any event expire no later than the ninth (9th) anniversary of the Rent Commencement Date. The subtenant under such sublease shall have no right to occupy any portion of the Premises in excess of one (1) calendar year. A sublease pursuant to this Paragraph 16B(2) shall not be subject to Landlord's recapture rights set forth in Paragraph 16A above. This Paragraph 16B(2) will only apply to the first sublease having a full term, inclusive of extension and renewal rights, of one (1) year or less for which Tenant requests Landlord's consent, and any additional requests for a consent to any sublease shall be governed solely by the provisions of Paragraph 16A and 16B(1) above.

C. ASSIGNMENTS IN BANKRUPTCY.

(1) If this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, 11 U.S.C. Section 101 et. seq. (the BANKRUPTCY CODE), any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute property of Tenant or of the estate of Tenant within the meaning of the Bankruptcy Code. Any and all monies or other considerations constituting Landlord's property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and be promptly paid or delivered to Landlord.

(2) Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code, shall be deemed, without further act or deed, to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon demand execute and deliver to Landlord an instrument confirming such assumption.

D. EFFECT OF ASSIGNMENT. Any assignee, sublessee or transferee of Tenant's interest in this Lease (all such assignees, sublessees and transferees being hereinafter referred to as TRANSFEREES), by assuming Tenant's obligations hereunder, shall assume liability to Landlord for all amounts paid to persons other than Landlord by such Transferees in contravention of this Paragraph 16. No assignment, subletting or other transfer, whether consented to by Landlord or not or permitted hereunder shall relieve the Tenant named herein of any liability hereunder for the obligations of the "Tenant". If an event of default occurs while the Premises or any part thereof are assigned or sublet, then Landlord, in addition to any other remedies herein provided, or provided by law, may collect directly from such Transferee all rents payable to the Tenant and apply such rent against any sum due Landlord hereunder. No such collection shall be construed to constitute a novation or a release of Tenant from the further performance of Tenant's obligations hereunder.

17. DEFAULT BY TENANT. The following events (herein individually referred to as EVENT OF DEFAULT) each shall be deemed to be events of default by Tenant under this Lease:

A. Tenant shall fail to pay any installment of the Rent herein reserved when due, or any other payment or reimbursement to Landlord required herein when due, and such failure shall continue for a period of five (5) days from the date such payment was due.

B. Tenant or any guarantor of the Tenant's obligations hereunder shall (i) become insolvent; (ii) admit in writing its inability to pay its debts; (iii) make a general assignment for the benefit of creditors; (iv) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property; or (v) take any action to authorize or in contemplation of any of the actions set forth above in this paragraph.

C. Any case, proceeding or other action against the Tenant or any guarantor of the Tenant's obligations hereunder shall be commenced seeking (i) to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent; (ii) reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors; (iii) appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (a) results in the entry of an order for relief against it which it is not fully stayed within seven (7) business days after the entry thereof or (b) shall remain undismissed for a period of forty-five (45) days.

D. Tenant shall (i) vacate all or a substantial portion of the Premises or (ii) fail to continuously operate its business at the Premises for the permitted use set forth herein, whether or not Tenant is in default of the rental payments due under this Lease.

E. Tenant shall fail to discharge any lien placed upon the Premises or the Project, or any portion thereof, in violation of Paragraph 27 hereof within twenty (20) days after any such lien or encumbrance is filed.

F. Tenant shall fail to comply with any other terms in this Lease other than those for which an event of default has been described in this Paragraph 17, and such failure is not cured within thirty (30) days after written notice thereof to Tenant, or if such failure cannot reasonably be cured in thirty (30) days, such time as is reasonable under the circumstances, not to exceed ninety (90) days, and provided that Tenant must diligently proceed to cure the default.

18. LANDLORD'S REMEDIES. Upon the occurrence of any event of default specified in this Lease, Landlord, at its option, may exercise one (1) or more of the following remedies, in addition to all other rights and remedies provided at law or in equity.

A. Landlord may, without judicial process, terminate this Lease (whereupon all obligations and liabilities of Landlord hereunder shall terminate) and without further notice repossess the Premises without having any liability therefor (including specifically any liability or duty under Section 93.002 of the Texas Property Code which is specifically superseded by this Paragraph 18A) and be entitled to recover all loss and damage Landlord may suffer by reason of such termination, whether through inability to relet the Premises on satisfactory terms or otherwise, including without limitation, accrued Rent and interest thereon, accrued late charges and interest thereon, the unamortized cost of the Improvements made at Landlord's expense pursuant to Paragraph 2 hereof or otherwise, broker's fees and commissions, attorneys' fees,

moving allowance and any other costs incurred by Landlord in connection with making or executing this Lease, the cost of recovering the Premises and the costs of reletting the Premises (including without limitation advertising costs, brokerage fees, leasing commissions, reasonable attorneys' fees and refurbishing costs). If such termination is caused by the failure to pay Rent and/or the abandonment of any substantial portion of the Premises, Landlord may elect, by sending written notice thereof to Tenant, to receive liquidated damages in an amount equal to the product of (i) the sum of the all Rent and other charges payable hereunder for the month during which this Lease is terminated multiplied by (ii) the lesser of (x) the product of sixty percent (60%) multiplied by the number of full calendar months which would have remained in the term of this Lease but for such termination or (y) twenty-four (24). Such liquidated damages shall be in lieu of the payment of loss and damage accruing after the date of such termination, but shall not be in lieu of or reduce in any way any amounts or damages payable by Tenant to Landlord and accruing prior to the date of termination, which for all purpose shall include, but not be limited to, accrued Rent and interest thereon, late charges and interest thereon the unamortized cost of Tenant's improvements, broker's fees, and commissions, attorneys' fees, any moving allowances and any other costs incurred by Landlord in connection with making or executing this Lease. Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

B. Landlord may, without judicial process, immediately terminate Tenant's right of possession of the Premises by delivering to Tenant written notice of such termination (whereupon all obligations and liability of Landlord hereunder shall terminate), but not terminate this Lease, and, without notice or demand, enter upon the Premises or any part thereof and take absolute possession of the same, expel or remove Tenant and any other person or entity who may be occupying the Premises, by force if necessary, change the locks, without having any liability therefor (including specifically any liability or duty under Section 93.002 of the Texas Property Code which is specifically superseded by this Paragraph 18B) and at Landlord's option, Landlord may relet the Premises or any part thereof for such terms and such rents as Landlord may in its sole discretion elect. In the event of a termination of Tenant's possession of the Premises under this Part B and notwithstanding anything in Section 93.002 of the Texas Property Code to the contrary, Landlord shall have no obligation whatsoever to tender to Tenant a key for new locks installed in the Premises and Tenant shall have no further right to possession of the Premises. In the event Landlord shall elect so to relet, then rent received by Landlord from such reletting shall be applied first, to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord (in such order as Landlord shall designate), second, to the payment of any cost of such reletting, including, without limitation, refurbishing coats, reasonable attorneys' fees, advertising costs, brokerage fees and leasing commissions, and third, to the payment of Rent due and unpaid hereunder (in such order as Landlord shall designate), and Tenant shall satisfy and pay any deficiency upon demand thereof from time to time. Landlord shall not be responsible or liable for any failure, and Tenant hereby waives any obligation on the part of Landlord, to relet the Premises or any part thereof or to collect any rent due upon any such reletting. No re-entry or taking of possession of the Premises by Landlord pursuant to this Paragraph 18B shall be construed as an election on Landlord's part to terminate this Lease unless a written notice of such termination is given to Tenant pursuant to Paragraph 18A above and, notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach. If Landlord relets the Premises (it being understood and agreed that Landlord shall have no obligation whatsoever to relet the Premises), either before or after the termination of this Lease for a rental rate greater than the Rent provided in this Lease, then for that portion of the Premises that is subject to such new lease, all such excess rentals shall be and remain the exclusive property of Landlord, and Tenant shall not be, at any time, entitled to recover said excess rental.

C. Landlord may, without judicial process enter upon the Premises, by force if necessary, without having any civil or criminal liability therefor (including specifically any liability or duty under Section 93.002 of the Texas Property Code which is superseded by this Paragraph 18C), and do whatever Tenant is obligated to do under the terms of this Lease, and Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in effecting compliance with Tenant's obligations under this Lease plus an administrative fee equal to ten percent (10%) of the amount of such reimbursement. Tenant further agrees that Landlord shall not be liable for any damages resulting to Tenant from such action, whether caused by the negligence of Landlord or otherwise.

D. Any repossession of or re-entering on the Premises by Landlord under this Article shall be without liability or responsibility for damages to Tenant. No repossession of or re-entering upon the Premises or any part thereof pursuant to Paragraphs 18B or 18C or otherwise and no reletting of the Premises or any part thereof pursuant to Paragraph 18B shall relieve Tenant or any guarantor of its liabilities and obligations hereunder, all of which shall survive such repossession or re-entering. In the event of any such repossession of or re-entering upon the Premises or any part thereof by reason of the occurrence of an event of default, Tenant will continue to pay to Landlord Rent required to be paid by Tenant.

E. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute. In addition to the other remedies provided in this Lease, Landlord shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the covenants, agreements, conditions or provisions of this Lease, or to a decree compelling performance of any of the covenants, agreements, conditions or provisions of this Lease, or to any other remedy allowed to Landlord at law or in equity. Tenant shall indemnify and hold Landlord harmless from any and all costs, expenses (including reasonable attorneys' fees), claims and causes of action arising from or in connection with any default by Tenant under this Lease.

F. If Landlord repossesses the Premises pursuant to the authority herein granted or provided at law or in equity, then Landlord shall have the right to (i) keep in place and use or (ii) remove and store all of the furniture, fixtures and equipment at the Premises, including that which is owned by or leased to Tenant at all times prior to any foreclosure thereon by Landlord or repossession thereof by any lessor thereof or third party having a superior lien thereon. Landlord also shall have the right to relinquish possession of all or any portion of such furniture, fixtures, equipment and other property to any person (CLAIMANT) who presents to Landlord a copy of any instrument represented by Claimant to have been executed by Tenant (or any predecessor of Tenant) granting Claimant the right under various circumstances to take possession of such furniture, fixtures, equipment or other property, without the necessity on the part of Landlord to inquire into the authenticity or legality of said instrument. The rights of Landlord herein stated shall be in addition to any and all other rights that Landlord has or may hereafter have at law or in equity; and Tenant stipulates and agrees that the rights herein granted Landlord are commercially reasonable.

19. DEFAULT BY LANDLORD AND TENANT'S REMEDIES. If Landlord fails to perform any of its obligations hereunder within thirty (30) days after written notice from Tenant specifying such failure, or if such obligations cannot reasonably be accomplished in thirty (30) days, Landlord has not commenced performance within such thirty (30) day period and thereafter diligently prosecutes performance through completion, Tenant's exclusive remedy shall be an action for actual damages. In no event shall Landlord be liable to Tenant for consequential, punitive or special damages (or any similar types of damages) by reason of a failure to perform (or a default) by Landlord hereunder or otherwise. Unless and until Landlord fails to so cure any default after such notice, Tenant shall not have any remedy or cause of action by

reason thereof. All obligations of Landlord hereunder will be construed as covenants, not conditions; and all such obligations will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "Landlord" shall mean only the owner, for the time being, of the Premises, and in the event of the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all covenants and obligations of the Landlord thereafter accruing, but such covenants and obligations shall be binding during the term of this Lease upon each new owner for the duration of such owner's ownership. Notwithstanding any other provisions hereof, Landlord shall not have any personal liability hereunder. In the event of any breach or default by Landlord in any term or provision of this Lease, Tenant agrees to look solely to the equity or interest then owned by Landlord in the Project or the Building of which the Premises are a part; however, in no event, shall any deficiency judgment or any money judgment of any kind be sought or obtained against Landlord.

20. BANKRUPTCY.

A. Notwithstanding anything in this Lease to the contrary, all amounts payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated as Rent, shall constitute rent for the purposes of Section 502(b)(6) of the Bankruptcy Code.

B. This a contract under which applicable law excuses Landlord from accepting performance from (or rendering performance to) any person or entity other than Tenant within the meaning of Sections 365(c) and 365(e)(2) of the Bankruptcy Code.

21. SECURITY DEPOSIT.

A. Tenant agrees to deposit with Landlord on the date hereof an initial amount equal to \$358,010.25 (the SECURITY DEPOSIT), which shall be held by Landlord as security for the performance of Tenant's obligations under this Lease, it being expressly understood and agreed that this deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon each occurrence of an EVENT OF DEFAULT BY TENANT, Landlord may use all or part of the Security Deposit to pay past due Rent or other payments due Landlord under this Lease, and the cost of any other damage, injury, expense or liability caused by such event of default without prejudice to any other remedy provided herein or provided by law. On demand, Tenant shall pay Landlord the amount that will RESTORE the Security Deposit to the amount required on the immediately preceding anniversary of the Rent Commencement Date. The Security Deposit shall be deemed the property of Landlord, but any remaining balance of such deposit shall be returned by Landlord to Tenant when Tenant's obligations under this Lease have been fulfilled and this Lease terminated. Notwithstanding the above, on each anniversary of the Rent Commencement Date, and provided that Tenant is not then in default under this Lease and no event has occurred that, if uncured with the passage of time, would result in an event of default, the Security Deposit will be reduced by ten percent (10%) and Landlord will remit to Tenant within fifteen (15) days after such anniversary date (the REDUCTION PAYMENT DATE) an amount equal to such ten percent (10%) reduction.

B. Landlord agrees to place the Security Deposit in a Certificate of Deposit in Landlord's name (the CD) with Nations Bank, Dallas, N.A. (branch to be designated by Landlord). The initial CD shall have a maturity date of not later than the first anniversary of the Rent Commencement Date and shall thereafter be renewed for one (1) year terms throughout the Lease Term. All interest accruing from year-to-year on such CD shall be for the benefit of Tenant and shall be paid to Tenant by Landlord on the Reduction Payment Date unless during any one year period beginning and ending on each anniversary of the Rent Commencement Date (except that the first one year period shall be deemed to begin on the Commencement Date and end on the first anniversary of the Rent Commencement Date) there has occurred an event of default by Tenant under this Lease and Landlord has utilized the Security Deposit, thereby cashing or drawing down upon the CD, to cure Tenant's default or to recover Landlord's damages as set forth in subparagraph A above. If during the Lease Term there occurs an event

of default due to which Landlord cashes in or draws down upon the CD, Landlord shall thereafter be relieved and released from any obligation to maintain the Security Deposit in a certificate of deposit or to otherwise account to Tenant for any interest on the Security Deposit. Instead, the Security Deposit will be thereafter held by Landlord, without obligation for interest, in such account or accounts as Landlord, in its sole discretion, may elect, including commingling the Security Deposit with other funds of Landlord. TENANT HEREBY RELEASES AND AGREES TO HOLD LANDLORD HARMLESS FROM ANY LIABILITY, DAMAGES OR LOSSES SUFFERED OR INCURRED BY TENANT AS A RESULT OF ANY "FAILURE" OF THE INSTITUTION HOLDING THE SECURITY DEPOSIT (IN THE FORM OF A CD OR CASH).

22. SECURITY INTEREST. In addition to, and without limitation of, the security for Tenant's performance of its obligations set forth in Paragraph 21 above, to assure payment of all sums due hereunder and the faithful performance of all other covenants of this Lease, Tenant hereby grants to Landlord an express contract lien on and security interest in and to the Security Deposit. On the date this Lease is executed or at any time thereafter upon the request of Landlord, Tenant shall execute and deliver to Landlord two (2) multiple originals of a financing statement in form sufficient to perfect the security interest granted hereunder. A carbon, photographic or other reproduction of this Lease is sufficient and may be filed as a financing statement. Landlord shall have all the rights and remedies of a secured party under the Texas Business and Commerce Code and this lien and security interest may be foreclosed by process of law. Landlord otherwise waives and negates any and all contractual liens and security interests, statutory liens and security interests or constitutional liens and security interests arising by operation of law or otherwise to which Landlord might now or hereafter be entitled on all property of Tenant now owned or hereafter placed in or upon the Premises (except for judgment liens which may hereafter arise in favor of Landlord).

23. SURRENDER UPON TERMINATION. At the termination of this Lease, by its expiration or otherwise, Tenant immediately shall deliver possession of the Premises to Landlord with all repairs and maintenance required herein to be performed by Tenant completed. Prior to Tenant vacating the Premises, Tenant shall pay to Landlord any amount reasonably estimated by Landlord as necessary to put the Premises, including without limitation, all heating and air conditioning systems and equipment therein, in good condition and repair, reasonable wear and tear excluded. All such amounts shall be used and held by Landlord for payment of such obligation of Tenant hereunder, with Tenant being liable for any additional costs therefor upon demand by Landlord, or with any excess to be returned to Tenant after all such obligations have been determined and satisfied as the case may be. Any security deposit held by Landlord shall be credited against the amount due from Tenant under this Paragraph 23. All obligations of Tenant hereunder not fully performed as of the expiration or earlier termination of the term of this Lease shall survive the expiration or earlier termination of the term hereof, including without limitation, all payment obligations with respect to taxes and insurance and all obligations concerning the condition and repair of the Premises.

24. HOLDING OVER. If, for any reason, Tenant retains possession of the Premises after the expiration or termination of this Lease, unless the parties hereto otherwise agree in writing, such possession shall be subject to termination by either Landlord or Tenant at any time upon not less than ten (10) days advance written notice, and all of the other terms and provisions of this Lease shall be applicable during such period, except that Tenant shall pay Landlord from time to time, upon demand, as rental for the period of such possession, an amount equal to 150% of the Base Monthly Rent in effect on the termination date, computed on a daily basis for each day of such period. No holding over by Tenant, whether with or without consent of Landlord, will shall operate to extend this Lease except as otherwise expressly provided. The preceding provisions of this Paragraph 24 shall not be construed as consent for Tenant to retain possession of the Premises in the absence of written consent thereto by Landlord. In addition to the above, Tenant shall be liable to Landlord for Landlord's actual damages resulting as a result of any holdover by Tenant.

25. QUIET ENJOYMENT. Landlord covenants that on or before the Commencement Date it will have good title to the Premises, free and clear of all liens and encumbrances, excepting only the lien for current taxes not yet due, such mortgage or mortgages as are permitted by the terms of this Lease, zoning ordinances and other building and fire ordinances and governmental regulations relating to the use of such property, and easements, restrictions and other conditions of record. Landlord agrees that so long as Tenant pays all amounts due hereunder and performs all other covenants and agreements herein set forth, Tenant shall peaceably and quietly have, hold and enjoy the Premises for the term of this Lease without hindrance or molestation from Landlord, subject to the terms and provisions of this Lease.

26. ENTRY BY LANDLORD. Landlord and Landlord's agents and representatives shall have the right to enter the Premises at any reasonable time during business hours, to inspect the Premises and to make such repairs as may be required or permitted pursuant to this Lease or to make such repairs or installations as are necessary for other tenants in the Building. During the period that is nine (9) months prior to the end of the term of this Lease, upon telephonic notice to Tenant, Landlord and Landlord's representatives may enter the Premises during business hours for the purpose of showing the Premises. In addition, Landlord shall have the right to erect a suitable sign on the Premises stating the Premises are available. Landlord shall also have the right (but not the obligation) to enter the Premises at any time, and by force if necessary, in the case of an emergency. Tenant shall notify Landlord in writing at least thirty (30) days prior to vacating the Premises and shall arrange to meet with Landlord for a joint inspection of the Premises prior to vacating. If Tenant fails to give such notice or to arrange for such inspection, then Landlord's inspection of the Premises shall be deemed correct for the purpose of determining Tenant's responsibility for repairs and restoration of the Premises.

27. MECHANICS LIENS. Tenant has no authority, express or implied, to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind the interest of Landlord or Tenant in the Premises or the Project or to charge the Rent payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed at the Premises or the Project and that it will indemnify and hold Landlord harmless from and against any and all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of Landlord in the Premises or the Project or under the terms of this Lease. Tenant agrees to give Landlord immediate written notice of the placing of any lien or encumbrance against the Premises or the Project.

28. WAIVER. No waiver by Landlord of any provision of this Lease or of any default, event of default or breach of Tenant hereunder shall be deemed to be a waiver of any other provision of this Lease, or of any subsequent default, event of default or breach by Tenant of the same or any other provision. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act of Tenant. No act or thing done by Landlord or Landlord's agents during the term of this Lease shall be deemed an acceptance of a surrender of the Premises, unless done in writing signed by Landlord. The delivery of the keys to any employee or agent of Landlord shall not operate as a termination of this Lease or a surrender of the Premises. The acceptance of any Rent by Landlord following a default, event of default or breach of this Lease by Tenant shall not constitute a waiver by Landlord of such default, event of default or breach or any other default, event of default or breach unless such waiver is expressly stated in writing and signed by Landlord.

29. SUBORDINATION. Tenant accepts this Lease subject and subordinate to any mortgages and/or deeds of trust now or at any time hereinafter constituting a lien or charge upon the Premises, provided, however, that if the mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have Tenant's interest in this Lease superior to any such instrument, then by notice to Tenant from such mortgagee, trustee

or holder, this Lease shall be deemed superior to such lien, whether this Lease was executed before or after said mortgage or deed of trust. Tenant, at any time hereafter on demand, shall execute any instruments, releases or other documents that may be required by any mortgagee for the purpose of subjecting and subordinating this Lease to the lien of any such mortgage.

30. TENANT ESTOPPELS. Tenant agrees, from time to time, within ten (10) days after request of Landlord, to deliver to Landlord, or Landlord's designee, a certificate of occupancy and an estoppel certificate stating that this Lease is in full force and effect, the date to which Rent has been paid, the unexpired term of this Lease and such other factual matters pertaining to this Lease as may be requested by Landlord. It is understood and agreed that Tenant's obligation to furnish such estoppel certificates in a timely fashion is a material inducement for Landlord's execution of this Lease.

31. NOTICES. All notices, requests, approvals, and other communications required or permitted to be delivered under this Lease must be in writing and are effective (i) on the business day sent if sent by telecopier during normal business hours and the sending telecopier generates a written confirmation of sending; (ii) the next business day after delivery to a nationally-recognized-overnight-courier service for prepaid overnight delivery; (iii) if orderly delivery of the mail is not then disrupted or threatened, in which event some method of delivery other than the mail must be used, three (3) days after being deposited in the United States mail, certified, return receipt requested, postage prepaid; or (iv) upon actual receipt by the addressee if delivered personally or by any method other than by telecopier (with written confirmation), nationally-recognized-overnight-courier service, or mail; in each instance addressed to Landlord or Tenant, as the case may be, addressed:

if to Landlord, as follows:

MEPC Quorum Properties II Inc.
15303 Dallas Parkway, Suite 100, LB 10
Dallas, Texas 75248
Attn: Property Manager
Telecopy: (972) 851-7012

and, if to Tenant, as follows:

Mannatech, Inc.
2010 North Highway 360
Grand Prairie, Texas 75050
Attn: Ronald E. Kozak
Telecopy: (972) 623-1902

or to such other address or to the attention of such other person as shall be designated by the applicable party and on fifteen (15) days notice from time to time in writing and sent in accordance herewith.

32. PARKING. Tenant and its employees, customers and licensees shall have the exclusive right to use any parking areas that have been specifically designated for such exclusive use by Landlord on the site plan for the Land attached hereto as EXHIBIT "B" and incorporated herein by reference, subject to (i) all rules and regulations promulgated by Landlord in its reasonable discretion, and (ii) rights of ingress and egress of other lessees of the Land or the Development, as applicable. Tenant and its employees, customers and licensees shall not have the right to use any parking area that are from time to time specifically designated by Landlord for exclusive use by another lessee, except to the extent necessary for ingress and egress. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties. Tenant agrees not to use more spaces than so provided.

33. OPTION TO RENEW.

A. If Tenant is not in default under this Lease at the time of the exercise of this option or at the commencement of the applicable Lease Term extension, Tenant is granted the option (the OPTION) to extend the Lease Term for one (1) extension term of five (5) years commencing on the next day after the expiration of the initial Lease Term by giving Landlord an extension notice at least twelve (12) months, but not more than fifteen (15) months, prior to the expiration of the initial Lease Term. Tenant's lease of the Premises during the extended Lease Term will be upon the same terms as in the Lease for the initial Lease Term, except that (i) Base Monthly Rent will adjust on the first day of the extended Lease Term to the Market Rate (defined below), (ii) during the extended Lease Term Tenant will have no further options or rights to extend the Lease Term, and (iii) Paragraph 5B shall be deemed omitted.

B. Within thirty (30) days after Landlord receives Tenant's written notice of its exercise of the Option, Landlord shall deliver a notice to Tenant (the MARKET RATE NOTICE) specifying the Market Rate for the extended Lease Term, such to be based upon Landlord's determination of rents being charged for comparable space in similar properties in the Dallas/Fort Worth area for terms commensurate with the extended Lease Term and for tenants similarly situated. Tenant shall have fifteen (15) days (the EXAMINATION PERIOD) from its receipt of the Market Rate Notice to accept or reject Landlord's designation of the Market Rate. If Tenant accepts Landlord's designation of the Market Rate, the MARKET RATE will be as set forth in the Market Rate Notice. If Tenant fails to reject in writing Landlord's designation of the Market Rate set forth in the Market Rate Notice during the Examination Period, Tenant shall be deemed to have accepted Landlord's designation of the Market Rate, and Tenant's election to exercise the Option shall be irrevocable. If Tenant timely rejects Landlord's designation of the Market Rate prior to the expiration of the Examination Period and Landlord and Tenant cannot agree in writing on the Market Rate within fifteen (15) days after the date Landlord receives Tenant's timely rejection of Landlord's designation of the Market Rate set forth in the Market Rate Notice (the NEGOTIATION PERIOD), Tenant shall have the right to revoke its exercise of the Option by written notice to Landlord within five (5) days after the expiration of the Negotiation Period. If Tenant fails to revoke its exercise of the Option within this five (5) day period, then Tenant's exercise of the Option will be irrevocable and the Base Monthly Rent for the extended Lease Term will be based upon the Market Rate set forth in the Market Rate Notice.

C. Tenant may not assign the Option to any assignee of the Lease. No sublessee and no assignee may exercise the Option.

D. If the Lease Term is extended under this Paragraph 33, Landlord shall prepare, and Landlord and Tenant will execute and deliver an amendment to the Lease extending the Lease Term within fifteen (15) days after the Market Rate is determined but in no event later than the date that the applicable extension term commences; provided, however, that the failure of the parties to enter into such an amendment will not affect the validity of Tenant's exercise of the Option or the obligations of the parties during the extended Lease Term.

34. MISCELLANEOUS.

A. FINANCIAL STATEMENTS. During each Lease Year, Tenant shall provide to Landlord true, correct and complete copies of Tenant's year end financial statements audited by a third party certified public accountant on or before the sixtieth day after the expiration of Tenant's just completed fiscal year. In addition, Tenant shall provide other financial data or statements, such as the most recent quarterly financial statements of Tenant, upon Landlord's request; provided, however, that Landlord may not request such additional statements more than once per Lease Year.

B. CONFIDENTIALITY. Tenant shall keep the terms and provisions of this Lease confidential at all times and not disclose the terms and provisions hereof to any

party without Landlord's prior written consent, which may be withheld by Landlord in its sole discretion. Landlord hereby consents to the disclosure of the terms and provisions of this Lease to employees of Tenant, Tenant's attorneys and to any financial institution Tenant is seeking financing from in connection with this Lease and/or Tenant's operations at the Premises. The terms of this paragraph and Tenant's agreement thereto are a material inducement to Landlord entering into this Lease, and Tenant agrees that Landlord may be severely damaged by a breach of this paragraph and the confidentiality obligations herein contained. Tenant agrees that in the event of a breach of this paragraph, Landlord may, in addition to any other remedies it may have under this Lease or at law or equity, seek injunctive relief against Tenant and/or recover damages from Tenant.

C. HEADINGS/GENDER. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

D. RUN WITH THE LAND. The terms, provisions and covenants and conditions contained in this Lease shall run with the land and shall apply to, inure to the benefit of, and be binding upon, the parties hereto and upon their respective heirs, executors, personal representatives, legal representatives, successor and assigns, except as otherwise herein expressly provided. Landlord shall have the right to transfer and assign, in whole or in part, its rights and obligations in the Premises, Building and/or Land that are the subject of this Lease. Each party agrees to furnish to the other, promptly upon demand, a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of such party to enter into this Lease.

E. ORGANIZATION AND AUTHORITY. Tenant represents and warrants to Landlord that (i) Tenant is a duly organized and existing TEXAS corporation and has the full right and authority to enter into this Lease and to perform all of its obligations hereunder, (ii) all requisite authorizing actions have been taken by Tenant in connection with the entering into of this Lease, (iii) this Lease is the valid, legally binding obligation of and enforceable against Tenant in accordance with its terms, and (iv) each of the persons signing this Lease on behalf of Tenant is authorized to do so. Upon request by Landlord, Tenant will provide a certified copy of the resolutions of the board of directors of Tenant authorizing the entering into of this Lease by Tenant and the execution hereof by the persons who sign this Lease on behalf of Tenant.

F. RECORDING. Tenant may not record this Lease or any memorandum thereof.

G. ENTIRE AGREEMENT. This Lease constitutes the entire understanding and agreement of the Landlord and Tenant with respect to the subject matter of this Lease, and contains all of the covenants and agreements of Landlord and Tenant with respect thereto. Landlord and Tenant each acknowledge that no representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations not expressly set forth in this Lease are of no force or effect. This Lease may not be altered, changed or amended except by an instrument in writing signed by both parties hereto.

H. FORCE MAJEURE. As used in this Lease, FORCE MAJEURE shall mean a delay caused by reason of fire, acts of God, unreasonable delays in transportation, embargo, weather (I.E., rain and rain related conditions, humidity, temperature, wind, etc.), strike, other labor disputes, governmental preemption of priorities or other controls in connection with a national of other public emergency, governmental delays in permitting, delays caused by any governmental disapproval of, or required revisions to, the Finish Plans, or shortages of fuel, supplies or labor or any similar cause not within Landlord's reasonable control. Landlord shall not be held responsible for

delays in the performance of its obligations hereunder caused by Force Majeure, and such delays shall be excluded from the computation of the time allowed for the performance of such obligations. It is expressly agreed that the number of delay days may include not only the day or days upon which the event of Force Majeure occurred but the number of days thereafter that work could not resume due to the occurrence of such event of Force Majeure. By way of example only, rain on a Sunday, which is not scheduled as a normal work day, may prevent work for several days thereafter due to mud conditions.

I. SEVERABILITY. If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws effective during the term of this Lease, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and it is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

J. DATE OF LEASE. All references in this Lease to "the date hereof" or similar references shall be deemed to refer to the last date, in point of time, on which all parties hereto have executed this Lease.

K. BROKERS.

(1) Tenant represents and warrants that, except for The Amend Group (BROKER), Tenant has not dealt with any broker, agent or other person in connection with this transaction and that, except for Broker, no broker, agent or other person brought about this transaction through the acts of or employment by Tenant, and, except with respect to any commission or fee owed to Broker, Tenant agrees to indemnify and hold Landlord harmless from and against any claims by any broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Tenant with regard to this leasing transaction.

(2) Landlord represents and warrants that, except for Broker, Landlord has not dealt with any broker, agent or other person in connection with this transaction and that, except for Broker, no broker, agent or other person brought about this transaction through the acts of or employment by Landlord. Landlord has agreed to pay Broker a commission pursuant to a separate written agreement between Landlord and Broker, and Landlord agrees to indemnify and hold Tenant harmless from and against any claims by Broker or any broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Landlord with regard to this leasing transaction.

L. COUNTERPARTS. This Lease may be executed in counterparts, each being deemed an original, but together constituting only one instrument.

M. TIME FOR PERFORMANCE. TIME IS OF THE ESSENCE WITH RESPECT TO ALL PERFORMANCE OBLIGATIONS CONTAINED IN THIS LEASE.

N. ATTORNEYS FEES. In the event it becomes necessary for either party hereto to file a suit to enforce this Lease or any provisions contained herein, the party prevailing in such action shall be entitled to recover, in addition to all other remedies or damages, reasonable attorneys fees incurred in such suit.

O. LAW GOVERNING. This Lease shall be construed and interpreted in accordance with the laws of the State of Texas and the obligations of the parties hereto are and shall be performable in, and venue for any claim or cause of action shall reside in, Dallas County, Texas.

P. AMENDMENTS. This Lease may not be modified or amended, except by an agreement in writing signed by Landlord and Tenant. The parties may waive any of the conditions contained herein or any of the obligations of the other party hereunder, but any such waiver shall be effective only if in writing and signed by the party waiving such conditions or obligations, except as specifically set forth herein.

EXECUTED BY Landlord, this 7th day of November, 1996.

MEPC QUORUM PROPERTIES II INC.,

By: /s/ Howard Garfield

Name: HOWARD GARFIELD

Title: VICE PRESIDENT

By: /s/ David L. Carlson

Name: David L. Carlson

Title: Vice President

EXECUTED BY Tenant, this 7th day of November, 1996.

MANNATECH, INC., a TEXAS corporation

By: /s/ Ronald E. Kozak

Name: Ronald E. Kozak

Title: Chief Executive Officer

Exhibits:

- Exhibit A: Land
Exhibit B: Site Plan
Exhibit C: Contractor Insurance Requirements

EXHIBIT "A"

THE LAND

Being Lot 4R of Replat of a portion of "Freeport North," an addition to the City of Coppell, Texas, according to the Map thereof recorded in Volume 95245, Page 2050, Map Records of Dallas County, Texas.

EXHIBIT "B"

SITE PLAN

[MAP]

Map illustrates the leased premises.

EXHIBIT "C"

CONTRACTOR INSURANCE REQUIREMENTS

All contractors, subcontractors, suppliers, service providers, moving companies, and others performing work of any type for Tenant at the Premises shall:

- carry the insurance listed below with companies acceptable to Landlord; and
- furnish Certificates of Insurance to Landlord evidencing required coverages at least ten (10) days prior to entry in the Premises and Renewal Certificates at least thirty (30) days prior to the expiration dates of Certificates previously furnished.

Certificates of Insurance must provide for thirty (30) days' prior written notice of cancellation or material change to Landlord.

- (1) WORKERS COMPENSATION: Statutory workers compensation insurance covering full liability under applicable Workers Compensation Laws at the required statutory limits.
- (2) EMPLOYERS' LIABILITY: Employers' liability insurance with the following minimum limits of liability:
 - \$100,000 Each Accident
 - \$500,000 Disease-Policy Limit
 - \$100,000 Disease-Each Employee
- (3) COMMERCIAL GENERAL LIABILITY: This insurance policy must:
 - (a) Be written on a standard liability policy form (sometimes known as commercial general liability insurance) BUT WITHOUT exclusionary endorsements that may delete coverage for products/completed operations, personal and advertising injury, blanket contractual, fire legal liability, or medical payments.
 - (b) Be endorsed to provide that:
 - aggregate limits, if any, apply separately to each of the insured's jobs or projects away from premises owned by or rented to the insured;
 - the insurance is primary and non-contributory to any insurance provided by Landlord; and
 - include the following minimum limits:
 - \$1,000,000 General Aggregate
 - \$1,000,000 Products-Completed Operations Aggregate
 - \$1,000,000 Personal & Advertising Injury
 - \$1,000,000 Each Occurrence
 - \$ 50,000 Fire Damage (Any one fire)
 - \$ 5,000 Medical Expense (Any one person)
- (4) AUTOMOBILE LIABILITY: Automobile liability insurance for claims of ownership, maintenance, or use of owned, non-owned, and hired motor vehicles at, upon, or away from the Premises with the following minimum limits:
 - \$500,000 Combined Single Limit Bodily Injury and Property Damage per Occurrence

(5) EXCESS LIABILITY: Following form excess liability insurance with coverages at least as broad as the required commercial general liability insurance with the following minimum limits:

\$1,000,000	Each Occurrence
\$2,000,000	Aggregate

(6) GENERAL REQUIREMENTS: All policies must be:

- written on an occurrence basis and not on a claims-made basis;
- endorsed to name as additional insureds Landlord, and its respective officers, directors, employees, agents, partners, and assigns;
- endorsed to waive any rights of subrogation against Landlord and its respective officers, directors, employees, agents, partners, and assigns; and primary and non-contributing with, and not in excess of, any other insurance available to Tenant and Landlord (or any other entity named as an additional insured).

FIRST AMENDMENT TO COMMERCIAL LEASE AGREEMENT

THIS FIRST AMENDMENT TO COMMERCIAL LEASE AGREEMENT (THIS "AMENDMENT") is entered into by and between MEPC Quorum Properties II Inc., a Delaware corporation (LANDLORD) and Mannatech, Inc., a Texas corporation TENANT) effective as of May 29, 1997.

A. Landlord and Tenant have heretofore entered into a Commercial Lease Agreement (the LEASE) pursuant to which Landlord leased to Tenant approximately 110,157 square feet in the Building (as defined in the Lease) located on the Land described on EXHIBIT "A" attached hereto and located in the Freeport North Industrial Park, Coppell, Texas;

B. Landlord and Tenant now wish to amend the Lease.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which being hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Paragraph 17A of the Lease is deleted and replaced with the following:

"A. Tenant shall fail to pay any installment of the Rent herein reserved when due, or any other payment or reimbursement to Landlord required herein when due, and such failure shall continue for a period of ten (10) days after receipt of written notice from Landlord; provided however, that an event of default will occur without any obligation of Landlord to deliver any notice if Landlord has given Tenant written notice under this Paragraph 18A on two (2) or more occasions during the twelve (12) month period preceding the current failure by Tenant to timely pay Rent (though Tenant in such instances is granted a five (5) day grace period from the date upon which the subject payment was due)."

2. Paragraph 22 of the Lease is deleted and replaced with the following:

"22. WAIVER OF SECURITY INTEREST. Landlord hereby waives and negates any and all contractual liens and security interests, statutory liens and security interests or constitutional liens and security interests arising by operation of law or otherwise to which Landlord might now or hereafter be entitled on all property of Tenant now owned or hereafter placed in or upon the Premises (except for judgment liens which may hereafter arise in favor of Landlord)."

3. Paragraph 29 of the Lease is deleted and replaced with the following:

"29. SUBORDINATION. Conditioned upon the beneficiary of any mortgages and/or deeds of trust now existing or hereafter placed upon the Premises entering into an agreement (herein an ATTORNMENT AGREEMENT with Tenant in which such beneficiary agrees not to disturb the possession and other rights of Tenant under this Lease so long as Tenant is not in default in the performance of its obligations hereunder, and, in the event of the acquisition of title by such beneficiary through foreclosure proceedings or a deed in lieu of foreclosure, to accept Tenant as tenant of the Premises under the terms and conditions of this Lease, Tenant accepts this Lease subject and subordinate to any mortgages and/or deeds of trust now or hereafter constituting a lien or charge upon the Premises, provided, however, that if the mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have Tenant's interest in this Lease superior to any such instrument, then by notice to Tenant from such mortgagee, trustee or holder, this Lease shall be deemed superior to such Lien, whether this Lease was executed before or after said mortgage or deed of trust. Subject to the foregoing, Tenant at any time hereafter on demand, shall execute any instruments, releases or other documents that may be required by any mortgagee for the purpose of subjecting and

subordinating this Lease to the lien of any such mortgage. For purposes of this section, Landlord will be deemed to have satisfied the condition of obtaining an Attornment Agreement if the form thereof required by the mortgagee is a type or form that is customarily given by institutional lenders; provided that Tenant shall have the right to attempt to negotiate more favorable terms."

4. COUNTERPARTS. This Amendment may be executed in counterparts. Facsimile signatures will have the same effect as originals.

5. RATIFICATION. The Lease, as amended hereby, is ratified and confirmed by the parties as being in full force and effect. To the event of any conflict between the terms of the Lease and this Amendment, this Amendment shall govern. All capitalized terms herein shall have the same meaning as set forth in the Lease unless otherwise noted herein. This Amendment is binding on the parties and their successors and assigns.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment effective as of the date and year first above written.

LANDLORD: MEPC QUORUM PROPERTIES II INC., a Delaware corporation

By: /s/ Peter Johnson

Name: PETER JOHNSON

Title: Executive Vice President

By: /s/ David L. Carlson

Name: DAVID L. CARLSON

Title: VICE PRESIDENT

TENANT: MANNATECH, INC., a Texas corporation

By: /s/ Charles E. Fioretti

Name: Charles E. Fioretti

Title: Chairman of the Board

EXHIBIT "A"

THE LAND

Being Lot 4R of Replat of a portion of "Freeport North," and addition to the City of Coppell, Texas, according to the Map thereof recorded in Volume 95245, Page 2050, Map Records of Dallas County, Texas.

SECOND AMENDMENT TO COMMERCIAL LEASE AGREEMENT

THIS SECOND AMENDMENT TO COMMERCIAL LEASE AGREEMENT (this "AMENDMENT") is entered into by and between MEPC Quorum Properties II Inc., a Delaware corporation (LANDLORD) and Mannatech, Inc., a Texas corporation (TENANT) effective as of November 13, 1997.

A. Landlord and Tenant have heretofore entered into a Commercial Lease Agreement (as previously amended, the LEASE) pursuant to which Landlord leased to Tenant approximately 110,157 square feet in the Building (as defined in the Lease) located on the Land described in the Lease, such being located in the Freeport North Business Park, Coppell, Dallas County, Texas; and

B. Landlord and Tenant now wish to again amend the Lease.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which being hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. APPROVAL OF ALTERATIONS. Landlord hereby consents to Tenant's alteration of the interior of the Premises to include additional office space of approximately 17,000 square foot as described in the plans and specifications prepared by The Amend Group, Project No.7069, dated August 6, 1997, Revision No. 1 [Phase IIA] (the PLANS). The improvements and modifications to be made pursuant to the Plans are herein called the EXPANSION IMPROVEMENTS). The Expansion Improvements must be constructed in accordance with the Plans, subject to design/build of the electrical service in lieu of the design depicted on/in the Plans to be agreed upon by Landlord and Tenant. Additionally, Landlord's approval of the expansion and of the Plans notwithstanding, Tenant's alteration of the Premises will be subject to all other terms, conditions and provisions of Paragraph 5 of the Lease.

2. ADDITIONAL PARKING AREA. Landlord agrees to construct, at its cost and expense, an additional parking area on the plans and specifications therefore prepared by the Amend Group, Project No. 6034, dated April 14, 1997, Revision No. 16, subject to the following modifications:

- (i) The retaining wall is deleted. The earthen berm will be reshaped.
- (ii) Fencing is excluded.
- (iii) Generator pads and bollards are excluded.
- (iv) The (17) Savannah Holly and (2,352) Wintercreeper are excluded.

3. BASE MONTHLY RENT. Paragraph 3A of the Lease shall be, and hereby is, deleted and replaced with the following new Paragraph 3A.

"A. BASE MONTHLY RENT. Tenant agrees to pay to Landlord the sum of \$4,206,679.30 as rent for the Premises, which sum shall be payable in advance, as follows (BASE MONTHLY RENT):

- On January 20, 1997 (the RENT COMMENCEMENT DATE), the sum of \$11,548.72; and
- Beginning on February 1, 1997 and continuing through December 31, 1997, the amount of \$29,834.19 per month; and
- On January 1, 1998, the sum of \$31,077.89; and
- Beginning on February 1, 1998 and continuing through December 31, 2001, the amount of \$33,047.10 per month; and
- On January 1, 2002, the sum of \$35,001.49; and

- Beginning on February 1, 2002 and continuing through December 31, 2006, the amount of \$38,095.96 per month; and
- On January 1, 2007, the sum of \$23,349.14.

Each installment of Base Monthly Rent shall be due and payable on the first day of each calendar month during the Lease Term, provided that one (1) full installment of Base Monthly Rent is due and payable on the date of this Lease, such to be applied to the first installment of Base Monthly Rent due on January 20, 1997 and thereafter applied to Base Monthly Rent until fully applied."

4. OFF-SITE PARKING. Landlord's execution hereof constitutes its approval of Tenant entering to an off-site parking lease for purpose of satisfying any parking requirement imposed by Applicable Laws or as is necessary for Tenant to obtain a certificate of occupancy for the Premises. Landlord's consent notwithstanding, such off-site parking lease shall be the sole obligation of Tenant, and Tenant shall give notice to the lessor under such lease that Landlord has no obligations with respect thereto. Tenant further indemnifies and holds Landlord and each Landlord Party harmless from and against all losses, liabilities, costs (including reasonable attorneys' fees and court costs), expenses, damages, settlements, judgments, claims, lease payments, causes of action and demands of every kind or character, known or unknown, contingent or otherwise, arising out of or in connection with any such off-site parking leases. Additionally, Landlord makes no representations or warranties that such leases will be adequate for Tenant's purposes or will satisfy Applicable Laws pertaining to parking requirements. Landlord's consent in this paragraph to the off-site parking lease in no way constitutes a representation by Landlord that the availability of additional off-site parking will enable Tenant to obtain a certificate of occupancy or that the Premises will thereafter comply with Applicable Laws. Specifically, if any applicable governmental authority concludes that the Premises or the Project does not comply with Applicable Laws due to an insufficiency of parking as a result of the Expansion Improvements, Landlord may, at its cost, require that the Expansion Improvements be demolished and the Premises restored to its condition immediately prior to the construction of the Expansion Improvements. Other than the for the costs of rehabilitating and restoring the Premises as contemplated in this paragraph, Tenant indemnifies Landlord and each Landlord Party harmless from and against all losses, liabilities, costs (including reasonable attorneys' fees and court costs), expenses, damages, settlements, judgements, claims, causes of action and demands of every kind or character, known or unknown, contingent or otherwise, arising out of or in connection with the fact that the Project and/or the Premises is not in compliance with Applicable Laws due to the number of square feet in the Premises designated as office space. Tenant further releases Landlord and each Landlord Party from any and all damages suffered or incurred by Tenant of whatever nature, actual, consequential or speculative, due to the fact that the Project, Building or Premises may not comply with Applicable Laws due to insufficient parking. Such non-compliance shall not constitute a default by Landlord under the Lease, constitute a constructive eviction of Tenant or allow Tenant to terminate the Lease.

5. COUNTERPARTS. This Amendment may be executed in counterparts. Facsimile signatures will have the same effect as originals.

6. RATIFICATION. The Lease, as amended hereby, is ratified and confirmed by the parties as being in full force and effect. To the extent of any conflict between the terms of the Lease and this Amendment, this Amendment shall govern. All capitalized terms herein, shall have the same meaning as set forth in the Lease unless otherwise noted herein. This Amendment is binding on the parties and their successors and assigns.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment effective as of the date and year first above written

LANDLORD: MEPC QUORUM PROPERTIES II INC., a Delaware corporation

By: /s/ Ab Atkins

Name: Ab Atkins

Title: Senior Vice President

By: /s/ Peter Johnson

Name: Peter Johnson

Title: Senior Vice President

TENANT: MANNATECH, INC., a Texas corporation

By: /s/ Anthony E. Canale

Name: Anthony E. Canale

Title: C.O.O.

COMMERCIAL LEASE AGREEMENT

MEPC QUORUM PROPERTIES II INC.,

as LANDLORD,

and

MANNATECH, INC.

as TENANT

pertaining to 74,476 square feet
in Freeport North Industrial Park [Phase III]
Coppell, Texas

COMMERCIAL LEASE AGREEMENT

THIS COMMERCIAL LEASE AGREEMENT (this LEASE) is made and entered into by and between MEPC QUORUM PROPERTIES II INC., a Delaware corporation (LANDLORD), and MANNATECH, INC., a Texas corporation (TENANT).

1. PREMISES/LEASE TERM. In consideration of the mutual obligations of Landlord and Tenant set forth herein, Landlord leases to Tenant, and Tenant hereby takes from Landlord, approximately 74,476 square feet (the PREMISES) in the Building (hereinafter defined) to be constructed by Landlord on an approximate 27.8 acre tract of land located in the Freeport North Industrial Park, City of Coppell, Dallas County, Texas, as more particularly described on EXHIBIT "A" attached hereto and incorporated herein by reference (the LAND) and illustrated and illustrated on the Site Plan (herein so called) attached hereto as EXHIBIT "C" and incorporated herein by reference, together with the non-exclusive use of all rights, privileges, easements, appurtenances, and amenities belonging to or in any way pertaining to the Project (hereinafter defined) for a term (the LEASE TERM or the TERM OF THIS LEASE) beginning on the Commencement Date (hereinafter defined) and ending at 11:59 p.m. on the last day of the month that is one hundred twenty (120) complete calendar months after the Rent Commencement Date (hereinafter defined). If the Rent Commencement Date occurs on the first day of a calendar month, then the month in which the Rent Commencement Date occurs shall be the first complete calendar month after the occurrence of the Rent Commencement Date for purposes of determining such one hundred twenty (120) complete calendar month period. That portion of the Land upon which the Building (and its appurtenances) are constructed, the Building (including the Premises comprising a part thereof) and any other improvements constructed by or on behalf of Landlord on such portion of the Land are collectively referred to herein as the PROJECT. The Project is further described by illustration on the Site Plan.

2. IMPROVEMENTS TO BE CONSTRUCTED BY LANDLORD.

A. BUILDING. Landlord agrees to construct on the Land an approximate 297,902 square foot warehouse building structure (the BUILDING) containing the features generally described on EXHIBIT "B" attached hereto and incorporated herein by reference and generally situated as shown on the Site Plan (herein so called) attached hereto as EXHIBIT "C" and incorporated herein by reference. Landlord agrees to construct the Building in a good and workmanlike manner.

B. CONSTRUCTION COSTS. Subject to the terms of this paragraph, Landlord will pay all costs of constructing the Building and any other improvements described on EXHIBIT "B". Notwithstanding the preceding sentence, Tenant shall be responsible for the following:

(1) If Landlord performs, at Tenant's request, any work over and above the work generally described on EXHIBIT "B" (herein, the ADDITIONAL WORK), the Additional Work together with the cost of preparing plans and specifications for same will be at Tenant's expense. Landlord will not be obligated to perform any such Additional Work until Tenant pays Landlord ten percent (10%) of the estimated cost of the Additional Work, as estimated by Landlord, with the actual cost of the Additional Work, less the initial payment by Tenant, being due within ten (10) days after substantial completion of the Additional Work.

(2) All costs or expenses incurred or suffered by Landlord that are caused by Tenant Delays. A TENANT DELAY(S) shall mean any delay in the completion of the Building or any delay in the occurrence of the Commencement Date caused by a Tenant Party, any delay resulting from the installation by Tenant or any Tenant Party of any property or equipment of Tenant in or on the Premises prior to the Commencement Date, any delay resulting from any request by Tenant for any change or modification to the plans and specifications for the Building, any delay caused by any Additional Work requested by Tenant, and any delay due to interference by Tenant or any Tenant Party with Landlord's engineers, consultants, contractors or otherwise. As used in this Lease, a TENANT PARTY shall mean one or more of Tenant, its agents, employees, officers, partners or contractors.

3. COMMENCEMENT DATE/ACCEPTANCE OF PREMISES.

A. COMMENCEMENT DATE. The COMMENCEMENT DATE shall be the date upon which Landlord's architect reasonably determines that construction of the Building shell has progressed to a point sufficient to allow Tenant to enter the Premises and perform any finish work Tenant requires in the Premises (such to be subject to Paragraph 6 below), provided that this date shall be adjusted backward (I.E., to an earlier date) by one (1) day for each day that a Tenant Delay exists. Subject to Tenant Delays and Force Majeure, Landlord agrees to use reasonable efforts to cause the Commencement Date to occur by October 13, 1997. Tenant's entry into the Premises for purposes of commencing such finish work shall constitute Tenant's acknowledgement that (i) it has inspected and accepts the Building and the Project, (ii) the Premises is suitable for the purpose for which it is leased, subject to completion by Tenant of any finish work Tenant requires, (iii) the Building and the Project are in good and satisfactory condition, and (iv) no representations as to the repair of the Premises or the Project, nor promises to alter, remodel or improve the Premises or the Project which have been made by Landlord remain unsatisfied. Upon determination of the actual Commencement Date and Tenant's entry into the Premises, Tenant agrees to execute an Acceptance of Premises Memorandum in the form attached hereto and made a part hereof as EXHIBIT "E"; provided, however, that Tenant's failure to execute the Acceptance of Premises Memorandum will not delay the occurrence of the Commencement Date.

4. RENT.

A. BASE MONTHLY RENT. Tenant agrees to pay to Landlord rent for the Premises, in advance, as follows (BASE MONTHLY RENT):

- Beginning on the Rent Commencement Date and continuing through the last day of the sixtieth (60th) complete calendar month after the month in which the Rent Commencement Date occurs, \$20,170.58 per month (\$242,046.96 on an annualized basis); and
- Beginning on the first day of the sixty-first (61st) calendar month after the month in which the Rent Commencement Date occurs, and continuing through the remainder of the Lease Term, \$23,273.75 per month (\$279,285 on an annualized basis).

B. ADDITIONAL RENT. Tenant agrees to reimburse Landlord for Tenant's Proportionate Share (hereinafter defined) of (i) Real Property Taxes (hereinafter defined), (ii) Landlord's actual cost of obtaining and maintaining Landlord's Insurance (hereinafter defined), and (iii) the actual cost of any maintenance performed by Landlord under Paragraph 12A(2) below or which, in Landlord's reasonable discretion, is for the benefit of the Project as a whole and not reasonably allocable to any specific tenant or tenants (collectively, the ADJUSTMENTS). During each month of the term of this Lease, on the same day that Base Monthly Rent is due hereunder, Tenant shall pay to Landlord as additional Rent an amount equal to 1/12 of Tenant's Proportionate Share of the estimated total annual cost of the Adjustments, as determined by Landlord. Tenant authorizes Landlord to use such funds to pay such costs. The initial monthly payments of Adjustments are based upon Landlord's good faith estimates for the current Lease Year (hereinafter defined) and shall be increased or decreased each Lease Year to reflect the projected actual cost of all Adjustments. If Tenant's total payments are less than Tenant's Proportionate Share of the actual costs of all such items, Tenant shall pay the difference to Landlord within ten (10) days after demand. If the total payments of Tenant are more than Tenant's Proportionate Share of the actual costs of all such items, Landlord shall notify Tenant of such and retain such excess and credit it against Tenant's next monthly estimated payments of Adjustments. The amount of the Base Monthly Rent and the estimated monthly payments (based upon a complete calendar month) of Tenant's Proportionate Share of the Adjustments for the Lease Year in which the date of this Lease occurs are as follows:

(1) Base Monthly Rent	\$20,170.58
(2) Real Property Taxes	\$ 3,723.80
(3) Insurance	\$ 310.32
(4) Maintenance	\$ 620.63

Initial Monthly Payment Total	\$24,825.33

TENANT'S PROPORTIONATE SHARE, as used in this Lease, shall mean a fraction, the numerator of which is the number of square feet of rentable area contained in the Premises and the denominator of which is the entire number of square feet of rentable area contained in the Building (as to costs which do not materially vary based on the occupancy of the Building) or is the entire rented area contained in the Building (as to costs which do materially vary based on the occupancy of the Building). If the Project is part of a larger development constructed by Landlord on the Land (the DEVELOPMENT) and the Building and one or more other buildings on parts of the Development other than the Project share the benefit of or may properly be allocated a portion of any expense, Landlord shall reasonably allocate any such expense among the Building and such other building(s) prior to applying Tenant's Proportionate Share to such expense.

C. PAYMENT OF RENT. Base Monthly Rent and Adjustments shall be due and payable, in advance, beginning on that date which is ninety (90) days after the Commencement Date (the RENT COMMENCEMENT DATE); provided that one (1) full installment of Base Monthly Rent and Adjustments totalling \$24,825.33 is due and payable on the date of this Lease, such to be applied to the first installment of Base Monthly Rent and Adjustments due on the Rent Commencement Date and thereafter applied to Base Monthly Rent and Adjustments until fully applied. Any installment of Base Monthly Rent or Adjustments due for any fractional calendar month shall be prorated based upon the actual number of days in that month. If the Rent Commencement Date occurs on the first day of a calendar month, then the month in which the Rent Commencement Date occurs shall be the first complete calendar month after the occurrence of the Rent Commencement Date for purposes of determining the date upon which Base Monthly Rent adjusts. As used in this Lease, RENT shall mean the Base Monthly Rent and all other amounts provided for in this Lease to be paid by Tenant to Landlord, all of which shall constitute rental in consideration for this Lease and the leasing of the Premises. All Rent (hereinafter defined) shall be paid at the times and in the amounts provided for herein in legal tender of the United States of America to Landlord at the address specified in Paragraph 32 hereof or to such other person or at such other address as Landlord may from time to time designate in writing. Rent shall be paid without notice, demand, abatement, deduction or offset (unless expressly provided for elsewhere in this Lease) and shall be a covenant of Tenant independent of any obligation of Landlord under this Lease. Tenant's obligation to pay any installment of Rent shall not be deemed satisfied until such installment of Rent has actually been received by Landlord.

D. AUDIT OF ADJUSTMENTS. Within ninety (90) days after the end of each Lease Year, Landlord will provide to Tenant a statement of Adjustments paid by Landlord for the just ended Lease Year. Tenant may at any time within thirty (30) days after its receipt of Landlord's statement, but in any event upon ten (10) days advance written notice to Landlord, audit, inspect and copy the books and records of Landlord with respect to the Adjustments and make any written objections Tenant may have to Landlord's determination of same. Landlord shall cooperate with Tenant in providing Tenant reasonable access to its books and records during normal business hours for this purpose. If the results of any inspection or audit show an overcharge to Tenant of more than five percent (5%) of the actual amount of Adjustments owed by Tenant, then Landlord shall pay the reasonable costs of such audit (assuming the audit is performed by a third party unaffiliated with Tenant and not including the travel, meal or incidental expenses of the auditor), and Landlord shall credit or refund to Tenant any overcharge of such items as discovered by the inspection or audit within thirty (30) days of completion of such inspection or audit. In the event such audit discloses an overcharge to Tenant of up to but no more than five percent, there will be no credit or refund to Tenant, and Tenant will pay the cost of the audit. In the event such audit discloses an undercharge of Adjustments billed to Tenant, Tenant shall pay Landlord the amount of such undercharge within thirty (30) days of the completion of such audit and the cost of the audit. In the event Landlord disputes the amount of Adjustments or Tenant's Proportionate Share thereof, as determined by Tenant's audit, Landlord shall have a period of thirty (30) days from its receipt of Tenant's audit results to have its own independent auditor inspect Tenant's audit and the books and records pertaining to the Adjustments and deliver the results thereof to Tenant. Landlord's failure to conduct such an audit and deliver the results thereof to Tenant within such thirty (30) day period shall constitute acceptance by Landlord of the results of Tenant's audit. If Landlord delivers Tenant Landlord's audit within such thirty (30) day period, Tenant shall have thirty (30) days to review and object to the results thereof. The results of Landlord's audit shall be conclusive and binding upon Tenant unless Tenant objects in writing, such objections to be specific, to such results within such thirty (30) day period.

E. LEASE YEAR. A LEASE YEAR shall mean a twelve (12) month period commencing each January 1st and ending on the following December 31st; provided, however, Landlord may from time to time (but no more often than once every eighteen (18) months) change the twelve (12) month period designated as a Lease Year by notice thereof to Tenant, in which event the obligations of Tenant measured by Lease Years shall be prorated as appropriate during any

Lease Year of less than twelve (12) months based on the number of days in any such Lease Year divided by 365; and provided, further, the first and last Lease Years and all obligations of Tenant measured by such Lease Years, shall be prorated as appropriate based upon the number of days in the applicable Lease Year during the term of this Lease divided by 365.

F. INTEREST ON DELINQUENT RENT. Any Rent due from Tenant to Landlord which is not paid when due shall bear interest from and after the expiration of any applicable cure or grace period until paid at the lower of (i) eighteen percent (18%) per annum or (ii) the highest rate from time to time allowed by applicable law, from the date such payment is due until paid, but the payment of such interest shall not excuse or cure the default. This provision for default interest shall be in addition to all of Landlord's other rights and remedies hereunder or at law or equity and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner. Any assessed default interest will be additional Rent owed hereunder.

5. COMPLIANCE WITH LAWS. Tenant shall comply with all Applicable Laws in connection with Tenant's use and occupancy of the Premises and Tenant's performance of its obligations under this Lease, all at Tenant's expense. As used herein the term APPLICABLE LAWS means and includes any and all federal, state and local laws, ordinances, orders, deed restrictions (specifically including the Declaration of Protective Covenants dated May 18, 1995 and recorded in Volume 95098, Page 924, ET SEQ. of the Official Public Records of Real Property in Dallas County, Texas (as amended, modified, supplemented, restated and assigned from time to time, the DECLARATION)), easements of record, rules, and regulations of all governmental bodies (state, federal, and municipal) applicable to or having jurisdiction over the use, occupancy, operation and maintenance of the Project, including without limitation, the Americans With Disabilities Act of 1990, as amended from time to time (ADA), and Environmental Laws (hereinafter defined), as such may be amended or modified from time to time. Notwithstanding the above, if any improvement, modification or alteration of the Premises or the Project, or any portion thereof, is required to bring same into compliance with the ADA, or any other Applicable Laws, and (i) Tenant is not otherwise expressly responsible for such improvement, modification or alteration under this Lease, (ii) the necessity for such improvement, modification or alteration was not caused, in whole or in part, by Tenant or any Tenant Party, and (iii) the necessity for such improvement, modification or alteration was not due to the specific use of the Premises by Tenant, then Landlord will undertake such improvement, modification or alteration and the cost thereof will be charged back to (A) Tenant to the extent that the improvement, modification or alteration affects only or is totally within the Premises, and (B) all tenants of the Project, including Tenant, to the extent that the improvement, modification or alteration affects the Project as a whole and not any one tenant's particular leased premises, with each tenant paying its Proportionate Share thereof. Such costs will be charged over the useful life of the subject improvement, modification or alteration, as determined under generally accepted accounting principles, with the assumption that the only portion of such expense chargeable for any one Lease Year will be a fraction of such expense, the numerator of which is one and the denominator of which is the estimated useful life of the improvement, modification or alteration.

6. ALTERATIONS AND IMPROVEMENTS BY TENANT.

A. CONDITIONS PRECEDENT TO ALL ALTERATIONS AND IMPROVEMENTS.

Except as expressly permitted by this Paragraph 6, or unless otherwise agreed to in writing between Landlord and Tenant, Tenant may not make or permit any alterations, improvements, or additions in or to the Premises or the Project without Landlord's prior written consent. All alterations and improvements desired by Tenant are subject to the following conditions/requirements:

(1) Subject to subparagraph 6B below, all alterations, improvements and additions will be at the sole cost and expense of Tenant;

(2) All alterations, improvements and additions in and to the Premises requested by Tenant must be made in accordance with plans and specifications first approved in writing by Landlord;

(3) Tenant's contractors and subcontractors are subject to Landlord's prior approval. In addition, each of Tenant's contractor(s) and subcontractor(s) must deliver evidence satisfactory to Landlord that the insurance specified on EXHIBIT "F" (attached hereto and incorporated herein by reference) is in force prior to commencing work;

(4) All alterations, improvements and additions made by Tenant must comply with all Applicable Laws including, specifically, the ADA, and applicable building permits and certificates of occupancy. Landlord's approval of Tenant's plans and specifications for the alterations or improvements will not act as a confirmation or agreement by Landlord that the improvements and alterations comply with Applicable Laws;

(5) Tenant must deliver to Landlord evidence that Tenant has obtained all necessary governmental permits and approvals for the improvements, alterations and additions prior to starting any work;

(6) All alterations, improvements and additions must be done in a good and workmanlike manner so as not to damage or alter the primary structure or structural qualities or the utility or other systems of the Premises or the Building and is subject to approval by Landlord during and after construction, in its sole discretion. Tenant agrees to meet with Landlord's project manager, who for purposes of this Lease shall be Rob Ahmuty until further notice, as deemed reasonably necessary by such project manager during any construction by Tenant pursuant to this Paragraph 6 so that Landlord can evaluate the progress of such work and its impact on the remainder of the Project;

(7) Lien releases from each of Tenant's contractor(s) and subcontractor(s) satisfactory to Landlord must be submitted to Landlord within thirty (30) days after completion of the work performed by the contractor(s) or subcontractor(s); and

(8) Tenant shall be solely responsible for the safety and security of all equipment and property installed or placed in, on or about the Premises by Tenant or any Tenant Party.

B. FINISH ALLOWANCE. Notwithstanding subparagraph 6A(1) above, Landlord grants Tenant an allowance in the amount of \$223,425 (the FINISH ALLOWANCE) to be utilized by Tenant in performing alterations and improvements to the Premises to "finish-out" the Premises. Any improvements or alterations performed by Tenant and paid for out of the Finish Allowance, including without limitation, any work related thereto such as design, engineering, and construction management services, is referred to herein as the TENANT FINISH WORK. Landlord will pay such invoices up to, but not in excess of, the Finish Allowance conditioned upon:

(1) Tenant shall submit all invoices received in connection with the Tenant Finish Work to Landlord for payment not less than fifteen (15) days prior to the due date of such invoice. Landlord, at its option, will not be obligated to pay any invoice not received by such date; and

(2) Landlord having reasonably satisfied itself that all conditions/requirements set forth in subparagraph 6A above have been satisfied; and

(3) Landlord having inspected and approved of the work for which payment is sought, such approval not to be unreasonably withheld, conditioned or delayed; and

(4) The Finish Allowance may not be used or allocated for any materials or property, or for the labor incurred in constructing or installing same, that would be characterized as Tenant's Property under subparagraph 6C below, it being the intention of both parties hereto that, without limiting subparagraph 6D below, all improvements and alterations paid for with the Finish Allowance will in all events and circumstances be Landlord's property.

Any decision to pay or not pay any invoice will be made within ten (10) business days after receiving the subject invoice, provided, however, that Landlord may further condition such approval upon the satisfaction of any of the conditions/requirements of Paragraph 6A or this Paragraph 6B that may not have been satisfied within such ten (10) day period (I.E., lien waivers). Failure to disapprove of an invoice within such ten (10) day period shall constitute approval thereof. All invoices will be paid within fifteen (15) days after Landlord has approved the invoice and is satisfied that all conditions and requirements set forth in Paragraph 6A and this Paragraph 6B have been satisfied. All cost and expenses incurred by Tenant in making any alterations or improvements to the Premises or the Project in excess of the Finish Allowance will be Tenant's sole cost and expense. If the Finish Allowance has not been fully utilized within one (1) year

after the Commencement Date, and provided that Tenant is not then in default under this Lease, the remaining balance will be applied to Base Monthly Rent and Adjustments until the Finish Allowance is exhausted. At the end of such year, Landlord will provide Tenant with a written accounting of the balance, if any, of the Finish Allowance.

C. TENANT'S PROPERTY. Tenant, at its own cost and expense, may erect such shelves, racks, bins and trade fixtures (collectively, TENANT'S PROPERTY) within the Premises as it desires and without Landlord's prior consent provided that (a) such items do not alter the basic character of the Premises or the Building; (b) such items do not overload or damage the Premises or the Building or the utility or other systems serving same; (c) such items may be removed without material injury to the Premises and the Building; and (d) the construction, erection or installation thereof complies with all Applicable Laws, applicable building permits and certificates of occupancy; and (e) provided that Tenant's installation of Tenant's Property prior to the Commencement Date will be subject to Paragraph 5B above. All of Tenant's Property shall remain the property of Tenant and shall be removed on or before the earlier to occur of the date of termination of this Lease or Tenant's vacating of the Premises. Tenant shall promptly repair any damage to the Project or the Premises caused by the removal of any of Tenant's Property. Any of Tenant's Property not so removed and any other property of Tenant not removed prior to the termination of this Lease or Tenant's vacating of the Premises shall thereupon be conclusively presumed to have been abandoned by Tenant, and Landlord may, at its option, take over possession of any and all of the foregoing and either (i) declare the same to be the property of Landlord by written notice to Tenant at the address provided herein or (ii) at the sole cost and expense of Tenant, remove, store, and/or dispose of the same or any part thereof, all at Tenant's cost, in any manner that Landlord shall choose without incurring liability to Tenant or any other person.

D. LANDLORD'S PROPERTY/RESTORATION OF PREMISES BY TENANT. Except as provided in Paragraph 6C above, all alterations, additions, and improvements made to, or fixtures or other improvements placed in or on, the Premises, whether temporary or permanent in character are a part of the Premises and are the property of Landlord when they are made to or placed in or on the Premises, without compensation to Tenant; provided that, at Landlord's option, upon the termination of this Lease, Landlord may require Tenant, at Tenant's cost, to remove any improvements, other than the Tenant Finish Work, made to the Premises or Project by Tenant and restore the Premises to substantially the condition it was in upon the completion of the Tenant Finish Work, reasonable wear and tear excepted; and further provided that, if Tenant first properly requested and Landlord gave its consent to such improvements, Landlord must make such election at the time of giving such consent.

E. INDEMNITY. Tenant hereby indemnifies and holds Landlord harmless from any claims, demands, actions, losses, and damages arising from activities of Tenant or any Tenant Party, or any of their invitees, in connection with any alterations, improvements or additions made or contracted for by Tenant.

7. USE. Subject to Applicable Laws, the Premises shall be used only for the purpose of general office, manufacturing, receiving, storing, shipping and selling (other than retail) products, materials and merchandise made and/or distributed by Tenant, and for such other lawful purposes as may be incidental thereto. Provided that such use is permitted by Applicable Laws, any manufacturing performed by Tenant at the Premises shall be limited to the manufacture and/or assembly of pharmaceutical, diet supplement and/or other human health related products. Outside storage, including without limitation, storage of trucks and other vehicles, is prohibited without Landlord's prior written consent. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise or vibrations to emanate from the Premises, nor take any other action that would constitute a health or environmental hazard or nuisance or that would disturb, interfere with, or endanger Landlord or the occupant of any other land or buildings in the vicinity of the Project or any other tenant of the Project. Tenant's use of the Premises must in any event comply with all Applicable Laws including, without limitation, the Declaration and Applicable Laws. TENANT SHALL MAKE ITS OWN DETERMINATIONS AS TO THE SUITABILITY OF THE PREMISES FOR ITS INTENDED USE. BY ENTERING INTO THIS LEASE, TENANT REPRESENTS AND WARRANTS THAT IT HAS INVESTIGATED AND SATISFIED ITSELF AS TO WHETHER OR NOT APPLICABLE LAWS PERMIT ITS INTENDED USE OF THE PREMISES AND THAT TENANT IS RELYING SOLELY UPON SUCH INVESTIGATIONS, AND NOT UPON AND REPRESENTATIONS OF LANDLORD, IN ENTERING INTO THIS LEASE. If Tenant's particular use of the Premises requires that additional improvements or modifications be made to the Premises or the Project by Landlord so that the Premises and the Project complies in all respects with Applicable Laws, Tenant shall be solely responsible for such costs.

8. HAZARDOUS MATERIALS.

A. HAZARDOUS MATERIALS DEFINED. As used in this Lease, the term HAZARDOUS MATERIALS means and includes (i) any hazardous, toxic or dangerous waste, substance or material, as defined for purposes of the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act of 1976, as amended, or any other Applicable Laws applicable to the Premises and establishing liability, standards, or regulating or requiring action as to the industrial hygiene, use, generation, treatment, discharge, spillage, storage, uncontrolled loss, seepage, filtration, disposal, removal, or existence of a hazardous, toxic or dangerous waste, substance or material (collectively, ENVIRONMENTAL LAWS) and (ii) any waste, substance or material which, even if not so regulated, is known to pose a hazard to the health and safety of persons or property, specifically including, without limitation, oil and petroleum products and by-products and asbestos.

B. PROHIBITION OF HAZARDOUS MATERIALS/TENANT'S LIABILITY. Except for Hazardous Materials that are used only as an incidental part of Tenant's day-to-day business operations and not as an integral part thereof (E.G., fuel for forklifts and similar equipment, office supplies, cleaning solvents), Tenant may not use, treat, handle, store, generate, dispose of or release or cause or permit any Tenant Party, or any of their invitees, to use, handle, store, generate, treat, dispose of or release, in, on, under or from the Premises or the Project any Hazardous Materials. Without limiting any of the above:

(1) Tenant covenants and agrees that it shall at its own expense procure, maintain in effect and comply with all conditions of any and all permits, licenses and other governmental and regulatory approvals required for Tenant's use of the Premises and any operations or conduct of Tenant involving the use, handling, generation, treatment, storage, disposal, management or release of any Hazardous Materials. Tenant shall cause any and all Hazardous Materials that are to be removed from the Premises to be transported solely by duly licensed haulers and to duly licensed facilities for final disposal of such Hazardous Materials. Tenant shall in all respects, handle, treat, deal with and manage any and all Hazardous Materials in, on, under or about the Premises as a result of the actions, conduct or any part of the business operations of Tenant or any Tenant Party, or any of their invitees, in complete conformity with all Applicable Laws and prudent industry practices regarding the management of such Hazardous Materials. All reporting obligations relating to Hazardous Materials in, on, under or about the Premises as a result of the actions, conduct or any part of the business operations of Tenant or any Tenant Party, or any of their invitees, are solely the responsibility of Tenant. Upon expiration or earlier termination of this Lease, Tenant covenants and agrees to cause all Hazardous Materials existing in, on, or under the Premises to be removed from the Premises and transported for use, storage or disposal in accordance and in compliance with all Applicable Laws. In addition, and unless Landlord instructs Tenant otherwise, at the expiration of the term of this Lease, Tenant shall remove all tanks or fixtures which were placed on the Premises by or on behalf of Tenant or any Tenant Party during the term of this Lease and which contain, have contained or are contaminated with, Hazardous Materials;

(2) Tenant shall immediately notify Landlord in writing of (i) any Tenant Release (hereinafter defined), (ii) any enforcement, clean-up, removal or other governmental or regulatory action instituted, completed or threatened against Tenant, the Premises, the Project, or any part thereof pursuant to any Applicable Laws; (iii) any claim made or threatened by any person against Tenant, Landlord, the Premises, or the Project relating to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials, and (iv) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials in, on or about or under the Premises or with respect to any Hazardous Materials removed from the Premises, including, any complaints, notices, warnings, reports or asserted violations in connection therewith. Tenant shall also provide to Landlord, as promptly, as possible, and in any event within five (5) business days after Tenant first received or sent the same, with copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Premises or Tenant's use thereof. Tenant shall not take any remedial action in response to the presence of any Hazardous Materials in/on, about or under the Premises, nor enter into any settlement agreement, consent, decree or other compromise in respect to any claims relating to or in any way connected with the Premises without first notifying Landlord of Tenant's intention to do so and affording Landlord ample opportunity to appear, intervene or otherwise appropriately assert and protect Landlord's interest with respect thereto;

(3) Tenant shall indemnify, at Landlord's option, defend (with counsel reasonably acceptable to Landlord), protect and hold Landlord and each of Landlord's officers, directors, partners, employees, agents, attorneys, successors and assigns free and harmless from and against any and all claims, liabilities, damages, costs, penalties, forfeitures, losses or expenses (including attorneys' fees) for death or injury to any person or damage to any property whatsoever (including water tables and atmosphere) arising or resulting in whole or in part, directly or indirectly, from the presence, release or discharge of Hazardous Materials in, on, under, upon or from the Premises to the extent that such presence, release or discharge was caused or permitted by Tenant or any Tenant Party, or any of their invitees, or from the transportation or disposal of Hazardous Materials to or from the Premises or the Project by Tenant or any Tenant Party, or any of their invitees (herein, a TENANT RELEASE). Tenant's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary repairs, clean-up or detoxification or decontamination of the Premises or the Project and any other land contaminated or adversely effected by the Tenant Release and the presence and implementation of any closure, remedial action or other required plans in connection therewith, and shall survive the expiration of or early termination of this Lease;

(4) Landlord may at any time commission an environmental audit of the Premises or the Project. If it is determined that a Tenant Release has in fact occurred, then, without limitation of any other remedy Landlord may have hereunder, Tenant shall reimburse the actual costs of the testing to Landlord on demand as additional Rent.

(5) Tenant shall execute affidavits, representations, and the like from time to time at Landlord's request concerning Tenant's actual knowledge and belief regarding the presence of Hazardous Materials in, on or under the Premises.

C. ENVIRONMENTAL STUDIES. Landlord represents that, except as set forth in any written studies or reports provided to Tenant, Landlord has no actual knowledge of any adverse environmental conditions affecting the Land; provided, however, that Landlord makes no representations or warranties regarding the truth or accuracy of the environmental reports so provided and Tenant shall rely upon such reports, if at all, at Tenant's sole risk.

D. SURVIVAL. The respective covenants, rights and obligations of Landlord and Tenant under this Paragraph 8 shall survive the expiration or earlier termination of this Lease.

9. SIGNAGE. Any signage Tenant desires for the Premises shall be subject to Landlord's written approval and shall be submitted to Landlord for approval prior to the Commencement Date of this Lease. Tenant shall repair, paint and/or replace the building facia surface to which its signs are attached upon vacation of the Premises, or the removal or alteration of its signage. Tenant shall not (i) make any changes to the exterior of the Building, (ii) install any exterior lights, decorations, balloons, flags, pennants, banners or painting, or (iii) erect or install any signs, windows or door lettering, placards, decorations or advertising media of any type which can be viewed from the exterior of the Building, without Landlord's prior written consent. All signs, decorations, advertising media, blinds, draperies and other window treatment or bars or other security installations visible from outside the Building shall conform in all respects to the criteria established by Landlord and Applicable Laws.

10. TAXES.

A. REAL PROPERTY TAXES. Subject to reimbursement by Tenant as provided in Paragraph 4B above, Landlord shall pay all taxes, assessments and governmental charges of any kind and nature and all assessments due to deed restrictions and/or owner or community associations (collectively referred to herein as REAL PROPERTY TAXES), that accrue against the Project, or any part thereof. If at any time during the term of this Lease, there shall be levied, assessed or unposed on Landlord a capital levy or other tax directly on the Rent received under this Lease and/or a franchise tax, gross receipts tax (but not a typical or customary state or federal income tax), assessment, levy or charge measured by or based, in whole or in part, upon Rent paid under this Lease, then all such taxes, assessments, levies or charges, or the part thereof so measured or based, shall be deemed to be included within the term REAL PROPERTY TAXES for the purposes hereof. Landlord shall have the right to employ a tax consulting firm to attempt to assure a fair tax burden on the Project and the Premises within the applicable taxing jurisdiction. Tenant agrees to pay its Proportionate

Share of the cost of such consultant as additional Rent.

B. PERSONAL PROPERTY TAXES. Tenant shall be liable for all taxes levied or assessed against Tenant's Property and any other personal property or fixtures placed or installed in the Premises or the Project by or on behalf of Tenant. If any such taxes are levied or assessed against Landlord or Landlord's property and (i) Landlord pays the same, or (ii) the assessed value of Landlord's property is increased by inclusion of such personal property and fixtures and Landlord pays the increased taxes, then, Tenant shall pay to Landlord such taxes within ten (10) days after demand. If Tenant later contests such taxes and is successful in abating or reducing all or a portion of same, and provided that Tenant has, in fact, reimbursed Landlord for the taxes paid by Landlord, Landlord will return to Tenant the amount by which such taxes were reduced or abated, up to the amount Tenant reimbursed Landlord.

11. UTILITIES. Landlord agrees to provide water, sewer and gas utility lines to the outside of the exterior walls of the Building and electricity service to be provided to a transformer located at the Project. Tenant shall pay for all utilities servicing the Premises, including, without limitation water, gas, heat, light, power, telephone, sewer, sprinkler charges and other utilities and services used on or at the Premises, together with any taxes, penalties, surcharges or the like pertaining to the Tenant's use of the Premises, and any maintenance charges for utilities. Tenant shall pay its Proportionate Share of all charges for jointly metered and common area utilities as additional Rent. Landlord shall not be liable for any interruption or failure of utility service at the Premises and all Rent owed pursuant to the terms of this Lease shall continue to be due notwithstanding such interruption.

12. REPAIRS AND MAINTENANCE.

A. LANDLORD'S OBLIGATION TO REPAIR AND MAINTAIN.

(1) Landlord, at its own cost and expense, shall maintain the structural soundness of the Building's roof, foundation and exterior walls in good repair, except for reasonable wear and tear and except for damage caused by any act or omission of Tenant or any Tenant Party or their invitees. Landlord may elect to repair any damage caused by Tenant or any Tenant Party or their invitees, and if Landlord so elects, Tenant shall pay Landlord the cost or anticipated cost of such repair on demand, subject to Paragraph 13C hereof. The term WALLS as used herein shall not include windows, glass or plate glass, doors, special store fronts or office entries. Tenant shall promptly give Landlord written notice of any defect or need for repairs, after which Landlord shall have reasonable opportunity to repair same or cure such defect.

(2) Landlord shall maintain or cause to be maintained all exterior painting, parking areas (inclusive of striping) and landscaped areas of the Project and utility lines outside the exterior walls of the Building in good condition and repair, other than those areas that are expressly Tenant's obligations under Paragraph 12B below. Tenant shall reimburse Landlord for Tenant's Proportionate Share of any costs incurred by Landlord under this paragraph, net of the Adjustments being escrowed monthly for maintenance under Paragraph 4B above. Notwithstanding any of the above, if it is determined that any specific repair or maintenance otherwise required to be performed by Landlord under this subparagraph is caused solely by Tenant, any Tenant Party or any of their invitees, Tenant shall be solely responsible for the cost of such repair or maintenance and such shall be paid to Landlord outside of and in addition to the Adjustments. All such amounts payable under this subparagraph shall be owed to Landlord as additional Rent.

(3) In the event the Building or the Premises is damaged or becomes out of repair and such is the obligation of Landlord to repair or maintain hereunder, Tenant shall provided prompt written notice to Landlord thereof stating the nature of the needed repairs. Landlord will then have thirty (30) days to make any necessary repairs or such longer time as is reasonably necessary with the exercise of due diligence if such repairs cannot reasonably be completed in thirty (30) days. Additionally, in the event of an emergency, defined for purposes of this subparagraph as a condition that if allowed to continue to exist without repair would result in damage, injury or death to property or person, and assuming that it is not reasonably feasible for Tenant to give the required notice to Landlord, then Tenant may make such repairs as are reasonably necessary to prevent further immediate damage or injury to person or property; provided that Tenant gives Landlord prompt written notice of the nature of the emergency and the action taken by Tenant. In such event, Landlord shall reimburse

Tenant within thirty (30) days of invoice for the actual costs of such repairs made by Tenant.

B. TENANT'S OBLIGATION TO REPAIR AND MAINTAIN. Except only for maintenance, repair and replacement performed by Landlord pursuant to Paragraph 12A hereof, Tenant, at its own cost and expense, shall maintain in good condition and promptly make all necessary repairs and replacements to (i) all parts of the Premises, (ii) all utility lines and appurtenances from the exterior walls of the Building to and within the Premises, and (iii) any and all overhead doors, loading docks, loading dock levelers and loading dock equipment. Additionally, Tenant shall maintain the walkways, parking areas and facilities, driveways and alleys located within the Adjacent Area, as illustrated on EXHIBIT "C" attached hereto, in a reasonably clean and sanitary condition. Tenant, at its own cost and expense, shall enter into a regularly scheduled preventive maintenance/service contract with a maintenance contractor approved by Landlord for servicing all hot water, heating and air conditioning systems and equipment within the Premises; which service contract must include all services suggested by the equipment manufacturer in its operations/maintenance manual and must become effective within thirty (30) days of the date Tenant takes possession of the Premises.

Landlord reserves the right to perform any of Tenant's obligations set forth under this paragraph including utility line maintenance and any other items that are otherwise Tenant's obligations under this paragraph to the extent that Tenant fails to perform its obligations thereunder within the time frames set forth in Paragraph 18F. In such event, Landlord shall be entitled to an administrative fee of ten percent (10%) of the costs and expense of all of the foregoing, and Tenant shall be liable for the cost and expense of such repair, replacement, maintenance and other such items, as well as the administrative fee.

13. INSURANCE.

A. LANDLORD'S INSURANCE. Landlord shall maintain insurance covering the Building (except that Landlord shall not be required to insure any part of the partitions, fixtures, additions and other improvements that may have been constructed, erected or installed in or about the Premises or for the benefit of, or by or for Tenant, including, without limitation, the Tenant Finish Work) in an amount not less than one hundred percent (100%) of the replacement cost thereof insuring against the perils of Fire, Lightning, Extended Coverage, Vandalism and Malicious Mischief (collectively, LANDLORD'S INSURANCE).

B. TENANT'S INSURANCE. Tenant, at its own expense, shall maintain during the term of this Lease a policy or policies of worker's compensation (or its equivalent provided such is approved by Landlord, such not to be unreasonably withheld) and commercial general liability insurance, including personal injury and property damage, with contractual liability endorsement, in the amount of Five Hundred Thousand Dollars (\$500,000.00) for property damages and One Million Dollars (\$1,000,000.00) per occurrence for personal injuries or deaths of persons occurring in or about the Premises and the Project; provided, such limits may be adjusted upward in Landlord's reasonable discretion based upon inflation or upon the type of business conducted by Tenant in the Premises. Said policies shall (i) name Landlord as an additional insured and insure Landlord's contingent liability under this Lease (except for the worker's compensation policy, which instead shall include waiver of subrogation endorsement in favor of Landlord), (ii) be issued on an occurrence (not claims made) basis, (iii) be issued by an insurance company which is acceptable to Landlord, and (iv) provide that said insurance shall not be cancelled unless thirty (30) days prior written notice shall have been given to Landlord. In addition to the above, Tenant shall maintain insurance insuring the interest of Tenant and covering all of Tenant's property and all partitions, fixtures, additions and other improvements that may have been constructed, erected or installed in or about the Premises or for the benefit of, or by or for Tenant, inclusive of the Tenant Finish Work, and covering all contents of the Premises, in an amount not less than one hundred percent (100%) of the replacement cost thereof insuring against the perils of Fire, Lightning, Extended Coverage, Vandalism and Malicious Mischief. Said policy or policies or certificates thereof shall be delivered to Landlord by Tenant upon commencement of the term of the Lease and at least thirty (30) days prior to the effective date of each renewal of said insurance.

Tenant will not permit the Premises to be used for any purpose or in any manner that would (i) void the insurance thereon, (ii) increase the insurance risk, or (iii) cause the disallowance of any sprinkler credits, including without limitation, use of the Premises for the receipt, storage or handling of any product, material or merchandise that is explosive or highly inflammable. If any increase in the cost of any insurance on the Premises or the Building is caused by Tenant's use of the Premises, or because Tenant vacates the Premises, then Tenant shall pay the amount of such

increase to Landlord upon demand.

C. WAIVER OF SUBROGATION. NOTWITHSTANDING ANY OTHER PROVISION OF THIS LEASE, LANDLORD AND TENANT HEREBY WAIVE ANY RIGHTS EACH MAY HAVE AGAINST THE OTHER ON ACCOUNT OF ANY LOSS OR DAMAGE OCCASIONED TO LANDLORD OR TENANT, AS THE CASE MAY BE (WHETHER OR NOT SUCH LOSS OR DAMAGE IS CAUSED BY THE FAULT OR SOLE OR CONCURRENT NEGLIGENCE OF, WITH RESPECT TO LOSS OR DAMAGE TO THE PROPERTY OF TENANT, LANDLORD OR ANY LANDLORD PARTY, OR, WITH RESPECT TO ANY LOSS OF DAMAGE TO ANY PROPERTY OF LANDLORD, OF TENANT, ANY TENANT PARTY OR ANY OF THEIR INVITEES), TO THEIR RESPECTIVE PROPERTY, THE PREMISES, ITS CONTENTS OR TO ANY OTHER PORTION OF THE BUILDING OR THE PROJECT ARISING FROM ANY RISK THAT WOULD BE COVERED BY ANY INSURANCE REQUIRED TO BE CARRIED UNDER THIS LEASE (WHETHER OR SUCH INSURANCE IS ACTUALLY CARRIED OR MAINTAINED), OR OTHERWISE CARRIED BY THE WAIVING PARTY (BUT, AS TO ANY SUCH INSURANCE OTHERWISE CARRIED, ONLY TO THE EXTENT OF SUCH INSURANCE PROCEEDS ACTUALLY RECOVERED). THE PARTIES HERETO EACH, ON BEHALF OF THEIR RESPECTIVE INSURANCE COMPANIES INSURING THE PROPERTY OF EITHER LANDLORD OR TENANT AGAINST ANY SUCH LOSS, WAIVE ANY RIGHT OF SUBROGATION THAT IT MAY HAVE AGAINST LANDLORD OR TENANT, AS THE CASE MAY BE. EACH PARTY TO THIS LEASE AGREES IMMEDIATELY TO GIVE TO EACH SUCH INSURANCE COMPANY WRITTEN NOTIFICATION OF THE TERMS OF THE MUTUAL WAIVERS CONTAINED IN THIS PARAGRAPH, AND TO HAVE SAID INSURANCE POLICIES PROPERLY ENDORSED, IF NECESSARY, TO PREVENT THE INVALIDATION OF SAID INSURANCE COVERAGES BY REASON OF SAID WAIVERS.

14. LIABILITY/INDEMNIFICATION.

A. LANDLORD'S LIABILITY AND INDEMNITY.

(1) RELEASE FROM LIABILITY. Except as otherwise expressly provided in this Lease, neither Landlord nor any Landlord Party (hereinafter defined) will be liable to Tenant or any Tenant Party or any of their invitees for any death or injury to person or damage to property on or about the Premises or the Project caused by or arising out of, in whole or in part, (i) the negligence of, or act or omission of, Tenant or any Tenant Party or any of their invitees, (ii) the Premises or the Project becoming out of repair, (iii) the leakage of gas, oil, water or steam or by electricity emanating from any part of the Premises or the Project, or (iv) any other cause, unless and then only to the extent such death or injury to person or damage to property is due to the negligence or willful misconduct of Landlord or any Landlord Party. As used in this Paragraph 14, a LANDLORD PARTY shall mean one or more of Landlord's officers, partners, shareholders, employees, agents or contractors.

(2) LANDLORD'S INDEMNITY OF TENANT. Except for any claims, rights of recovery and causes of action that Tenant has expressly herein waived or released or for which Landlord is not responsible hereunder, Landlord shall indemnify and hold Tenant and each Tenant Party harmless from and against any and all fines, suits, losses, costs, liabilities, claims, demands, actions and judgments of every kind and character, including reasonable court costs and attorneys fees, suffered by, recovered from, or asserted against Tenant or any Tenant Party for any injury or death to any person or damage to any property in, on, or about the Premises or the Project to the extent, and only to the extent, that such death or injury to person or damage to property is caused by the negligence or willful misconduct of Landlord or any Landlord Party. Upon the occurrence of an event which Landlord is required to indemnify Tenant against, and upon demand by Tenant, Landlord shall employ counsel reasonably acceptable to Tenant and defend Tenant against any liability for such event, all at Landlord's cost.

B. TENANT'S INDEMNITY. Except for any claims, rights of recovery and causes of action that Landlord has expressly herein waived or released or for which Tenant is not responsible hereunder, Tenant shall indemnify and hold Landlord and each Landlord Party harmless from and against any and all fines, suits, losses, costs, liabilities, claims, demands, actions and judgments of every kind and character, including reasonable court costs and attorneys fees, suffered by, recovered from, or asserted against Landlord or any Landlord Party (i) arising by reason of any breach, violation or

non-performance by Tenant of any term, provision, covenant, condition or agreement to be performed or abided by Tenant hereunder, (ii) arising on account of death, injury or damage to person or property in, on, or about the Premises or the Project when such death, injury or damage is caused or arises out of the negligence or willful misconduct of Tenant, any Tenant Party or any of their invitees, and (iii) with respect to any action brought by a Tenant Party or any invitee of Tenant or any Tenant Party, arising out of any matter for which neither Landlord nor any Landlord Party is liable or responsible hereunder. Upon the occurrence of an event which Tenant is required to indemnify Landlord or a Landlord Party against, and upon demand by Landlord, Tenant shall employ counsel reasonably acceptable to Landlord and defend Landlord or such Landlord Party against any liability for such event, all at Tenant's cost.

C. LIABILITY FOR ACTS OF TENANT AND LANDLORD PARTIES. The individual(s) executing this Lease on behalf of Landlord or Tenant, as applicable, are doing so in their representative capacity only, solely as a representative of Landlord or Tenant, as applicable, and any liability to Landlord or any Landlord Party or Tenant or any Tenant Party arising or resulting hereunder based upon the actions of such individual(s) or any other Landlord Party or Tenant Party, as applicable, shall merely be that of Landlord (as to any Landlord Party) or Tenant (as to any Tenant Party) and not such individual(s) or Landlord Party or Tenant Party.

D. SURVIVAL. The releases, indemnities and covenants of Landlord and Tenant in this Paragraph 14 are in addition to, and not in limitation of, any other indemnities made by Landlord or Tenant elsewhere in this Lease. The provisions of this Section 14 shall survive the expiration or termination of this Lease with respect to any claims or liability arising out of events occurring prior to such expiration or termination.

15. CASUALTY.

A. TERMINATION OF LEASE. If the Premises should be damaged or destroyed by fire or other peril, Tenant immediately shall give written notice to Landlord. If: (i) the Building should be totally destroyed by any peril not covered by the insurance to be provided by Landlord under Paragraph 13A above; or if (ii) the Premises should be so damaged thereby that, in Landlord's estimation, rebuilding or repairs cannot be completed within one hundred eighty (180) days after the date of such damage; or if (iii) the Premises should be so damaged thereby that, in Landlord's estimation, rebuilding or repairs of the portion thereof required to be insured by Landlord can be substantially completed within one hundred eighty (180) days after the date of such damage, but the insurance proceeds available to Landlord will not, in Landlord's estimation, be sufficient to complete such rebuilding or repairs (due to such insurance proceeds being applied to mortgage debt or otherwise) and Landlord is either unable or unwilling to advance sufficient funds to complete such rebuilding or repairs; then in any of such events this Lease shall cease and terminate as if and to the extent the effective date of such termination had been the date originally scheduled for the expiration of the term of this Lease, and the Rent shall be abated during the previously unexpired term of this Lease, effective upon the date of the occurrence of such damage. Landlord's determinations under this paragraph must be made in writing to Tenant within forty-five (45) days after the subject casualty.

B. RESTORATION OF PREMISES BY LANDLORD. Subject to the provisions of Section 15.A above, if the Premises should be damaged by any peril covered by the insurance to be provided by Landlord under Paragraph 13A above, and in Landlord's estimation, rebuilding or repairs of the portion thereof required to be insured by Landlord can be substantially completed within one hundred eighty (180) days after the date of such damage, this Lease shall not terminate, and Landlord shall restore the Premises to substantially its previous condition, except that Landlord shall not be required to rebuild, repair or replace any part of the partitions, fixtures, additions and other improvements that may have been constructed, erected or installed in, or about the Premises or for the benefit of, or by or for Tenant. During any period of rebuilding, repair and restoration, Landlord shall allow Tenant a reasonable reduction in Rent based upon, among other things, the adverse effect such casualty and restoration have on Tenant's business operations. Subject to Force Majeure, if such repairs and rebuilding of the Premises have not been substantially completed within one hundred eighty (180) days after the date of such damage, Tenant, as Tenant's exclusive remedy, may give Landlord notice of Tenant's intention to terminate the Lease effective as of the date specified in such notice, which date shall be not less than thirty (30) days after the notice. If the repairs and rebuilding have not been substantially completed by the date specified in such notice, Tenant, as Tenant's exclusive remedy, may immediately terminate this Lease by delivering written notice of termination to Landlord, in which event the rights and obligations hereunder shall cease and terminate as if and to the extent the effective date of such termination had been the date originally scheduled for the expiration of the term

of this Lease, and Rent shall be abated during the previously unexpired term of this Lease, effective upon the date of the termination.

16. CONDEMNATION.

A. MATERIAL TAKING. If any portion of the Premises or the Project is taken for any public or quasi-public use under governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof and the taking materially interferes with the use of the Premises for the purpose for which they were leased to Tenant or causes the Premises or the exclusive parking area designated for Tenant to be in noncompliance with Applicable Laws, then within thirty (30) days after such taking Landlord shall notify Tenant as to whether or not Landlord will reconstitute the Premises or the Project such that the Premises or the Project once again complies with Applicable Laws or replicate the Premises or the Project to substantially the condition it was in prior to such taking, as applicable, within one hundred eighty (180) days after such taking. If Landlord notifies Tenant that it will not replicate or reconstitute the Premises or the Project, as applicable, or otherwise fails to complete the reconstitution or replication within one hundred eighty (180) days after such taking, then this Lease shall terminate and the Rent shall be abated during the unexpired portion of this Lease, effective as of the date of such taking. If Landlord notifies Tenant that it will replicate or reconstitute the Premises or the Project, as applicable, then this Lease shall not terminate but Rent accruing after the date of such taking shall be reduced to such extent as may be fair and reasonable under all of the circumstances (which may include a abatement of all Rent), effective as of the date of such taking until the Premises or the Project as applicable, is fully reconstituted or replicated, at which time Rent will again adjust to the amounts set forth in Paragraph 4.

B. OTHER TAKING. With respect to any taking not covered by Paragraph 16A above, this Lease shall not terminate, but the Rent payable hereunder during the unexpired portion of this Lease shall be reduced to such extent as may be fair and reasonable under all of the circumstances, effective as of the date of such taking.

C. CONDEMNATION PROCEEDS. All compensation awarded in connection with or as a result of any eminent domain or condemnation proceedings shall be the property of Landlord, and Tenant hereby assigns any interest in any such award to Landlord; provided, however, Landlord shall have no interest in any award made to Tenant for loss of business or goodwill or for the taking of Tenant's fixtures and improvements, if a separate award for such items is made to Tenant or reasonably allocable to Tenant for the taking of Tenant's fixtures and improvements that Tenant would be permitted to remove upon termination of this Lease.

17. ASSIGNMENT AND SUBLETTING.

A. PROHIBITION ON ASSIGNMENT AND SUBLETTING. Tenant shall not have the right to assign, sublet, transfer or encumber this Lease, or any interest therein, without the prior written consent of Landlord. Any attempted assignment, subletting, transfer or encumbrance by Tenant in violation of the terms and covenants of this paragraph shall be void. If Tenant requests Landlord's consent to an assignment of this Lease or subletting of all or a part of the Premises, it shall submit to Landlord, in writing, the name of the proposed assignee or subtenant, the commencement date of such assignment or subletting, the nature and character of the business of the proposed assignee or subtenant and the proposed rates, terms and other pertinent conditions of such assignment or subletting. Upon receipt of a request for consent to an assignment or subletting, and unless such request pertains to an assignment or sublease governed by Paragraph 17B below, Landlord shall have the option (to be exercised within thirty (30) days from the submission of Tenant's written request) to (i) cancel this Lease (or the applicable portion thereof as to a partial subletting) as of the commencement date stated in the above-mentioned notice of subletting or assignment, unless Tenant withdraws the proposal to sublet or assign within ten (10) days after Landlord's notice of cancellation is given, (ii) permit such assignment or subletting, or (iii) reasonably withhold its consent to such assignment or subletting. If Landlord elects to cancel this Lease and Tenant does not withdraw the proposal to sublet or assign, then the term of this Lease (as to the applicable portion of the Premises), and the tenancy and occupancy of the applicable portion of the Premises by Tenant hereunder, shall cease, terminate, expire, and come to an end as if the cancellation date was the original termination date of this Lease with respect to the applicable portion of the Premises. In the event Landlord consents to a proposed assignment or subletting and the rent due and payable by any such assignee or sublessee under any such permitted assignment or sublease (or a combination of the rent payable under such assignment or sublease plus any bonus or any

other consideration therefor or any payment, incident thereto) exceeds the Base Monthly Rent payable under Paragraph 3 of this Lease for the applicable space, net of Tenant's actual reasonable costs incurred in connection with such assignment or subletting (E.G., attorneys' fees, marketing costs (but not Tenant's internal costs)) and net of any finish out allowance granted by Tenant in connection with any assignment or sublease not in excess of market (E.G., Tenant may not recover any finish out allowance in excess of that which would be granted to a similarly situated tenant for similar space in similar properties in the Dallas/Fort Worth area), Tenant shall pay to Landlord all such excess rent and other excess consideration within ten (10) days following receipt thereof by Tenant, whether or not such assignment or subletting pertains to an assignment or subletting permitted under Paragraph 17B below.

B. PERMITTED ASSIGNMENTS/SUBLEASES. Notwithstanding the provisions of Paragraph 17A, Tenant may, without the consent of Landlord, at any time assign or otherwise transfer this Lease or any portion thereof to any Affiliate (hereinafter defined); or any Corporation resulting from the consolidation or merger of Tenant into or with any other entity; or to any person, firm, entity or corporation acquiring a majority of Tenant's issued and outstanding capital stock or substantially all of Tenant's assets. As used herein, the term AFFILIATE shall mean a person or entity, corporate or otherwise, that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with Tenant. The term CONTROL means the right and power, direct or indirect, to direct or cause the direction of the management and policies of a person or business entity, corporation or otherwise, through ownership or voting securities, by contract or otherwise; provided, however, that in the event of an assignment, the assignee shall assume in writing the terms and conditions set forth herein to be observed and performed by the Tenant in a form reasonably approved by Landlord. A sublease or assignment pursuant to this Paragraph 17B shall not be subject to Landlord's recapture rights set forth in Paragraph 17A above.

C. ASSIGNMENTS IN BANKRUPTCY.

(1) If this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, 11 U.S.C. Section 101 et. seq. (the BANKRUPTCY CODE), any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute property of Tenant or of the estate of Tenant within the meaning of the Bankruptcy Code. Any and all monies or other considerations constituting Landlord's property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and be promptly paid or delivered to Landlord.

(2) Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code, shall be deemed, without further act or deed, to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon demand execute and deliver to Landlord an instrument confirming such assumption.

D. EFFECT OF ASSIGNMENT. Any assignee, sublessee or transferee of Tenant's interest in this Lease (all such assignees, sublessees and transferees being hereinafter referred to as TRANSFEREES), by assuming Tenant's obligations hereunder, shall assume liability to Landlord for all amounts paid to persons other than Landlord by such Transferees in contravention of this Paragraph 17. No assignment, subletting or other transfer, whether consented to by Landlord or not or permitted hereunder shall relieve the Tenant named herein of any liability hereunder for the obligations of the "Tenant". If an event of default occurs while the Premises or any part thereof are assigned or sublet, then Landlord, in addition to any other remedies herein provided, or provided by law, may collect directly from such Transferee all rents payable to the Tenant and apply such rent against any sum due Landlord hereunder. No such collection shall be construed to constitute a novation or a release of Tenant from the further performance of Tenant's obligations hereunder.

18. DEFAULT BY TENANT. The following events (herein individually referred to as EVENT OF DEFAULT) each shall be deemed to be events of default by Tenant under this Lease:

A. Tenant shall fail to pay any installment of the Rent herein reserved when due, or any other payment or reimbursement to Landlord required herein when due, and such failure shall continue for a period of ten (10) days after receipt of written notice from Landlord; provided, however, that an event of default will occur without any

obligation of Landlord to deliver any notice if Landlord has given Tenant written notice under this Paragraph 18A on two (2) or more occasions during the twelve (12) month period preceding the current failure by Tenant to timely pay Rent (though Tenant in such instances is granted a five (5) day grace period from the date upon which the subject payment was due).

B. Tenant or any guarantor of the Tenant's obligations hereunder shall (i) become insolvent; (ii) admit in writing its inability to pay its debts; (iii) make a general assignment for the benefit of creditors; (iv) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property; or (v) take any action to authorize or in contemplation of any of the actions set forth above in this paragraph.

C. Any case, proceeding or other action against the Tenant or any guarantor of the Tenant's obligations hereunder shall be commenced seeking (i) to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent; (ii) reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors; (iii) appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (a) results in the entry of an order for relief against it which it is not fully stayed within seven (7) business days after the entry thereof or (b) shall remain undismissed for a period of forty-five (45) days.

D. OMITTED.

E. Tenant shall fail to discharge any lien placed upon the Premises or the Project in violation of Paragraph 28 hereof within sixty (60) days after any such lien or encumbrance is filed against the Premises or the Project; provided, however, that if Tenant in good faith disputes such lien, Tenant may contest the lien without being in default hereunder provided that Tenant bonds the lien to Landlord's reasonable satisfaction and the lien is in any event removed or extinguished no later than one hundred and twenty (120) days after filing.

F. Tenant shall fail to comply with any other terms in this Lease other than those for which an event of default has been described in this Paragraph 18, and such failure is not cured within thirty (30) days after written notice thereof to Tenant, such notice to specify the nature of the default and the action required to cure same, or if such failure cannot reasonably be cured in thirty (30) days, such time as is reasonable under the circumstances, not to exceed ninety (90) days, and provided that Tenant must diligently proceed to cure the default.

19. LANDLORD'S REMEDIES. Upon the occurrence of any event of default specified in this Lease, Landlord, at its option, may exercise one (1) or more of the following remedies, in addition to all other rights and remedies provided at law or in equity.

A. Landlord may, without judicial process, terminate this Lease (whereupon all obligations and liabilities of Landlord hereunder shall terminate) and without further notice repossess the Premises without having any liability therefor (including specifically any liability or duty under Section 93.002 of the Texas Property Code which is specifically superseded by this Paragraph 19A) and be entitled to recover all loss and damage Landlord may suffer by reason of such termination, whether through inability to relet the Premises on satisfactory terms or otherwise, including without limitation, accrued Rent and interest thereon, accrued late charges and interest thereon, the unamortized cost of the Tenant Finish Work made at Landlord's expense pursuant to Paragraph 2 hereof or otherwise, broker's fees and commissions, attorneys' fees, moving allowance and any other costs incurred by Landlord in connection with making or executing this Lease, the cost of recovering the Premises and the costs of reletting the Premises (including without limitation advertising costs, brokerage fees, leasing commissions, reasonable attorneys' fees and refurbishing costs). If such termination is caused by the failure to pay Rent, Landlord may elect, by sending written notice thereof to Tenant, to receive liquidated damages in an amount equal to the product of (i) the sum of the all Rent and other charges payable hereunder for the month during which this Lease is terminated multiplied by (ii) the lesser of (x) the product of sixty percent (60%) multiplied by the number of full calendar months which would have remained in the term of this Lease but for such termination or (y) twenty-four (24). Such liquidated damages shall be in lieu of the payment of loss and

damage accruing after the date of such termination, but shall not be in lieu of or reduce in any way any amounts or damages payable by Tenant to Landlord and accruing prior to the date of termination, which for all purpose shall include, but not be limited to, accrued Rent and interest thereon, late charges and interest thereon the unamortized cost of the Tenant Finish Work, broker's fees and commissions, attorneys' fees, any moving allowances and any other costs incurred by Landlord in connection with making or executing this Lease. Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

B. Landlord may, without judicial process, immediately terminate Tenant's right of possession of the Premises by delivering to Tenant written notice of such termination (whereupon all obligations and liability of Landlord hereunder shall terminate), but not terminate this Lease, and, without notice or demand, enter upon the Premises or any part thereof and take absolute possession of the same, expel or remove Tenant and any other person or entity who may be occupying the Premises, by force if necessary, change the locks, without having any liability therefor (including specifically any liability or duty under Section 93.002 of the Texas Property Code which is specifically superseded by this Paragraph 19B) and at Landlord's option, Landlord may relet the Premises or any part thereof for such terms and such rents as Landlord may in its sole discretion elect. In the event of a termination of Tenant's possession of the Premises under this Part B and notwithstanding anything in Section 93.002 of the Texas Property Code to the contrary, Landlord shall have no obligation whatsoever to tender to Tenant a key for new locks installed in the Premises and Tenant shall have no further right to possession of the Premises. In the event Landlord shall elect so to relet, then rent received by Landlord from such reletting shall be applied first, to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord (in such order as Landlord shall designate), second, to the payment of any cost of such reletting, including, without limitation, refurbishing costs, reasonable attorneys' fees, advertising costs, brokerage fees and leasing commissions, and third, to the payment of Rent due and unpaid hereunder (in such order as Landlord shall designate), and Tenant shall satisfy and pay any deficiency upon demand thereof from time to time. No re-entry or taking of possession of the Premises by Landlord pursuant to this Paragraph 19B shall be construed as an election on Landlord's part to terminate this Lease unless a written notice of such termination is given to Tenant pursuant to Paragraph 19A above and, notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach. If Landlord relets the Premises, either before or after the termination of this Lease for a rental rate greater than the Rent provided in this Lease, then for that portion of the Premises that is subject to such new lease, all such excess rentals shall be and remain the exclusive property of Landlord, and Tenant shall not be, at any time, entitled to recover said excess rental.

C. Landlord may, without judicial process enter upon the Premises, by force if necessary, without having any civil or criminal liability therefor (including specifically any liability or duty under Section 93.002 of the Texas Property Code which is superseded by this Paragraph 19C), and do whatever Tenant is obligated to do under the terms of this Lease, and Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in effecting compliance with Tenant's obligations under this Lease plus an administrative fee equal to ten percent (10%) of the amount of such reimbursement. Tenant further agrees that Landlord shall not be liable for any damages resulting to Tenant from such action, whether caused by the negligence of Landlord or otherwise.

D. Any repossession of or re-entering on the Premises by Landlord under this Article shall be without liability or responsibility for damages to Tenant. No repossession of or re-entering upon the Premises or any part thereof pursuant to Paragraphs 19B or 19C or otherwise and no reletting of the Premises or any part thereof pursuant to Paragraph 19B shall relieve Tenant or any guarantor of its liabilities and obligations hereunder, all of which shall survive such repossession or re-entering. In the event of any such repossession of or re-entering upon the Premises or any part thereof by reason of the occurrence of an event of default Tenant will continue to pay to Landlord Rent required to be paid by Tenant.

E. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute. In addition to the other remedies provided in this Lease, Landlord shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the covenants, agreements conditions or provisions

of this Lease, or to a decree compelling performance of any of the covenants, agreements, conditions or provisions of this Lease, or to any other remedy allowed to Landlord at law or in equity. Tenant shall indemnify and hold Landlord harmless from any and all costs, expenses (including reasonable attorneys' fees), claims and causes of action arising from or in connection with any default by Tenant under this Lease.

F. If Landlord repossesses the Premises pursuant to the authority herein granted or provided at law or in equity, then Landlord shall have the right to (i) keep in place and use or (ii) remove and store all of the furniture, fixtures and equipment at the Premises, including that which is owned by or leased to Tenant at all times prior to any foreclosure thereon by Landlord or repossession thereof by any lessor thereof or third party having a superior lien thereon. Landlord also shall have the right to relinquish possession of all or any portion of such furniture, fixtures, equipment and other property to any person (CLAIMANT) who presents to Landlord a copy of any instrument represented by Claimant to have been executed by Tenant (or any predecessor of Tenant) granting Claimant the right under various circumstances to take possession of such furniture, fixtures, equipment or other property, without the necessity on the part of Landlord to inquire into the authenticity or legality of said instrument. The rights of Landlord herein stated shall be in addition to any and all other rights that Landlord has or may hereafter have at law or in equity; and Tenant stipulates and agrees that the rights herein granted Landlord are commercially reasonable.

G. To the extent required under Texas law, Landlord agrees to use reasonable efforts to mitigate any of its damages arising from the occurrence of an event of default by Tenant involving Tenant's abandonment of the Premises. Tenant agrees that this requirement to use reasonable efforts will have been satisfied by Landlord: (i) notifying its leasing agent of the availability of the Premises for rent, and (ii) showing the Premises to prospective tenants who request to see the Premises and to prospective tenants referred to Landlord by Tenant. In no event shall Landlord be deemed not to have mitigated its damages if Landlord chooses to lease some or all of other space in the Building or the Project or, as applicable, the Development, to a prospective tenant, rather than some or all of the Premises.

20. DEFAULT BY LANDLORD AND TENANT'S REMEDIES. If Landlord fails to perform any of its obligations hereunder within thirty (30) days after written notice from Tenant specifying such failure, or if such obligations cannot reasonably be accomplished in thirty (30) days, Landlord has not commenced performance within such thirty (30) day period and thereafter diligently prosecutes performance through completion, Tenant's exclusive remedy shall be an action for actual damages. In no event shall Landlord be liable to Tenant for consequential, punitive or special damages (or any similar types of damages) by reason of a failure to perform (or a default) by Landlord hereunder or otherwise. Unless and until Landlord fails to so cure any default after such notice, Tenant shall not have any remedy or cause of action by reason thereof. All obligations of Landlord hereunder will be construed as covenants, not conditions; and all such obligations will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "Landlord" shall mean only the owner, for the time being, of the Premises, and in the event of the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all covenants and obligations of the Landlord thereafter accruing, but such covenants and obligations shall be binding during the term of this Lease upon each new owner for the duration of such owner's ownership. Notwithstanding any provisions of this Lease to the contrary, the liability of Landlord to Tenant for any default by Landlord under the terms of this Lease shall be limited to Landlord's interest in the Project, and Tenant agrees to look solely to Landlord's interest in the Project and for recovery of any judgment from Landlord, it being intended and agreed that Landlord shall not be personally liable for any judgment or deficiency.

21. BANKRUPTCY.

A. Notwithstanding anything in this Lease to the contrary, all amounts payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated as Rent, shall constitute rent for the purposes of Section 502(b)(6) of the Bankruptcy Code.

B. This a contract under which applicable law excuses Landlord from accepting performance from (or rendering performance to) any person or entity other than Tenant within the meaning of Sections 365(c) and 365 (e)(2) of the Bankruptcy Code.

22. SECURITY DEPOSIT. Tenant agrees to deposit with Landlord on the date hereof an amount equal to

\$24,825.33 which shall be held by Landlord, without obligation for interest, as security for the performance of Tenant's obligations under this Lease, it being expressly understood and agreed that this deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon each occurrence of an event of default by Tenant, Landlord may use all or part of the deposit to pay past due Rent or other payments due Landlord under this Lease, and the cost of any other damage, injury, expense or liability caused by such event of default without prejudice to any other remedy provided herein or provided by law. On demand, Tenant shall pay Landlord the amount that will restore the security deposit to its original amount. The security deposit shall be deemed the property of Landlord, but any remaining balance of such deposit shall be returned by Landlord to Tenant when Tenant's obligations under this Lease have been fulfilled and this Lease terminated, all in accordance with Applicable Laws.

23. WAIVER OF SECURITY INTEREST. Landlord hereby waives and negates any and all contractual liens and security interests, statutory liens and security interests or constitutional liens and security interests arising by operation of law or otherwise to which Landlord might now or hereafter be entitled on all property of Tenant now owned or hereafter placed in or upon the Premises (except for judgment liens which may hereafter arise in favor of Landlord).

24. SURRENDER UPON TERMINATION. At the termination of this Lease, by its expiration or otherwise, Tenant immediately shall deliver possession of the Premises to Landlord in good condition and repair and with all repairs and maintenance required herein to be performed by Tenant completed, including, without limitation, repairs and maintenance of all heating and air conditioning systems and equipment therein, reasonable wear and tear and damage due to fire or other casualty excepted. All obligations of Tenant hereunder not fully performed as of the expiration or earlier termination of the term of this Lease shall survive the expiration or earlier termination of the term hereof.

25. HOLDING OVER. If, for any reason, Tenant retains possession of the Premises after the expiration or termination of this Lease, unless the parties hereto otherwise agree in writing, such possession shall be subject to termination by either Landlord or Tenant at any time upon not less than ten (10) days advance written notice, and all of the other terms and provisions of this Lease shall be applicable during such period, except that Tenant shall pay Landlord from time to time, upon demand, as rental for the period of such possession, an amount equal to 150% of the Base Monthly Rent in effect on the termination date, computed on a daily basis for each day of such period. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided. The preceding provisions of this Paragraph 25 shall not be construed as consent for Tenant to retain possession of the Premises in the absence of written consent thereto by Landlord. In addition to the above, Tenant shall be liable to Landlord for Landlord's actual damages resulting as a result of any holdover by Tenant.

26. QUIET ENJOYMENT. Landlord covenants that on or before the Commencement Date it will have good title to the Premises, free and clear of all liens and encumbrances, excepting only the lien for current taxes not yet due, such mortgage or mortgages as are permitted by the terms of this Lease, zoning ordinances and other building and fire ordinances and governmental regulations relating to the use of such property, and easements, restrictions and other conditions of record. Landlord agrees that so long as Tenant pays all amounts due hereunder and performs all other covenants and agreements herein set forth, Tenant shall peaceably and quietly have, hold and enjoy the Premises for the term of this Lease without hindrance or molestation from Landlord, subject to the terms and provisions of this Lease.

27. ENTRY BY LANDLORD. Landlord and Landlord's agents and representatives shall have the right to enter the Premises at any reasonable time during business hours, to inspect the Premises and to make such repairs as may be required or permitted pursuant to this Lease or to make such repairs or installations as are necessary for other tenants in the Building. During the period that is six (6) months prior to the end of the term of this Lease, upon telephonic notice to Tenant, Landlord and Landlord's representatives may enter the Premises during business hours for the purpose of showing the Premises. In addition, Landlord shall have the right to erect a suitable sign on the Premises stating the Premises are available. Landlord shall also have the right (but not the obligation) to enter the Premises at any time, and by force if necessary, in the case of an emergency. Tenant shall notify Landlord in writing at least thirty (30) days prior to vacating the Premises and shall arrange to meet with Landlord for a joint inspection of the Premises prior to vacating. If Tenant fails to give such notice or to arrange for such inspection, then Landlord's inspection of the Premises shall be deemed correct for the purpose of determining Tenant's responsibility for repairs and restoration of the Premises.

28. MECHANICS LIENS. Tenant has no authority, express or implied, to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind the interest of Landlord or Tenant in the Premises or the Project or to charge the Rent payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed at the Premises or the Project and that it will indemnify and hold Landlord harmless from and against any and all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of Landlord in the Premises or the Project or under the terms of this Lease. Tenant agrees to give Landlord immediate written notice of the placing of any lien or encumbrance against the Premises or the Project.

29. WAIVER. No waiver by either party hereto of any provision of this Lease or of any default, event of default or breach by the other shall be deemed to be a waiver of any other provision of this Lease, or of any subsequent default, event of default or breach by such party of the same or any other provision. A party's consent to or approval of any act by the other that requires such approval or consent shall not be deemed to render unnecessary the obtaining of such consent to or approval of any subsequent act of such party. No act or thing done by Landlord or Landlord's agents during the term of this Lease shall be deemed an acceptance of a surrender of the Premises, unless done in writing signed by Landlord. The delivery of the keys to any employee or agent of Landlord shall not operate as a termination of this Lease or a surrender of the Premises. The acceptance of any Rent by Landlord following a default, event of default or breach of this Lease by Tenant shall not constitute a waiver by Landlord of such default, event of default or breach or any other default, event of default or breach unless such waiver is expressly stated in writing and signed by Landlord.

30. SUBORDINATION. Conditioned upon the beneficiary of any mortgages and/or deeds of trust now existing or hereafter placed upon the Premises entering into an agreement (herein an ATTORMENT AGREEMENT) with Tenant in which such beneficiary agrees not to disturb the possession and other rights of Tenant under this Lease so long as Tenant is not in default in the performance of its obligations hereunder, and, in the event of the acquisition of title by such beneficiary through foreclosure proceedings or a deed in lieu of foreclosure, to accept Tenant as tenant of the Premises under the terms and conditions of this Lease, Tenant accepts this Lease subject and subordinate to any mortgages and/or deeds of trust now or hereafter constituting a lien or charge upon the Premises, provided, however, that if the mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have Tenant's interest in this Lease superior to any such instrument, then by notice to Tenant from such mortgagee, trustee or holder, this Lease shall be deemed superior to such lien, whether this Lease was executed before or after said mortgage or deed of trust. Subject to the foregoing, Tenant, at any time hereafter on demand, shall execute any instruments, releases or other documents that may be required by any mortgagee for the purpose of subjecting and subordinating this Lease to the lien of any such mortgage. For purposes of this section, Landlord will be deemed to have satisfied the condition of obtaining an Attornment Agreement if the form thereof required by the mortgagee is a type of form that is customarily given by institutional lenders, provided that Tenant shall have the right to attempt to negotiate more favorable terms.

31. TENANT ESTOPPELS. Tenant agrees, from time to time, within ten (10) days after request of Landlord to deliver to Landlord, or Landlord's designee, a certificate of occupancy and an estoppel certificate stating that this Lease is in full force and effect, the date to which Rent has been paid, the unexpired term of this Lease and such other factual matters pertaining to this Lease as may be requested by Landlord. It is understood and agreed that Tenant's obligation to furnish such estoppel certificates in a timely fashion is a material inducement for Landlord's execution of this Lease.

32. NOTICES. All notices, requests, approvals, and other communications required or permitted to be delivered under this Lease must be in writing and are effective (i) on the business day sent if sent by telecopier during normal business hours and the sending telecopier generates a written confirmation of sending, (ii) the next business day after delivery to a nationally-recognized-overnight-courier service for prepaid overnight delivery; (iii) if orderly delivery of the mail is not then disrupted or threatened, in which event some method of delivery other than the mail must be used, three (3) days after being deposited in the United States mail, certified, return receipt requested, postage prepaid; or (iv) upon actual receipt by the addressee if delivered personally or by any method other than by telecopier (with written confirmation), nationally-recognized-overnight-courier service, or mail, in each instance addressed to Landlord or Tenant,

as the case may be, addressed:

if to Landlord, as follows:

MEPC Quorum Properties II Inc.
15303 Dallas Parkway, Suite 100, LB 10
Dallas, Texas 75248
Attn: Property Manager
Telecopy: (972) 851-7012

and, if to Tenant, as follows:

Mannatech, Inc.
600 S. Royal Lane
Suite 200
Coppell, Texas 75019
Attn: Ronald E. Kozak
Telecopy: (972) 471-7389

or to such other address or to the attention of such other person as shall be designated by the applicable party and on fifteen (15) days notice from time to time in writing and sent in accordance herewith.

33. PARKING. Tenant and its employees, customers and licensees shall have the exclusive right to use any parking areas that have been specifically designated for such exclusive use by Landlord on the Site Plan, subject to (i) all rules and regulations promulgated by Landlord in its reasonable discretion, and (ii) rights of ingress and egress of other lessees of the Project or the Development, as applicable. Tenant and its employees, customers and licensees shall not have the right to use any parking area that are from time to time specifically designated by Landlord for exclusive use by another lessee, except to the extent necessary for ingress and egress. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties. Tenant agrees not to use more spaces than so provided.

34. OPTION TO RENEW.

A. If Tenant is not in default under this Lease at the time of the exercise of this option or at the commencement of the applicable Lease Term extension, Tenant is granted the option (the OPTION) to extend the Lease Term for one (1) extension term of five (5) years commencing on the next day after the expiration of the initial Lease Term by giving Landlord all extension notice at least nine (9) months, but not more than twelve (12) months, prior to the expiration of the initial Lease Term. Tenant's lease of the Premises during the extended Lease Term will be upon the same terms as in the Lease for the initial Lease Term, except that (i) Base Monthly Rent will adjust on the first day of the extended Lease Term to the Market Rate (defined below), and (ii) during the extended Lease Term Tenant will have no further options or rights to extend the Lease Term.

B. Within thirty (30) days after Landlord receives Tenant's written notice of its exercise of the Option, Landlord shall deliver a notice to Tenant (the MARKET RATE NOTICE) specifying the Market Rate for the extended Lease Term, such to be based upon Landlord's reasonable and good-faith determination of rents being charged for comparable space in similar properties in the Freeport North Industrial Park, Coppell, Texas, for terms commensurate with the extended Lease Term and for tenants similarly situated. Tenant shall have fifteen (15) days (the EXAMINATION PERIOD) from its receipt of the Market Rate Notice to accept or reject Landlord's designation of the Market Rate. If Tenant accepts Landlord's designation of the Market Rate, the MARKET RATE will be as set forth in the Market Rate Notice, and Tenant's election to exercise the Option shall be irrevocable. If Tenant fails to accept in writing Landlord's designation of the Market Rate set forth in the Market Rate Notice during the Examination Period, Tenant shall be deemed to have rejected Landlord's designation of the Market Rate. If Tenant rejects or is deemed to have rejected Landlord's designation of the Market Rate and Landlord and Tenant cannot agree in writing on the Market Rate within the earlier to occur of (i) fifteen (15) days after the date Landlord receives Tenant's written rejection of Landlord's designation of

the Market Rate set forth in the Market Rate Notice, or (ii) fifteen (15) days after the expiration of the Tenant is deemed to have rejected Landlord's designation of the Market Rate as set forth in the Market Rate Notice (in either of such instances, the NEGOTIATION PERIOD), then Tenant will be deemed to have elected to revoke its exercise of the Option, and this Lease will expire in accordance with Paragraph 1 above.

C. Tenant may not assign the Option to any assignee (except an Affiliate) or sublessee of this Lease. No sublessee and no assignee (except an Affiliate) may exercise the Option.

D. If the Lease Term is extended under this Paragraph 34, Landlord shall prepare, and Landlord and Tenant will execute and deliver an amendment to the Lease extending the Lease Term within fifteen (15) days after the Market Rate is determined but in no event later than the date that the applicable extension term commences; provided, however, that the failure of the parties to enter into such an amendment will not affect the validity of Tenant's exercise of the Option or the obligations of the parties during the extended Lease Term.

35. RIGHT OF FIRST REFUSAL ON ADJACENT SPACE.

A. If at any time during the first three (3) years of the Lease Term Landlord receives a bona fide offer from a third party (the THIRD PARTY OFFER) for the lease of that space shown on the Site Plan as the Refusal Space, such consisting of approximately 24,600 square feet, or any portion thereof, that Landlord wants to accept, and conditioned upon Tenant not then being in default hereunder, Landlord will first provide Tenant with written notice (the REFUSAL NOTICE) thereof. Tenant will have seven (7) business days (the REFUSAL PERIOD) from the date it receives the Refusal Notice to elect to lease all, but not less than all, of the Refusal Space. If Tenant has not notified Landlord in writing of such election prior to the expiration of the Refusal Period, then Tenant shall be deemed to have elected not to lease the Refusal Space. If Tenant timely and properly elects to lease the Refusal Space, such lease, shall be on the same terms and conditions for the Premises, as defined in Paragraph 1 above, provided that Base Monthly Rent and Adjustments shall be increased proportionately and further provided that the Work Allowance for the Refusal Space shall be an amount equal to the product of \$3.00 per square foot of the actual Refusal Space multiplied by a fraction, the numerator of which is the number of months then remaining in the Lease Term (without giving effect to any option to extend the Lease Term) and the denominator of which is 122. Tenant's election to lease the Refusal Space shall be irrevocable once given and from and after the date thereof, the term PREMISES shall mean and include not only the Premises as defined in Paragraph 1 above, but also the Refusal Space.

B. In the event Tenant does not elect (or is deemed to have not elected) to lease the Refusal Space, Landlord shall have a period of two hundred seventy (270) days from the date the Refusal Period expires (the MARKETING PERIOD) to market the Refusal Space, or any portion thereof, for lease on terms wholly within Landlord's discretion and during which period Landlord will not have any obligations to Tenant under this Paragraph 35. If Landlord has not entered into a binding lease with a third party during the Marketing Period, the right of first refusal set forth in this Paragraph 35 shall again become effective and Landlord may not lease the Refusal Space, or any portion thereof, without compliance with this Paragraph 35; provided, however, that all rights of Tenant in and under this Paragraph 35 shall in any event expire on that date which is the third anniversary of the date of this Lease if not exercised by Tenant prior to such time.

C. Tenant may not assign its rights under this Paragraph 35 to any assignee or sublessee of this Lease, nor may any sublessee or assignee have any rights under this Paragraph 35.

D. If Tenant leases the Refusal Space, Landlord shall prepare, and Landlord and Tenant will execute and deliver an amendment to the Lease confirming the lease of the Refusal Space and the new Base Monthly Rent and Adjustments; provided, however, that the failure of the parties to enter into such an amendment will not affect the validity of Tenant's lease of the Refusal Space or the obligations of the parties with respect thereto.

36. MISCELLANEOUS.

A. REQUIRED CONSENT. To the extent the approval or consent is required of any party hereto, such party agrees that such consent or approval may not be unreasonably withheld, delayed or conditioned unless the provision

where the requirement for such consent or approval is imposed includes an express statement that such approval or consent may be withheld in such party's sole discretion.

B. FINANCIAL STATEMENTS. During each Lease Year, and upon written request by Landlord, Tenant shall provide to Landlord true, correct and complete copies of Tenant's year end financial statements and quarterly, non-audited, balance sheets certified by the chief financial officer (or its equivalent) of Tenant.

C. CONFIDENTIALITY. Tenant shall keep the terms and provisions of this Lease confidential at all times and not disclose the terms and provisions hereof to any party without Landlord's prior written consent, which may be withheld by Landlord in its sole discretion. Landlord hereby consents to the disclosure of the terms and provisions of this Lease to employees of Tenant, Tenant's attorneys and to any financial institution Tenant is seeking financing from in connection with this Lease and/or Tenant's operations at the Premises. The terms of this paragraph and Tenant's agreement thereto are a material inducement to Landlord entering into this Lease, and Tenant agrees that Landlord may be severely damaged by a breach of this paragraph and the confidentiality obligations herein contained. Tenant agrees that in the event of a breach of this paragraph, Landlord may, in addition to any other remedies it may have under this Lease or at law or equity, seek injunctive relief against Tenant and/or recover damages from Tenant.

D. HEADINGS/GENDER. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

E. RUN WITH THE LAND. The terms, provisions and covenants and conditions contained in this Lease shall run with the land and shall apply to, inure to the benefit of, and be binding upon, the parties hereto and upon their respective heirs, executors, personal representatives, legal representatives, successor and assigns, except as otherwise herein expressly provided. Landlord shall have the right to transfer and assign, in whole or in part, its rights and obligations in the Premises, Building and/or Project that are the subject of this Lease. Each party agrees to furnish to the other, promptly upon demand, a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of such party to enter into this Lease.

F. ORGANIZATION AND AUTHORITY.

(i) Tenant represents and warrants to Landlord that (i) Tenant is a duly organized and existing Texas corporation and has the full right and authority to enter into this Lease and to perform all of its obligations hereunder, (ii) all requisite authorizing actions have been taken by Tenant in connection with the entering into of this Lease, and (iii) each of the persons signing this Lease on behalf of Tenant is authorized to do so. Upon request by Landlord, Tenant will provide a certified copy of the resolutions of the board of directors of Tenant authorizing the entering into of this Lease by Tenant and the execution hereof by the persons who sign this Lease on behalf of Tenant;

(ii) Landlord represents and warrants to Tenant that (i) Landlord is a duly organized and existing Delaware corporation and has the full right and authority to enter into this Lease and to perform all of its obligations hereunder, (ii) all requisite authorizing actions have been taken by Landlord in connection with the entering into of this Lease, and (iii) each of the persons signing this Lease on behalf of Landlord is authorized to do so. Upon request by Tenant, Landlord will provide a certified copy of the resolutions of the board of directors of Landlord authorizing the entering into of this Lease by Landlord and the execution hereof by the persons who sign this Lease on behalf of Landlord.

G. RECORDING. Tenant may not record this Lease or any memorandum thereof.

H. ENTIRE AGREEMENT. This Lease constitutes the entire understanding and agreement of the Landlord and Tenant with respect to the subject matter of this Lease, and contains all of the covenants and agreements of Landlord and Tenant with respect thereto. Landlord and Tenant each acknowledge that no representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations not expressly

set forth in this Lease are of no force or effect. This Lease may not be altered, changed or amended except by all instrument in writing signed by both parties hereto.

I. FORCE MAJEURE. As used in this Lease, FORCE MAJEURE shall mean a delay caused by reason of fire, acts of God, unreasonable delays in transportation, embargo, weather (I.E., rain and rain related conditions, humidity, temperature, wind, etc.), strike, other labor disputes, governmental preemption of priorities or other controls in connection with a national or other public emergency, governmental delays in permitting, delays caused by any governmental disapproval of, or required revisions to, the Finish Plans, or shortages of fuel, supplies or labor or any similar cause not within Landlord's reasonable control. Landlord shall not be held responsible for delays in the performance of its obligations hereunder caused by Force Majeure, and such delays shall be excluded from the computation of the time allowed for the performance of such obligations. It is expressly agreed that the number of delay days may include not only the day or days upon which the event of Force Majeure occurred but the number of days thereafter that work could not resume due to the occurrence of such event of Force Majeure. By way of example only, rain on a Sunday, which is not scheduled as a normal work day, may prevent work for several days thereafter due to mud conditions.

J. SEVERABILITY. If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws effective during the term of this Lease, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and it is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

K. DATE OF LEASE. All references in this Lease to "the date hereof" or similar references shall be deemed to refer to the last date, in point of time, on which all parties hereto have executed this Lease.

L. BROKERS.

(1) Tenant represents and warrants that, except for The Amend Group (BROKER), Tenant has not dealt with any broker, agent or other person in connection with this transaction and that, except for Broker, no broker, agent or other person brought about this transaction through the acts of or employment by Tenant, and, except with respect to any commission or fee owed to Broker, Tenant agrees to indemnify and hold Landlord harmless from and against any claims by any broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Tenant with regard to this leasing transaction.

(2) Landlord represents and warrants that, except for Broker, Landlord has not dealt with any broker, agent or other person in connection with this transaction and that, except for Broker, no broker, agent or other person brought about this transaction through the acts of or employment by Landlord. Landlord has agreed to pay Broker a commission pursuant to a separate written agreement between Landlord and Broker, and Landlord agrees to indemnify and hold Tenant harmless from and against any claims by Broker or any broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Landlord with regard to this leasing transaction.

M. COUNTERPARTS. This Lease may be executed in counterparts, each being deemed an original, but together constituting only one instrument.

N. TIME FOR PERFORMANCE. TIME IS OF THE ESSENCE WITH RESPECT TO ALL PERFORMANCE OBLIGATIONS CONTAINED IN THIS LEASE.

O. ATTORNEYS FEES. In the event it becomes necessary for either party hereto to file a suit to enforce this Lease or any provisions contained herein, the party prevailing in such action shall be entitled to recover, in addition to all other remedies or damages, reasonable attorneys fees incurred in such suit.

P. LAW GOVERNING. This Lease shall be construed and interpreted in accordance with the laws of the

State of Texas and the obligations of the parties hereto are and shall be performable in, and venue for any claim or cause of action shall reside in, Dallas County, Texas.

Q. AMENDMENTS. This Lease may not be modified or amended, except by an agreement in writing signed by Landlord and Tenant. The parties may waive any of the conditions contained herein or any of the obligations of the other party hereunder, but any such waiver shall be effective only if in writing and signed by the party waiving such conditions or obligations, except as specifically set forth herein.

EXECUTED BY Landlord, this 29TH day of MAY, 1997.

MEPC QUORUM PROPERTIES II INC., a
Delaware corporation

By: /s/ PETER JOHNSON

Name: PETER JOHNSON

Title: Executive Vice President

By: /s/ DAVID L. CARLSON

Name: DAVID L. CARLSON

Title: Vice President

EXECUTED BY Tenant, this 29TH day of MAY, 1997.

MANNATECH, INC., a Texas corporation

By: /s/ CHARLES E. FIORETTI

Name: CHARLES E. FIORETTI

Title: Chairman of the Board

EXHIBITS:

- Exhibit A: Legal Description of 28 Acre Tract
- Exhibit B: Shell Building Construction Features
- Exhibit C: Site Plan
- Exhibit D: Omitted
- Exhibit E: Acceptance of Premises Memorandum
- Exhibit F: Contractor Insurance Requirements

EXHIBIT "A"

LEGAL DESCRIPTION OF 28 ACRE TRACT

Being a tract or parcel of land situated in the William S. Payne Survey, Abstract No. 1140 and the C. S. Dunnagan Survey, Abstract No. 1655, City of Coppell, Dallas County, Dallas, Texas, same being a portion of "Freeport North", a Preliminary-Final Plat recorded in Volume 84203, Page 1835, Dallas County Plat Records, same also being all of that certain 27.8527 acre Tract 5 conveyed to T/E Freeport North Land, Ltd. by instrument of record in Volume 94222, Page 1168, Dallas County Deed Records, said tract being more particularly described by metes and bounds as follows:

BEGINING at a 1/2 inch iron rod set in the Easterly line of that certain 157.929 acre tract of land conveyed to San Antonio Savings Association, F.A. by instrument of record in Volume 92104, Page 4313, Dallas County Deed Records, same being in the Northwesterly corner of said 27.8527 acre tract, same being in the Southerly line of Northpoint Drive, 80 feet wide, from which a 1/2 inch iron rod found bears North 00 degrees 13 minutes 53 seconds West, 80.21 feet;

THENCE, along said Southerly line, South 89 degrees 45 minutes 41 seconds East, 1268.29 feet to a 1/2 inch iron rod set for corner;

THENCE, continuing along said Southerly line, South 28 degrees 41 minutes 54 seconds East, 14.50 feet to a 1/2 inch iron rod set for corner in the Westerly line of Royal Lane, 100 feet wide;

THENCE, along said Westerly line the following five (5) courses:

- 1) 81.48 feet along the arc of a non-tangent curve to the right having a radius of 950.00 feet, a central angle of 04 degrees 54 minutes 51 seconds and a chord bearing and distance of South 35 degrees 16 minutes 31 seconds West, 81.45 feet to a 1/2 inch iron rod set for a point of tangency;
- 2) South 37 degrees 43 minutes 57 seconds West, 170.92 feet to a 1/2 inch iron rod set for the beginning of a curve;
- 3) 684.33 feet along the arc of a tangent curve to the left having a radius of 1050.00, a central angle of 37 degrees 20 minutes 31 seconds and a chord bearing and distance of South 19 degrees 03 minutes 41 seconds West, 672.28 feet to a 1/2 inch iron rod set for a point of tangency;
- 4) South 00 degrees 23 minutes 26 seconds West, 279.79 feet to a 1/2 inch iron rod set for corner;
- 5) South 45 degrees 23 minutes 26 seconds West, 21.21 feet to a 1/2 inch iron rod set for corner in the Northerly line of Gateview Boulevard, 60 feet wide;

THENCE, departing said Westerly line and along said Northerly line the following four (4) courses:

- 1) North 89 degrees 36 minutes 34 seconds West, 150.17 feet to a 1/2 inch iron rod set for the beginning of a curve;
- 2) 299.43 feet along the arc of a tangent curve to the left having a radius of 530.00 feet, a central angle of 32 degrees 22 minutes 11 seconds and a chord bearing and distance of South 74 degrees 12 minutes 20 seconds West, 295.46 feet to a 1/2 inch iron rod set for a point of reverse curvature;
- 3) 262.43 feet along the arc of a tangent curve to the right having a radius of 470.00 feet, a central angle of 32 degrees 00 minutes 00 seconds and a chord bearing and distance of South 74 degrees 01 minutes 15 seconds West, 259.10 feet to a 1/2 inch iron rod set for a point of tangency;
- 4) North 89 degrees 58 minutes 45 seconds West, 199.72 feet to a 1/2 inch iron rod set for corner in the common line of said 157.929 acre tract and said 27.8527 acre tract;

THENCE along said common line, North 00 degrees 02 minutes 58 seconds East, 305.12 feet to a 5/8 inch iron rod found for corner:

THENCE continuing along said common line, North 00 degrees 13 minutes 53 seconds West, 995.31 feet to the POINT OF BEGINNING and CONTAINING 27.8527 acres, 1,213,263 square feet, more or less, of land area within these metes and bounds.

MANNATECH

EXHIBIT B

SHELL BUILDING CONSTRUCTION FEATURES

SHELL BUILDING CONSTRUCTION FEATURES

- Painted exterior concrete tilt wall construction
- 30' Clear Height to the bottom of the roof joist
- 40' x 41' column bay dimensions
- Four-ply built-up roof system
- 6" thick reinforced concrete floor slab
- 6" thick reinforced concrete truck paving
- 5" thick reinforced concrete car parking
- ESFR fire sprinkler system
- (9) 9' x 10' Vertical lift overhead doors
- (5) 30,000 CFM Rooftop exhaust fans
- 4' x 4' skylights
- The building Fire Pump Room (approx. 12' x 18') is located within this lease space

CLARIFICATIONS AND EXCLUSIONS

- Fire alarm, security, and/or phone systems excluded
- In-rack fire sprinklers or modifications to overhead system excluded
- Dumpster/compactor power and/or screening excluded
- Draft curtains or modifications/additions to smoke removal system are excluded

[FLOORPLAN]

EXHIBIT "D"

OMITTED

EXHIBIT "E"

ACCEPTANCE OF PREMISES MEMORANDUM

This memorandum is being executed pursuant to the Commercial Lease Agreement (the LEASE) executed on the ___ day of _____, 1997, between MEPC QUORUM PROPERTIES II INC., a Delaware corporation (LANDLORD), and MANNATECH, INC., a TEXAS (TENANT).

Landlord and Tenant hereby agree that:

1. Tenant acknowledges that (i) it has inspected and accepts the Building and the Project, (ii) the Premises is suitable for the purpose for which it is leased, subject to completion by Tenant of any finish work Tenant requires, (iii) the Building and the Project are in good and satisfactory condition, and (iv) no representations as to the repair of the Premises or the Project, nor promises to alter, remodel or improve the Premises or the Project which have been made by Landlord remain unsatisfied.
2. The Commencement Date of the Lease is the ___ day of _____, 199__.
3. The Rent Commencement Date of the Lease is the ___ day of _____, 199__.
4. The expiration date of the Lease is the ___ day of _____, 1997__.
5. All capitalized terms not defined herein shall have the meaning assigned to them in the Lease.

Agreed and Executed this ___ day of _____, 1997.

LANDLORD

TENANT

MEPC QUORUM PROPERTIES II INC.,
a Delaware corporation

MANNATECH, INC., a TEXAS corporation

By: _____
 Name: _____
 Title: _____

By: _____
 Name: _____
 Title: _____

By: _____
 Name: _____
 Title: _____

EXHIBIT "F"

CONTRACTOR INSURANCE REQUIREMENTS

All contractors, subcontractors, suppliers, service providers, moving companies, and others performing work of any type for Tenant at the Premises shall:

- carry the insurance listed below with companies acceptable to Landlord; and
- furnish Certificates of Insurance to Landlord evidencing required coverages at least ten (10) days prior to entry in the Premises and Renewal Certificates at least thirty (30) days prior to the expiration dates of Certificates previously furnished.

Certificates of Insurance must provide for thirty (30) days' prior written notice of cancellation or material change to Landlord.

- (1) WORKERS COMPENSATION: Statutory workers compensation insurance covering full liability under applicable Workers Compensation Laws at the required statutory limits.
- (2) EMPLOYERS' LIABILITY: Employers' liability insurance with the following minimum limits of liability:

\$100,000 Each Accident
\$500,000 Disease-Policy Limit
\$100,000 Disease-Each Employee

- (3) COMMERCIAL GENERAL LIABILITY: This insurance policy must:

(a) Be written on a standard liability policy form (sometimes known as commercial general liability insurance) BUT WITHOUT exclusionary endorsements that may delete coverage for products/completed operations, personal and advertising injury, blanket contractual, fire legal liability, or medical payments.

(b) Be endorsed to provide that:

- aggregate limits, if any, apply separately to each of the insured's jobs or projects away from premises owned by or rented to the insured;
- the insurance is primary and non-contributory to any insurance provided by Landlord; and
- include the following minimum limits:

\$1,000,000 General Aggregate
\$1,000,000 Products-Completed Operations Aggregate
\$1,000,000 Personal & Advertising Injury
\$1,000,000 Each Occurrence
\$ 50,000 Fire Damage (Any one fire)
\$ 5,000 Medical Expense (Any one person)

- (4) AUTOMOBILE LIABILITY: Automobile liability insurance for claims of ownership, maintenance, or use of owned, non-owned, and hired motor vehicles at, upon, or away from the Premises with the following minimum limits:

\$500,000 Combined Single Limit Bodily Injury and Property Damage per Occurrence

(5) EXCESS LIABILITY: Following form excess liability insurance with coverages at least as broad as the required commercial general liability insurance with the following minimum limits:

\$1,000,000	Each Occurrence
\$2,000,000	Aggregate

(6) GENERAL REQUIREMENTS: All policies must be:

- written on an occurrence basis and not on a claims-made basis;
- endorsed to name as additional insureds Landlord, and its respective officers, directors, employees, agents, partners, and assigns;
- endorsed to waive any rights of subrogation against Landlord and its respective officers, directors, employees, agents, partners, and assigns; and
- primary and non-contributing with, and not in excess of, any other insurance available to Tenant and Landlord (or any other entity named as an additional insured).

FIRST AMENDMENT TO COMMERCIAL LEASE AGREEMENT

THIS FIRST AMENDMENT TO COMMERCIAL LEASE AGREEMENT (this "AMENDMENT") is entered into by and between MEPC QUORUM PROPERTIES II INC., a Delaware corporation (LANDLORD) and MANNATECH, INC., a Texas corporation (TENANT) effective as of November 6, 1997.

A. Landlord and Tenant have heretofore entered into a Commercial Lease Agreement (the LEASE) pursuant to which Landlord leased to Tenant approximately 74,476 square feet in the Building (as defined in the Lease) located on the Land described on EXHIBIT "A" attached to the Lease and located in the Freeport North Industrial Park, Coppell, Texas;

B. Landlord and Tenant now wish to amend the Lease.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which being hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. COMMENCEMENT DATE. Landlord and Tenant agree that the COMMENCEMENT DATE, as that term is used in the Lease, as amended hereby, shall be October 27, 1997.

2. IMPROVEMENTS/TENANT FINISH. Paragraph 2 of the Lease shall be, and hereby is, deleted and replaced with the following Paragraph 2:

"2. IMPROVEMENTS TO BE CONSTRUCTED BY LANDLORD

A. BUILDING. Landlord agrees to construct on the Land an approximate 297,902 square foot warehouse building structure (the BUILDING) containing the features generally described on EXHIBIT "B" attached hereto and incorporated herein by reference and generally situated as shown on the Site Plan (herein so called) attached hereto as EXHIBIT "C" and incorporated herein by reference.

B. TENANT FINISH. Landlord agrees to construct within the Premises the improvements described in the plans and specifications prepared by Meinhardt & Quintana (ARCHITECT) and set forth on EXHIBIT "G" attached hereto and incorporated herein by reference (collectively, the FINISH PLANS). The improvements to be constructed pursuant to the Finish Plans are collectively referred to herein as the TENANT FINISH WORK). The Building, the Tenant Finish Work and any other improvements constructed by Landlord on the Land from time to time, whether pursuant to this Lease or otherwise, are collectively referred to herein as the IMPROVEMENTS.

C. CONSTRUCTION COSTS. Subject to the terms of this paragraph, Landlord will pay (i) the cost of all Tenant Finish Work up to, but not in excess of the \$220,928.00 (the WORK ALLOWANCE), which includes any costs incurred by Landlord in connection with the preparation of the Finish Plans, and (ii) the cost of constructing the Building and any other improvements described on EXHIBIT "B". Notwithstanding the preceding sentence, Tenant shall be responsible for the following:

(1) If prior to commencement of the Tenant Finish Work Landlord determines that the actual cost of the Tenant Finish Work will exceed the Work Allowance, or if during construction the actual cost of the Tenant Finish Work exceeds the Work Allowance, Landlord will not be obligated to commence the Tenant Finish Work or continue its construction until it receives from Tenant ten percent (10%) of the estimated cost by which such amount is in excess, in Landlord's estimation, of the Work Allowance, with the actual amount of such excess, less the initial payment by Tenant, being due on the Rent Commencement Date.

(2) If Tenant requests any redrawing of the Finish Plans, Tenant will be responsible for the costs of any redrawing of such plans in connection with such change(s) and shall reimburse Landlord for such costs upon demand.

(3) If Landlord performs, at Tenant's request, any work over and above the work generally described in the Finish Plans or described on EXHIBIT "B" (herein, the ADDITIONAL WORK), including any additional work which has been approved by written change order or work order, then, subject to the exhaustion of the Work Allowance, the Additional Work together with the cost of preparing plans and specifications for same will be at Tenant's expense. Landlord will not be obligated to perform any such Additional Work until Tenant pays Landlord ten percent (10%) of the estimated cost

of the Additional Work, as estimated by Landlord, with the actual cost of the Additional Work, less the initial payment by Tenant, being due on the Rent Commencement Date.

(4) All costs or expenses incurred or suffered by Landlord that are caused by Tenant Delays. A TENANT DELAY(S) shall mean any delay in the completion of the Improvements or any delay in the occurrence of the Commencement Date caused by a Tenant Party, including, without limitation, any delay resulting from the installation by Tenant or any Tenant Party of any property or equipment of Tenant in or on the Premises prior to the Rent Commencement Date, any delay resulting from any request by Tenant for any change or modification to the Finish Plans, any delay caused by any Additional Work requested by Tenant, and any delay due to interference by Tenant or any Tenant Party with Landlord's engineers, consultants, contractors or otherwise. As used in this Lease, a TENANT PARTY shall mean one or more of Tenant, its agents, employees, officers, partners or contractors.

Additionally, Landlord shall receive an administration fee in the total amount of 2.50% of the total construction costs of the Tenant Finish Work, as determined by the general contract for the Tenant Finish Work, as same may be modified by work or change orders. Such fee shall be charged against the Work Allowance upon the entering into of such general contract and at the time the cost of any Additional Work is determined. If there is no remaining balance of the Work Allowance at any time the administration fee is owed, such shall be paid by Tenant upon demand. Lastly, all oversight costs charged by Architect in connection with the Tenant Finish Work shall be charged against the Work Allowance until exhausted and thereafter paid by Tenant upon demand.

D. MANNER OF CONSTRUCTION. Landlord agrees to construct the Improvements in a good and workmanlike manner.

E. OWNERSHIP OF IMPROVEMENTS. All Tenant Finish Work and the other Improvements constructed by or on behalf of Landlord shall at all times be the sole property of Landlord."

3. RENT COMMENCEMENT/ACCEPTANCE OF PREMISES. Paragraph 3 of the Lease shall be, and hereby is, deleted and replaced with the following:

"3. RENT COMMENCEMENT DATE/ACCEPTANCE OF PREMISES.

A. RENT COMMENCEMENT DATE. The RENT COMMENCEMENT DATE shall be the earlier to occur of (i) ninety (90) days after the Commencement Date, or (ii) the date Tenant takes possession or commences use of the Premises for any purpose other than merely to perform any work that may be permitted under Paragraph 6 below.

B. ACCEPTANCE OF PREMISES. Not less than five (5) days prior to the date Landlord estimates the Tenant Finish Work will be substantially complete Landlord will notify Tenant of the estimated date that the Tenant Finish Work will be substantially completed. The term SUBSTANTIALLY COMPLETED or SUBSTANTIALLY COMPLETE as used herein, means that, in the reasonable opinion of Landlord's architect, the Tenant Finish Work has been completed in substantial accordance with the Finish Plans and that the Premises is in good and satisfactory condition, subject only to completion of minor punch list items. Upon receipt of Landlord's notification, Tenant shall verbally notify Landlord of the date Tenant intends to make its walk-through inspection of the Premises, such date to be on the date specified in Landlord's notice for the Tenant Finish Work to be substantially complete or within three (3) days prior to that date. Landlord and Landlord's architect shall accompany Tenant on the walk-through inspection so as to mutually determine the punch list of items to be completed or repaired by Landlord within a reasonable time after the date of the walk-through inspection (the PUNCH LIST). At the conclusion of the walk-through inspection, Tenant will be deemed to have acknowledged that, subject only to Landlord's completion of the Punch List, (i) it has inspected and accepts the Premises and the Project, (ii) the Premises is suitable for the purpose for which it is leased, (iii) the Premises and the Project are in good and satisfactory condition, and (iv) no representations as to the repair of the Premises or the Project, nor promises to alter, remodel or improve the Premises or the Project which have been made by Landlord remain unsatisfied. At the conclusion of the walk-through inspection Tenant further agrees to execute an Acceptance of Premises Memorandum in the form attached hereto and made a part hereof as EXHIBIT "E", whereupon possession of the Premises will be delivered to Tenant and Tenant will be deemed to have accepted the Premises, and Tenant

may thereafter occupy the Premises. Tenant's failure to conduct a walk-through inspection or execute the Acceptance of Premises Memorandum will not delay the occurrence of the Rent Commencement Date."

4. PAYMENT OF RENT. Paragraph 4C of the Lease shall be, and hereby is, deleted and replaced with the following:

"C. PAYMENT OF RENT. Base Monthly Rent and Adjustments shall be due and payable, in advance, beginning on the Rent Commencement Date; provided that one (1) full installment of Base Monthly Rent and Adjustments totaling \$24,825.33 is due and payable on the date of this Lease, such to be applied to the first installment of Base Monthly Rent and Adjustments due on the Rent Commencement Date and thereafter applied to Base Monthly Rent and Adjustments until fully applied. Any installment of Base Monthly Rent or Adjustments due for any fractional calendar month shall be prorated based upon the actual number of days in that month. If the Rent Commencement Date occurs on the first day of a calendar month, then the month in which the Rent Commencement Date occurs shall be the first complete calendar month after the occurrence of the Rent Commencement Date for purposes of determining the date upon which Base Monthly Rent adjusts. As used in this Lease, RENT shall mean the Base Monthly Rent and all other amounts provided for in this Lease to be paid by Tenant to Landlord, all of which shall constitute rental in consideration for this Lease and the leasing of the Premises. All Rent (hereinafter defined) shall be paid at the times and in the amounts provided for herein in legal tender of the United States of America to Landlord at the address specified in Paragraph 32 hereof or to such other person or at such other address as Landlord may from time to time designate in writing. Rent shall be paid without notice, demand, abatement, deduction or offset (unless expressly provided for elsewhere in this Lease) and shall be a covenant of Tenant independent of any obligation of Landlord under this Lease. Tenant's obligation to pay any installment of Rent shall not be deemed satisfied until such installment of Rent has actually been received by Landlord."

5. IMPROVEMENTS/ALTERATIONS BY TENANT. Paragraphs 6A, 6B, and 6C of the Lease shall be, and hereby are, deleted and replaced with the following:

"A. AFTER COMMENCEMENT DATE. Except as expressly permitted by this Paragraph 6, Tenant may not make or permit any alterations, improvements, or additions in or to the Premises without Landlord's prior written consent. All alterations and improvements desired by Tenant are subject to the following conditions:

(1) All alterations, improvements and additions will be at the sole cost and expense of Tenant;

(2) All alterations, improvements and additions in and to the Premises requested by Tenant must be made in accordance with plans and specifications first approved in writing by Landlord;

(3) Tenant's contractors and subcontractors are subject to Landlord's prior approval. In addition, each of Tenant's contractor(s) and subcontractor(s) must deliver evidence satisfactory to Landlord that the insurance specified on EXHIBIT "F" (attached hereto and incorporated herein by reference) is in force prior to commencing work;

(4) All alterations, improvements and additions made by Tenant must comply with all Applicable Laws including, specifically, the ADA, and applicable building permits and certificates of occupancy. Landlord's approval of Tenant's plans and specifications for the alterations or improvements will not act as a confirmation or agreement by Landlord that the improvements and alterations comply with Applicable Laws;

(5) Tenant must deliver to Landlord evidence that Tenant has obtained all necessary governmental permits and approvals for the improvements, alterations and additions prior to starting any work;

(6) All alterations, improvements and additions must be done in a good and workmanlike manner so as not to damage or alter the primary structure or structural qualities or the utility or other systems of the Premises or the Building and is subject to approval by Landlord during and after construction, in its sole discretion;

(7) Lien releases from each of Tenant's contractor(s) and subcontractor(s) must be submitted to Landlord within ten (10) days after completion of the work performed by the contractor(s) or subcontractor(s); and

(8) Tenant shall be solely responsible for the safety and security of all equipment and property installed or placed in, on or about the Premises by a Tenant Party.

B. PRIOR TO THE RENT COMMENCEMENT DATE. Prior to the Rent Commencement Date, and upon written request by Tenant, Tenant and its contractors may enter the Premises so that Tenant may perform other work and decorations Tenant wants in the Premises. This license to enter prior to the Rent Commencement Date is subject to the conditions set forth in Paragraph 6A above and, in addition, the following conditions:

(9) Tenant's contractor(s) must work in harmony and not interfere with Landlord's contractors and subcontractors; and

(10) Landlord may revoke this license if the entry causes interference with the construction of the Improvements and Tenant does not immediately cease such interference (or cause its contractors to immediately cease such interference, as the case may be) after receipt of notice from Landlord, which notice may be verbal. Any such interference may be deemed a Tenant Delay.

C. TENANT'S PROPERTY. Tenant, at its own cost and expense, may erect such shelves, racks, bins and trade fixtures (collectively, TENANT'S PROPERTY) within the Premises as it desires and without Landlord's prior consent provided that (a) such items do not alter the basic character of the Premises or the Building; (b) such items do not overload or damage the Premises or the Building or the utility or other systems serving same; (c) such items may be removed without material injury to the Premises and the Building; and (d) the construction, erection or installation thereof complies with all Applicable Laws, applicable building permits and certificates of occupancy; and (e) provided that Tenant's installation of Tenant's Property prior to the Rent Commencement Date will be subject to Paragraph 6B above. All of Tenant's Property shall remain the property of Tenant and shall be removed on or before the earlier to occur of the date of termination of this Lease or Tenant's vacating of the Premises. Tenant shall promptly repair any damage to the Project or the Premises caused by the removal of any of Tenant's Property. Any of Tenant's Property not so removed and any other property of Tenant not removed prior to the termination of this Lease or Tenant's vacating of the Premises shall thereupon be conclusively presumed to have been abandoned by Tenant, and Landlord may, at its option, take over possession of any and all of the foregoing and either (i) declare the same to be the property of Landlord by written notice to Tenant at the address provided herein or (ii) at the sole cost and expense of Tenant, remove, store, and/or dispose of the same or any part thereof all at Tenant's cost, in any manner that Landlord shall choose without incurring liability to Tenant or any other person."

6. EXHIBITS. EXHIBIT "E" to the Lease shall be, and hereby is, deleted and replaced with EXHIBIT "E" as attached to this Amendment. The Lease shall be, and hereby is, further amended to add as EXHIBIT "G" thereto the Finish Plans attached to this Amendment as EXHIBIT "G". EXHIBITS "A"- "D" and "F" are omitted from this Amendment.

7. COUNTERPARTS. This Amendment may be executed in counterparts. Facsimile signatures will have the same effect as originals.

8. RATIFICATION. The Lease, as amended hereby, is ratified and confirmed by the parties as being in full force and effect. To the extent of any conflict between the terms of the Lease and this Amendment, this Amendment shall govern. All capitalized terms herein shall have the same meaning as set forth in the Lease unless otherwise noted herein. This Amendment is binding on the parties and their successors and assigns.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment effective as of the latter of the two dates set forth below.

LANDLORD: MEPC QUORUM PROPERTIES INC., a Delaware corporation

By: /s/ Ab Atkins

Name: Ab ATKINS

Title: SENIOR VICE PRESIDENT

By: /s/ Peter Johnson

Name: PETER JOHNSON

Title: SENIOR VICE PRESIDENT

TENANT: MANNATECH, INC. a Texas corporation
By: /s/ (Illegible)

Name: _____

Title: C.O.O.

EXHIBITS "A" - "D"

OMITTED

EXHIBIT "E"

ACCEPTANCE OF PREMISES MEMORANDUM

This memorandum is being executed pursuant to the Commercial Lease Agreement (the LEASE) executed on the ____ day of _____, 1999, between MEPC QUORUM PROPERTIES II INC., a Delaware corporation (LANDLORD), and MANNATECH, INC., a Texas corporation (TENANT).

Landlord and Tenant hereby agree that:

1. Except for the Punch List Items (as shown on the attached Punch List), Landlord has fully completed the construction work required under the terms of the Lease and the Finish Plans attached thereto. Landlord will use reasonable efforts to complete the Punch List Items within thirty (30) days after the date hereof.
2. Tenant acknowledges that, subject to the Punch List Items, (i) it has inspected and accepts the Premises, (ii) the buildings and improvements comprising the same are suitable for the purpose for which the Premises are leased, (iii) the Premises are in good and satisfactory condition, and (iv) no representations as to the repair of the Premises, nor promises to alter, remodel or improve the Premises which have been made by Landlord remain unsatisfied.
3. The Rent Commencement Date of the Lease is the ____ day of _____, 199__.
4. The expiration date of the Lease is the ____ day of _____, ____.
5. All capitalized terms not defined herein shall have the meaning assigned to them in the Lease.

Agreed and Executed this ____ day of _____, 1998.

LANDLORD

TENANT

MEPC QUORUM PROPERTIES II INC.,
a Delaware corporation

MANNATECH, INC., a Texas corporation
a Texas corporation

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXHIBIT "F"
OMITTED

EXHIBIT "G"

Attached hereto are the site plans for the leased property.

ASSIGNMENT OF PATENT RIGHTS

WHEREAS, WE, BILL H. MCANALLEY, H. REGINALD MCDANIEL, D. ERIC MOORE, EILEEN P. VENNUM and WILLIAM C. FIORETTI, (hereinafter referred to as the "INVENTORS") are citizens of the United States and reside at the addresses as stated below, respectively, have jointly made an invention (hereinafter referred to as the "INVENTION") entitled "COMPOSITIONS OF PLANT CARBOHYDRATES AS DIETARY SUPPLEMENTS" for which we have filed United States provisional patent applications, an International Application pursuant to the Patent Cooperation Treaty ("PCT") designating all countries that were members of the PCT as of August 4, 1997 and certain direct national foreign patent applications, including, without limitation, the patents and patent applications listed on Schedule A;

WHEREAS, MANNATECH, INC. (hereinafter referred to as MANNATECH), a corporation organized under the laws of the State of Texas, U.S.A. having a place of business at 600 South Royal Lane, Suite 200, Coppell, TX 75019, is desirous of acquiring the entire right, title and interest in, to and under the INVENTION and all patents and patent applications filed thereon, including, without limitation, the patents and patent applications listed on Schedule A.;

NOW, THEREFORE, for and in consideration of One Dollar (\$1.00) and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged jointly and severally by the INVENTORS, we have assigned, sold, transferred and set over and by these presents do hereby assign, sell, transfer and set over unto MANNATECH the entire right, title and interest in and to (a) the INVENTION and worldwide rights therein; (b) the patents and patent applications listed on Schedule A., including all continuations, divisions, continuations-in-part and substitutions thereof, and (c) all patents which shall issue for the INVENTION including without limitation, any and all patents and patent application listed on Schedule A or any continuations, divisions, continuations-in-part, renewals or substitutes thereof as well as all reissues, reexaminations, renewals and extensions thereof, for the United States, its territories and possessions and all foreign countries, including the right to file corresponding patent applications on the INVENTION in any and all foreign countries, and to claim priority under any and all treaties and conventions to which the United States of America is signatory including the Paris Convention for the Protection of Industrial Property for such corresponding applications, or any division, continuation, continuation-in-part or substitution thereof, the same to be held and enjoyed by MANNATECH, its assigns and successors, as fully and entirely as the same would have been held and enjoyed by the INVENTORS, had this assignment not been made.

The INVENTORS jointly and severally covenant and agree that the INVENTORS will, at any time upon the request and at the expense of MANNATECH, execute and deliver any and all papers and do all lawful acts that may be necessary or desirable, in the opinion of MANNATECH, to enable and assist MANNATECH to (a) obtain patents, both domestic and foreign, on the INVENTION; (b) establish, maintain and secure title in MANNATECH, its successors and assigns, to the INVENTION, the patents and patent applications listed on Schedule A including making such title lawful public record; and (c) defend, establish or otherwise preserve the validity of the

patents and patent applications listed on the Schedule A against any and all infringers, and perform such other acts as are necessary to give full force and effect to this assignment.

The INVENTORS jointly and severally represent and covenant that no assignment, mortgage, sale, license, pledge, encumbrance or alienation of the INVENTION or the patents and patent applications listed on Schedule A has been or will be made or entered into which would conflict with this assignment and sale.

The INVENTORS jointly and severally hereby irrevocably constitute and appoint MANNATECH and any officer or agent thereof, with full power of substitution, as their, his or her true and lawful attorney-in-fact, with full irrevocable power and authority in their, his or her name to take any and all action and to execute thereafter any and all documents and instruments which MANNATECH deems necessary or desirable to accomplish the purposes of this Agreement.

The INVENTORS jointly and severally authorize MANNATECH, its attorneys and agents to prosecute the applications listed in Schedule A and to update the information concerning the applications listed in Schedule A including inserting the application numbers and filing dates, when known, into the assignment for the INVENTION. MANNATECH shall send updated copies of Schedule A to the INVENTORS from time to time.

IN WITNESS WHEREOF, we have duly executed this assignment on the date as indicated next to our names.

Date: 30 Oct 97

/s/ Bill H. McAnalley

BILL H. MCANALLEY

Residence Address:

4921 CORN VALLEY
GRAND PRAIRIE, TX 75052
UNITED STATES OF AMERICA

STATE OF TEXAS

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Bill H. McAnalley, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 30 day of OCT., 1997.

/s/ Vincenza C. Calvey

VINCENZA C. CALVEY
MY COMMISSION EXPIRES
September 11, 2001

Notary Public in and for
said county and state

SEAL

VINCENZA C. CALVEY

Printed Name of Notary

My Commission Expires:
9-11-2001

Date: 10/30/97

/s/ H. Reginald McDaniel

H. REGINALD MCDANIEL

Residence Address:

4 WOODLAND DRIVE
MANSFIELD, TX 76063
UNITED STATES OF AMERICA

STATE OF TEXAS

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared H. Reginald McDaniel known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 30 day of OCT., 1997.

/s/ Vincenza C. Calvey

Notary Public in and for
said county and state

VINCENZA C. CALVEY
MY COMMISSION EXPIRES
September 11, 2001

SEAL

VINCENZA C. CALVEY

Printed Name of Notary

My Commission Expires:
9-11-2001

Date: 10/30/97

/s/ D. Eric Moore

D. ERIC MOORE

Residence Address: 2911 OLD MILL RUN
GRAPEVINE, TX 76057
UNITED STATES OF AMERICA

STATE OF TEXAS

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared D. Eric Moore known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 30 day of OCT., 1997.

VINCENZA C. CALVEY
MY COMMISSION EXPIRES
September 11, 2001

/s/ Vincenza C. Calvey

Notary Public in and for
said county and state

SEAL

VINCENZA C. CALVEY

Printed Name of Notary

My Commission Expires:
9-11-2001

Date: 10/30/97

/s/ Eileen P. Venum

EILLEN P. VENNUM

Residence Address: 2229 N. WESTFIELD
GRAND PRAIRIE, TX 75050
UNITED STATES OF AMERICA

STATE OF TEXAS

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared Eileen P. Venum known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 30 day of OCT., 1997.

VINCENZA C. CALVEY
MY COMMISSION EXPIRES
September 11, 2001

/s/ Vincenza C. Calvey

Notary Public in and for
said county and state

SEAL

VINCENZA C. CALVEY

Printed Name of Notary

My Commission Expires:
9-11-2001

Date: 10/30/97

/s/ William C. Fioretti

WILLIAM C. FIORETTI

Residence Address:

2224 LAKERIDGE DRIVE
GRAPEVINE, TX 76051
UNITED STATES OF AMERICA

STATE OF TEXAS

COUNTY OF Dallas

BEFORE ME, the undersigned authority, on this day personally appeared William C. Fioretti known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 30 day of OCT., 1997.

VINCENZA C. CALVEY
MY COMMISSION EXPIRES
September 11, 2001

/s/ Vincenza C. Calvey

Notary Public in and for
said county and state

SEAL

VINCENZA C. CALVEY

Printed Name of Notary

My Commission Expires:
9-11-2001

SCHEDULE A

- 1) United States Provisional patent application Serial No. 60/022,467 filed August 9, 1996;
- 2) United States Provisional patent application Serial No. 60/030,317 filed November 1, 1996;
- 3) United States Provisional patent application Serial No. 60/057,017 filed July 24, 1997;
- 4) PCT International Application No. PCT/US97/13379 filed August 4, 1997;
- 5) Argentina patent application Serial No. P97 01 03619 filed August 8, 1997;
- 6) Malaysian patent application Serial No. _____ filed August 8, 1997;
- 7) Philippines patent application Serial No. I-57533 filed August 8, 1997;
- 8) South African patent application Serial No. 97/7102 filed August 8, 1997;
- 9) Taiwan patent application Serial No. 86111421 filed August 9, 1997;
- 10) Thailand patent application Serial No. 038968 filed August 7, 1997; and
- 11) Venezuelan patent application Serial No. 1592-97 filed August 8, 1997.

SUPPLY AGREEMENT

THIS SUPPLY AGREEMENT (this "Agreement") effective as of March 31, 1995, is by and between CARALOE, INC., a Texas corporation ("Seller"), and EMPRISE INTERNATIONAL, INC., a Texas corporation ("Buyer"),

WITNESSETH:

WHEREAS, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, bulk aloe vera mucilaginous polysaccharide (hereinafter referred to under the product name of "MANAPOL-TM-") in the quantities, at the price, and upon the terms and conditions hereinafter set forth; and

WHEREAS, simultaneously with the execution of this Agreement, Seller and Buyer are entering into a Trademark License Agreement of even date herewith (the "License Agreement") pursuant to which, among other things, Seller is granting to Buyer a license to use the product name MANAPOL-TM- in connection with the labeling, advertising and sale of products manufactured by or for Buyer that contain MANAPOL-TM-;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. TERM. The term of this Agreement shall commence on April 1, 1995, and shall end at midnight on March 31, 2000, unless sooner terminated as provided herein (the "Term"). This Agreement shall terminate automatically upon the expiration or termination of the License Agreement.

2. SALE AND PURCHASE.

(a) Subject to the terms and conditions of this Agreement, Seller shall sell to Buyer, and Buyer shall purchase from Seller, during each year of the Term, not less than the quantity of MANAPOL-TM- specified for such year below:

YEAR	QUANTITY
----	-----

From April 1, 1995 to March 31, 1996	Not less than 225 kilograms per month
From April 1, 1996 to March 31, 1997	Not less than 225 kilograms per month
From April 1, 1997 to March 31, 1998	Not less than 270 kilograms per month
From April 1, 1998 to March 31, 1999	Not less than 324 kilograms per month
From April 1, 1999 to March 31, 2000	Not less than 388 kilograms per month

(b) Buyer agrees that all MANAPOL-TM- purchased by it hereunder or under the Supply Agreement between the parties dated May 16, 1994 (the "Prior Supply Agreement") shall be used only as an additive in human health food products, new products to include skin care, cosmetics, health care products, those mutually agreed upon by the parties, and all those currently being sold by Buyer; and manufactured by or for Buyer that are intended for sale to

the ultimate consumer in the United States or elsewhere, subject to compliance with Buyer's obligations under the License Agreement, including without limitation Buyer's obligations under Article III thereof. All food products manufactured by or for Buyer that contain MANAPOL-TM- purchased by Buyer from Seller (under this Agreement or the Prior Supply Agreement) are herein called "Buyer Products".

(c) During the Terms Buyer shall have the exclusive right to purchase MANAPOL-TM- from Seller or its affiliates for use as an additive in human health food products that are intended for sale to the ultimate consumer in the United States, Canada and Mexico.

3. QUALITY. Seller warrants to Buyer that all MANAPOL-TM- sold by Seller pursuant to this Agreement will conform to the quality specifications set forth in EXHIBIT A to this Agreement, EXCEPT AS PROVIDED IN THIS PARAGRAPH 3, THERE ARE NO WARRANTIES OR REPRESENTATIONS OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS AND FITNESS FOR A PARTICULAR PURPOSE, MADE WITH RESPECT TO THE MANAPOL-TM- TO BE SOLD HEREUNDER, AND NONE SHALL BE IMPLIED BY LAW.

4. DELIVERIES. Buyer shall instruct Seller from time to time during the Term, by placing a purchase order with Seller reasonably in advance of the date Buyer desires MANAPOL-TM- to be delivered to it hereunder, (i) as to the quantities of MANAPOL-TM- to be delivered to Buyer, (ii) as to the specific date of delivery, (iii) as to the specific location of delivery and (iv) as to the carrier or particular type of carrier for such delivery. During the Term, Buyer shall provide Seller (a) on an annual basis prior to the beginning of each year of the Term a nonbinding forecast of Buyer's minimum and maximum aggregate delivery requirements for MANAPOL-TM- for such year (provided that such forecast for the initial year of the Term shall be provided to Seller by April 15, 1995), and (b) on a quarterly basis at least 30 days prior to the end of each three-month period of the Term a forecast acceptable to Seller (which shall be binding on Buyer) of Buyer's minimum and maximum delivery requirements for MANAPOL-TM- for each month of the three-month period (provided that such forecast for the initial three-month period of the Term ending on June 30, 1995, shall be provided to Seller by April 15, 1995). The quantities of MANAPOL-TM- ordered by Buyer pursuant to this Agreement from time to time shall be spaced in a reasonable manner, and Buyer shall order such quantities in accordance with Buyer's binding forecasts. In no event shall Seller be required to deliver to Buyer in any three-month period a quantity of MANAPOL-TM- in excess of 125% of the maximum delivery requirement for such period set forth in the binding forecast for such period accepted by Seller. Deliveries of MANAPOL-TM- shall be made by Seller under normal trade conditions in the usual and customary manner being utilized by Seller at the time and location of the particular delivery. The MANAPOL-TM- delivered to Buyer hereunder shall be packaged in 3 kilogram or 10 kilogram containers. All deliveries of MANAPOL-TM- to Buyer hereunder shall be made by Seller F.O.B. at the facilities of Seller or its affiliates located in Dallas or Irving, Texas.

5. PURCHASE PRICE.

(a) All MANAPOL-TM- to be purchased by Buyer under this Agreement shall be purchased by it, during the first two years of the Term, at a price of \$1,200 per kilogram and, during the last three years of the Term, at the price per kilogram agreed upon by the parties for such three-year period pursuant to the provisions of Paragraph 5(b) hereof. Buyer shall bear all freight, insurance and similar costs, and all sales taxes, with respect to such purchases. The purchase price of MANAPOL-TM-, together with all related freight, insurance and similar costs, and sales taxes, shall be paid by Buyer to Seller within 30 days after the date of invoice.

(b) Not later than February 1, 1997, Seller and Buyer shall commence good with negotiations to determine and agree upon the price of MANAPOL-TM- to be purchased by Buyer hereunder during the last three years of the Term. If the parties are unable to so agree on such price by March 15, 1997, this Agreement shall terminate effective at midnight on March 31, 1997. Nothing contained in this Paragraph 5(b) shall be deemed to (i) obligate the parties to agree upon such price, (ii) obligate a party to negotiate with the other party regarding such price if such other party is then in breach of or in default under this Agreement or the License Agreement or (iii) limit the rights of the parties under Paragraph 9 hereof.

6. ROYALTIES.

(a) As additional consideration for the rights granted to Buyer pursuant to Paragraph 2 hereof, Buyer shall pay to Seller a royalty in an amount equal to three percent (3%) of the net sales price of all Buyer Products sold by or on behalf of Buyer or its affiliated companies or their respective distributors on or after April 1, 1995 that receive "Bonus Volume" as that term is defined in schedule 1 attached hereto and made a part hereof. Generally, however, the term "Bonus Volume" shall mean the dollar amount assigned by Buyer to Buyer Products for the purpose of paying commissions or bonuses to its distributors. It shall be presumed that all products listed on schedule 1 shall remain thereon unless both parties mutually agree to their deletion and it shall be further presumed that all new products shall be added to the schedule unless the parties agree that they should not. Generally, sales aides, brochures, and travel related programs are presumed not to be included. Sales Kits will be excluded except that product listed on schedule 1 will be given a mutually agreed upon discounted value and a royalty shall be paid on these product inclusions into a sales kit;

(b) Buyer hereby agrees that payment of royalties to Seller pursuant to Paragraph 6(a) shall be made with respect to each calendar quarter, and shall be made within 30 days following the end of each calendar quarter, with respect to all Buyer Products sold during such calendar quarter. Payment of royalties shall be accompanied by a report of Buyer to Seller setting forth in reasonable detail the calculation of such royalties and containing such other information as Seller may reasonably request in connection with such calculation Buyer agrees that it will at all times keep complete, separate and accurate books of account with respect to the sale of Buyer Products in sufficient detail to permit the accurate preparation of such reports and to enable Seller to ascertain the royalties accruing and payable hereunder. Buyer further agrees

to permit Seller and its authorized representatives to have access to such books of account during ordinary business hours for the purpose of verifying the accuracy of Buyer's reports.

(c) The Buyer shall buy the 225 kilograms per month. Buyer shall provide Seller with the total usage on a monthly basis. When the monthly use of MANAPOL-TM- exceeds 225 kilograms per month Buyer shall pay Seller a 3% royalty on all product sales.

7. CONFIDENTIALITY. In the performance of Seller's obligations Pursuant to this Agreement or the License Agreement, Buyer may acquire from Seller or its affiliates technical, commercial, operating or other proprietary information relative to the business or operations of Seller or its affiliates (the "Confidential Information"). Buyer shall maintain the confidentiality, and take all necessary precautions to safeguard the secrecy, of any and all Confidential Information it may acquire from Seller or its affiliates. Buyer shall not use any of such Confidential Information for its own benefit or for the benefit of anyone else. Buyer shall not publicly disclose the existence of this Agreement or the terms hereof without the prior written consent of Seller.

8. FORCE MAJEURE. Seller shall not have any liability hereunder if it shall be prevented from performing any of its obligations hereunder by reason of any factor beyond its control, including, without limitation, fire, explosion, accident, riot, flood, drought, storm, earthquake, lightning, frost, civil commotion, sabotage, vandalism, smoke, hail, embargo, act of God or the public enemy, other casualty, strike or lockout, or interference, prohibition or restriction imposed by any government or any officer or agent thereof ("Force Majeure"), and Seller's obligations, so far as may be necessary, shall be suspended during the period of such Force Majeure and shall be canceled in respect of such quantities of MANAPOL-TM- as would have been sold hereunder but for such suspension. Seller shall give to Buyer prompt notice of any such Force Majeure, the date of commencement thereof and its probable duration and shall give a further notice in like manner upon the upon the termination thereof. Each party hereto shall endeavor with due diligence to resume compliance with its obligations hereunder at the earliest date and shall do all that it reasonably can to overcome or mitigate the effects of any such Force Majeure upon its obligations wider this Agreement.

9. RIGHTS UPON DEFAULT.

(a) SELLER'S RIGHTS UPON DEFAULT. If Buyer (i) fails to purchase the quantities of MANAPOL-TM- specified for purchase by Buyer hereunder, (ii) fails to make a payment hereunder when due or (iii) otherwise breaches any term of this Agreement, and such failure or breach is not cured to Seller's reasonable satisfaction within 5 days (in the case of a failure to make a payment) or 30 days (in any other case) after receipt of notice thereof by Buyer, or if Buyer fails to perform or observe any covenant or condition on its part to be performed or observed under the License Agreement when required to be performed or observed, and such failure continues after the applicable grace period, if any, specified in the License Agreement, Seller may refuse to make further deliveries hereunder and may terminate this Agreement upon notice to Buyer and, in addition, shall have such other rights and remedies, including the Seller to recover damages, as are available to Seller under applicable law or otherwise. If Buyer

becomes bankrupt or insolvent, or if a petition in bankruptcy is filed by or against it, or if a receiver is appointed for it or its properties, Seller may refuse to make further deliveries hereunder and may terminate this Agreement upon notice to Buyer, without prejudice to any rights of Seller existing hereunder or under applicable law or otherwise. Any subsequent shipment of MANAPOL-TM- by Seller after a failure by Buyer to make any payment hereunder, or after any other default by Buyer hereunder, shall not constitute a waiver of any rights of Seller arising out of such prior default; nor shall Seller's failure to insist upon strict performance of any provision of this Agreement be deemed a waiver by Seller of any of its rights or remedies hereunder or under applicable law or a waiver by Seller of any subsequent default by Buyer in the performance of or compliance with any of the terms of this Agreement.

(b) BUYER'S RIGHTS UPON DEFAULT. If Seller fails in any material respect to perform its obligations hereunder, and such failure is not cured to Buyer's reasonable satisfaction within 30 days after receipt of notice thereof by Seller, Buyer shall have the right to refuse to accept further deliveries hereunder and to terminate this Agreement upon notice to Seller and, in addition, shall have such other rights and remedies, including the right to recover damages, as are available to Buyer under applicable law or otherwise. Any subsequent acceptance of delivery of MANAPOL-TM- by Buyer after any default by Seller under this Agreement shall not constitute a waiver of any rights of Buyer arising out of such prior default; nor shall Buyer's failure to insist upon strict performance of any provision of this Agreement be deemed a waiver by Buyer of any of its rights or remedies hereunder or under applicable law or a waiver by Buyer of any subsequent default by Seller in the performance of or compliance with any of the terms of this Agreement.

10. DISCLAIMER AND INDEMNITY Buyer shall assume all financial and other obligations for Buyer Products, and Seller shall not incur any liability or responsibility to Buyer or to third parties arising out of or connected in any manner with Buyer Products. In no event shall Seller be liable for lost profits, special damages, consequential damages or contingent liabilities arising out of or connected in any manner with this Agreement or Buyer Products. Buyer shall defend, indemnify and hold harmless Seller and its affiliates, and their respective officers, directors, employees and agents, from and against all claims, liabilities, demands, damages, expenses and losses (including reasonable attorneys's fees and expenses) arising out of or connected with (i) any manufacture, use, sale or other disposition of Buyer Products, or any other products of Buyer, by Buyer or any other party and (ii) any breach by Buyer of any of its obligations under this Agreement or the License Agreement.

11. EQUITABLE RELIEF. A breach by Buyer of the provisions of Paragraph 2(b) shall cause Seller to suffer irreparable harm and, in such event, Seller shall be entitled, as a matter of right, to a restraining order and other injunctive relief from any court of competent jurisdiction, restraining any further violation thereof by Buyer, its officers, agents, servants, employees and those persons in active concert or participation with them. The right to a restraining order or other injunctive relief shall be supplemental to any other right or remedy Seller may have, including, without limitation, the recovery of damages for the breach of such provisions or of any other provisions of this Agreement.

12. SURVIVAL. The expiration or termination of the Term shall not impair the right or obligation of either party hereto which shall have accrued hereunder prior to such expiration or termination. The provisions of Paragraphs 2(b), 6, 7, 9, 10 and 11 hereof, and the rights and obligation of the parties thereunder, shall survive the expiration or termination of the Term.

13. GOVERNING LAW. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas.

14. SUCCESSION. Neither party hereto may assign or otherwise transfer this Agreement or any of its rights or obligations hereunder (including, without limitation, by merger or consolidation) without the prior written consent of the other party; provided, however, that Seller may assign any of its rights or obligations hereunder to any affiliate of Seller. Subject to the immediately preceding sentence, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

15. ENTIRE AGREEMENT. This Agreement and the License Agreement constitute the entire agreement between the parties hereto relating to the matters covered hereby and Supersede any and all prior understandings, whether written or oral, with respect to such matters, including the Prior Supply Agreement. The terms of this Agreement shall prevail over any inconsistent terms contained in any purchase order issued by Buyer and acknowledgment or acceptance thereof issued by Seller. No modification, waiver or discharge of this Agreement or any of its terms shall be binding unless in writing and signed by the party against which the modification, waiver or discharge is sought to be enforced. This Agreement is separate from and, except for the License Agreement, unrelated to any other agreement between the parties hereto and has been entered into for separate and independent consideration, the sufficiency of which is hereby acknowledged by the parties.

16. NOTICES. All notices and other communications with respect to this Agreement shall be in writing and shall be deemed to have been duly given when delivered Personally or when duly deposited in the mails, first class mail, Postage prepaid, to the address set forth below, or such other address hereafter specified in like manner by one party to the other:

If to Seller: Caraloe, Inc.
2001 Walnut Hill Lane
Irving, Texas 75038

If to Buyer: Emprise International, Inc.
2010 North Highway 360
Grand Prairie, Texas 75050
Attention: President

17. INTERPRETATION. In the event that any provision of this Agreement is illegal, invalid or unenforceable as Written but may be rendered legal, valid and enforceable by limitation thereof, then such provision shall be deemed to be legal, valid and enforceable to the

maximum extent Permitted by applicable law. The illegality, invalidity or unenforceability in its entirety of any Provision hereof will not affect the legality, validity or enforceability of the remaining Provisions of this Agreement.

18. NO INCONSISTENT ACTIONS. Each party hereto agrees that it will not voluntarily undertake any action or course of action inconsistent with the provisions or intent of this Agreement and, subject to the provisions of Paragraph 8 hereof, will promptly do an acts and take all measures as may be appropriate to comply with the terms, conditions and provisions of this Agreement

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

CARALOE, INC

By: /s/ Carlton E. Turner

Name: Carlton E. Turner

Title: Chief Operating Officer

EMPRISE INTERNATIONAL, INC.

By: /s/ William C. Fioretti

Name: William C. Fioretti

William C. Fioretti

Title: Chief Executive Officer

SUPPLY AGREEMENT

THIS SUPPLY AGREEMENT (this "Agreement") effective as of August 14, 1997, is by and between CARALOE, INC., a Texas corporation ("Seller"), and MANNATECH, INC., a Texas corporation ("Buyer"),

WITNESSETH:

WHEREAS, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, bulk aloe vera mucilaginous polysaccharide (hereinafter referred to under the product name of "MANAPOL-Registered Trademark- powder") in the quantities, at the price, and upon the terms and conditions hereinafter set forth; and

WHEREAS, simultaneously with the execution of this Agreement, Seller and Buyer are entering into a Trademark License Agreement of even date herewith (the "License Agreement") pursuant to which, among other things, Seller is granting to Buyer a license to use the product name MANAPOL-Registered Trademark- in connection with the labeling, advertising and sale of products manufactured by or for Buyer that contain MANAPOL-Registered Trademark- powder; as one of the ingredients in products manufactured by or for Buyer also containing other ingredients and substances (the "Manufactured Products").

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. TERM. The term of this Agreement shall commence on August 15, 1997, and shall end at midnight on August 14, 2000, unless further extended or sooner terminated as provided herein (such term as extended, herein called the "Term"). The Term (including each one-year extension of the Term) shall be extended automatically for an additional one-year period, provided that, at least thirty (30) days prior to the end of the Term, Seller and Buyer mutually agree in writing on the quantity and price of MANAPOL-Registered Trademark- to be sold by Seller and purchased by Buyer hereunder during such additional one-year period. At least sixty (60) days prior to the end of the Term, Seller and Buyer shall commence good faith negotiations to determine and agree upon such quantity and price for such additional one-year period. If the parties are unable to so agree on such quantity and price, this Agreement shall terminate effective at the end of the current Term. Nothing contained in this Paragraph 1 shall be deemed to (i) obligate the parties to agree upon such quantity and price, (ii) obligate a party to negotiate with the other party regarding such quantity and price if such other party is then in breach of or in default under this Agreement or the License Agreement or (iii) limit the rights to the parties under Paragraph 8 hereof This Agreement shall terminate automatically upon the expiration or termination of the License Agreement.

2. SALE AND PURCHASE LICENSE.

(a) Subject to the terms and conditions of this Agreement, Seller shall sell to Buyer, and Buyer shall purchase from Seller, not less than 300 kilograms per month.

(b) Buyer agrees that all MANAPOL-Registered Trademark- powder purchased by it hereunder shall be used only (i) as an additive in human or animal health food products (in capsule or liquid form) manufactured by or for Buyer that are intended for sale to the ultimate consumer in the United States or elsewhere and subject to compliance with Buyer's obligations under the License Agreement, including without limitation Buyer's obligations under Article III thereof. Such food products are herein called "Buyer Products".

3. QUALITY. Seller warrants to Buyer that all MANAPOL-Registered Trademark- powder sold by Seller pursuant to this Agreement will conform to the quality specifications set forth in EXHIBIT A to this Agreement. EXCEPT AS PROVIDED IN THIS PARAGRAPH 3, THERE ARE NO WARRANTIES OR REPRESENTATIONS OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS AND FITNESS FOR A PARTICULAR PURPOSE, MADE WITH RESPECT TO THE MANAPOL-Registered Trademark- POWDER TO BE SOLD HEREUNDER, AND NONE SHALL BE IMPLIED BY LAW. THE FOREGOING NOTWITHSTANDING, SELLER DOES REPRESENT THAT THE MANAPOL-Registered Trademark- POWDER DOES MEET THE SPECIFICATIONS OUTLINED ON EXHIBIT A AND THAT IT IS A FOOD SUPPLEMENT UNDER THE FDA RULES AND REGULATIONS.

4. INSURANCE. Carrington shall maintain insurance during the term of this Agreement, and any extensions thereof with not less than the same coverage, endorsements, limits and notice of cancellation as shown in the insurance certificate attached hereto as Exhibit C. Carrington shall, within thirty (30) days after this Agreement is executed by both Parties, provide Mannatech with a copy of its insurance certificate naming Mannatech as an additional insured and listing the coverage, endorsements, limits, and notice of cancellation provisions. Carrington shall not cancel or materially alter such policy without providing at least thirty (30) days prior written notice to all named insured. Failure by Carrington to maintain insurance coverage in accordance with this Article 4 shall constitute a material breach of this Agreement. It is understood and agreed that the furnishing of such insurance certificate will not relieve Carrington of its other respective obligations under this Agreement.

5. DELIVERIES. Buyer shall instruct Seller from time to time during the Term, by placing a purchase order with Seller reasonably in advance of the date Buyer desires MANAPOL-Registered Trademark- powder to be delivered to it hereunder, (i) as to the quantities of MANAPOL-Registered Trademark- powder to be delivered to Buyer, (ii) as to the specific date of delivery, (iii) as to the specific location of delivery and (iv) as to the carrier or particular type of carrier for such delivery. During the Term, Buyer shall provide Seller (a) on a quarterly basis commencing on August 15, a binding forecast of Buyer's minimum and maximum aggregate delivery requirements for MANAPOL-Registered Trademark- powder for such period, and (b) on a yearly basis a good faith forecast acceptable to Seller (which shall be binding on Buyer) of Buyer's

minimum and maximum delivery requirements for MANAPOL-Registered Trademark- powder for each month of the next twelve (12) month period. The quantities of MANAPOL-Registered Trademark- powder ordered by Buyer pursuant to this Agreement from time to time shall be spaced in a reasonable manner, and Buyer shall order such quantities in accordance with Buyer's binding forecasts. In no event shall Seller be required to deliver to Buyer in any three-month period a quantity of MANAPOL-Registered Trademark- powder in excess of 125% of the maximum delivery requirement for such period set forth in the binding forecast for such period accepted by Seller. In no event shall Mannatech be required to purchase more than 300 kilos of Manapol-Registered Trademark- powder per month, unless a higher minimum monthly amount has been projected by Seller pursuant to 5(a). Deliveries of MANAPOL-Registered Trademark- powder shall be made by Seller under normal trade conditions in the usual and customary manner being utilized by Seller at the time and location of the particular delivery. The MANAPOL-Registered Trademark- powder delivered to Buyer hereunder shall be packaged in five (5) kilogram or fifteen (15) kilogram containers. All deliveries of MANAPOL-Registered Trademark- powder to Buyer hereunder shall be made by Seller F.O.B. at the facilities of Seller or its affiliates located in Irving, Texas.

6. PRICE. All MANAPOL-Registered Trademark- powder to be purchased by Buyer under this Agreement shall be purchased by it, during the first year of the Term, at a price as outlined in Attachment B, and during each year (if any) of the Term, at the price per kilogram agreed upon by the parties for such additional year pursuant to the provisions of Paragraph 1 hereof. Buyer shall bear all freight, insurance and similar costs, and all sales taxes, with respect to such purchases. The purchase price of MANAPOL-Registered Trademark- powder, together with all related freight, insurance and similar costs, and sales taxes, shall be paid by Buyer to Seller within thirty (30) days after the date of invoice.

7. CONFIDENTIALITY. In the performance of Seller's obligations pursuant to this Agreement or the License Agreement, Buyer may acquire from Seller or its affiliates technical, commercial, operating or other proprietary information relative to the business or operations of Seller or its affiliates (the "Confidential Information"). Buyer shall maintain the confidentiality, and take all necessary precautions to safeguard the secrecy, of any and all Confidential Information it may acquire from Seller or its affiliates. Buyer shall not use any of such Confidential Information for its own benefit or for the benefit of anyone else. Buyer shall not publicly disclose the existence of this Agreement or the terms hereof without the prior written consent of Seller.

8. FORCE MAJEURE. Seller shall not have any liability hereunder if it shall be prevented from performing any of its obligations hereunder by reason of any factor beyond its control, including, without limitation, fire, explosion, accident, riot, flood, drought, storm, earthquake, lightning, frost, civil commotion, sabotage, vandalism, smoke, hail, embargo, act of God or the public enemy, other casualty, strike or lockout, or interference, prohibition or restriction imposed by any government or any officer or agent thereof ("Force Majeure"), and Seller's obligations, so far as may be necessary, shall be suspended during the period of such Force Majeure and shall be canceled in respect of such quantities of MANAPOL-Registered Trademark- powder as would have been sold hereunder but for such suspension. Seller shall give to Buyer prompt notice of any such Force Majeure, the date of commencement thereof and its probable duration and shall give a further notice in like manner upon the termination thereof. Each party hereto shall endeavor with due diligence to resume compliance with its

obligations hereunder at the earliest date and shall do all That it reasonably can to overcome or mitigate The effects of any such Force Majeure upon its obligations under this Agreement.

9. RIGHT UPON DEFAULT.

(a) SELLER'S RIGHTS UPON DEFAULT. If Buyer (i) fails to purchase The quantities of MANAPOL-Registered Trademark- powder specified for purchase by Buyer hereunder, (ii) fails to make a payment hereunder when due or (iii) otherwise breaches any term of this Agreement, and such failure or breach is not cured to Seller's reasonable satisfaction within five (5) days (in the case of a failure to make a payment) or thirty (30) days (in any other case) after receipt of notice thereof by Buyer, or if Buyer fails to perform or observe any covenant or condition on its part to be performed when required to be performed or observed, and such failure continues after the applicable grace period, if any, specified in the Agreement, Seller may refuse to make further deliveries hereunder and may terminate this Agreement upon notice to Buyer and, in addition, shall have such other rights and remedies, including the right to recover damages, as are available to Seller under applicable law or otherwise. If Buyer becomes bankrupt or insolvent, or if a petition in bankruptcy is filed by or against it, or if a receiver is appointed for it or its properties, Seller may refuse to make further deliveries hereunder and may terminate this Agreement upon notice to Buyer, without prejudice to any rights of Seller existing hereunder or under applicable law or otherwise. Any subsequent shipment of MANAPOL-Registered Trademark- powder by Seller after a failure by Buyer to make any payment hereunder, or after any other default by Buyer hereunder, shall not constitute a waiver of any rights of Seller arising out of such prior default; nor shall Seller's failure to insist upon strict performance of any provision of this Agreement be deemed a waiver by Seller of any of its rights or remedies hereunder or under applicable law or a waiver by Seller of any subsequent default by Buyer in The performance of or compliance with any of The terms of this Agreement.

(b) BUYER'S RIGHTS UPON DEFAULT. If Seller fails in any material respect to perform its obligations hereunder, and such failure is not cured to Buyer's reasonable satisfaction within 30 days after receipt of notice thereof by Seller, Buyer shall have the right to refuse to accept further deliveries hereunder and to terminate this Agreement upon notice to Seller and, in addition, shall have such other rights and remedies, including the right to recover damages, as are available to Buyer under applicable law or otherwise. Any subsequent acceptance of delivery of MANAPOL-Registered Trademark- powder by Buyer after any default by Seller under this Agreement shall not constitute a waiver of any rights of Buyer arising out of such prior default; nor shall Buyer's failure to insist upon strict performance of any provision of this Agreement be deemed a waiver by Buyer of any of its rights or remedies hereunder or under applicable law or a waiver by Buyer of any subsequent default by Seller in the performance of or compliance with any of the terms of this Agreement.

10. DISCLAIMER AND INDEMNITY. Buyer shall assume all financial and other obligations for Buyer Products, and Seller shall not incur any liability or responsibility to Buyer or to Third parties arising out of or connected in any manner with Buyer Products. In no event shall Seller be liable for lost profits, special damages, consequential damages or contingent liabilities arising out of or connected in any manner with this Agreement or Buyer Products. Buyer shall defend, indemnify and

hold harmless Seller and its affiliates, and their respective officers, directors, employees and agents, from and against all claims, liabilities, demands, damages, expenses and losses (including reasonable attorneys fees and expenses) arising out of or connected with (i) any manufacture, use, sale or other disposition of Buyer Products, or any other products of Buyer, by Buyer or any other party and (ii) any breach by Buyer of any of its obligations under this Agreement.

11. **EQUITABLE RELIEF.** A breach by Buyer of the provisions of Paragraph 2(b) shall cause Seller to suffer irreparable harm and, in such event, Seller shall be entitled, as a matter of right, to a restraining order and other injunctive relief from any court of competent jurisdiction, restraining any further violation thereof by Buyer, its officers, agents, servants, employees and those persons in active concert or participation with them. The right to a restraining order or other injunctive relief shall be supplemental to any other right or remedy Seller may have, including, without limitation, the recovery of damages for the breach of such provisions or of any other provisions of this Agreement.

12. **SURVIVAL.** The expiration or termination of the Term shall not impair the rights or obligations of either party hereto which shall have accrued hereunder prior to such expiration or termination. The provisions of Paragraphs 2(b), 3, 7, 9, 10 and 11 hereof, and the rights and obligations of the parties thereunder, shall survive the expiration or termination of the Term.

13. **GOVERNING LAW.** This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas.

14. **SUCCESSION** Neither party hereto may assign or otherwise transfer this Agreement or any of its rights or obligations hereunder (including, without limitation, by merger or consolidation) without the prior written consent of the other party; provided, however, that Seller may assign any of its rights or obligations hereunder to any affiliate of Seller. Subject to the immediately preceding sentence, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

15. **ENTIRE AGREEMENT.** This Agreement and the License Agreement constitute the entire agreement between the parties hereto relating to the matters covered hereby. The terms of this Agreement shall prevail over any inconsistent terms contained in any purchase order issued by Buyer and acknowledgment or acceptance thereof issued by Seller. No modification, waiver or discharge of this Agreement or any of its terms shall be binding unless in writing and signed by the party against which the modification, waiver or discharge is sought to be enforced. This Agreement is separate from and, except for the License Agreement, unrelated to any other agreement between the parties hereto and has been entered into for separate and independent consideration, the sufficiency of which is hereby acknowledged by the parties.

16. **NOTICES.** All notices and other communications with respect to this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when duly deposited in the mails, first class mail, postage prep aid, to the address set forth below, or such other address hereafter specified in like manner by one party to the other:

If to Seller: Caraloe, Inc.
2001 Walnut Hill Lane
Irving, Texas 75038
Attention: President

If to Buyer: Mannatech, Inc.
600 S. Royal Lane, Suite 200
Coppell, Texas 75019
Attention: President

17. INTERPRETATION. In the event that any provision of this Agreement is illegal, invalid or unenforceable as written but may be rendered legal, valid and enforceable by limitation thereof, then such provision shall be deemed to be legal, valid and enforceable to the maximum extent permitted by applicable law. The illegality, invalidity or unenforceability in its entirety of any provision hereof will not affect the legality, validity or enforceability of the remaining provisions of this Agreement.

18. NO INCONSISTENT ACTIONS. Each party hereto agrees that it will not voluntarily undertake any action or course of action inconsistent with the provisions or intent of this Agreement and, subject to the provisions of Paragraph 7 hereof, will promptly do all acts and take all measures as may be appropriate to comply with the terms, conditions and provisions of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

CARALOE, INC.

By: /s/ Carlton E. Turner

Name: CARLTON E. TURNER

Title: PRES/CEO

MANNATECH, INC.

By: /s/ Charles E. Fioretti

Name: CHARLES E. "SKIP" FIORETTI

Title: CHAIRMAN OF THE BOARD

EXHIBIT A
TO THAT CERTAIN TRADEMARK LICENSE AND SUPPLY AGREEMENT
DATED AUGUST 14, 1997 BY AND BETWEEN CARALOE, INC. AND MANNATECH, INC.

MANAPOL-Registered Trademark- POWDER PRODUCT SPECIFICATION

SOURCE:

Freeze dried powder produced from inner gel of Aloe vera L.

PROCESSING:

PATENTED: U.S. and other patents.

PRODUCT SPECIFICATIONS:

Appearance	Fine white to beige powder
Complex carbohydrates	GREATER THAN OR EQUAL TO 30% of soluble fraction
Moisture	LESS THAN OR EQUAL TO 14%
Residue on ignition	LESS THAN OR EQUAL TO 16%
Microbiological purity	Meets U.S.P. specifications
Gel Points	= 240 mg/oz
Viscosity (cP) @ 4 mg/ml	= 40
Total acid value (as malic acid)	= 0.7% by AOAC method
Fiber content (GREATER THAN 5 MICROMETERS)	LESS THAN OR EQUAL TO 60%

EXHIBIT B

MANAPOL-Registered Trademark- POWDER

MONTHLY QUANTITY -----	PRICE/KG -----
200 to 300 Kg	\$ 1,225/Kg
301 to 400 Kg	1,200/Kg
401 to 500 Kg	1,150/Kg
501 to 600 Kg	1,125/Kg
601 to 700 Kg	1,100/Kg

The above pricing will be re-evaluated in May, 1998 or when monthly purchases exceed 700 kilograms.

TRADEMARK LICENSE AGREEMENT

THIS TRADEMARK LICENSE AGREEMENT "Agreement"), effective as of March 31, 1995, is made by and between CARALOE, INC. ("Licensor"), a Texas corporation, having its principal place of business at 2001 Walnut Hill Lane, Irving, Texas 75038, and EMPRISE INTERNATIONAL, INC. ("Licensee"), a Texas corporation, having its principal place of business at 2010 North Highway 360, Grand Prairie, Texas 75050.

WITNESSETH:

WHEREAS, simultaneously with the execution of this Agreement, Licensor and Licensee are entering into an exclusive Supply Agreement of even date herewith (the "Supply Agreement") for the sale by Licensor and purchase by Licensee of bulk aloe vera mucilaginous polysaccharide (hereinafter referred to under the product name of "MANAPOL-TM-") to be used in products manufactured by Licensee also containing other substances (the "Manufactured Products");

WHEREAS, Carrington Laboratories, Inc., a Texas corporation ("Carrington"), claims the ownership of the trademark MANAPOL-TM- (the "Mark") and has granted to Licensor a license to use the Mark and to license others to use it on an exclusive and/or a nonexclusive basis;

WHEREAS, Licensee is desirous of obtaining from Licensor, and Licensor is willing to grant to Licensee, a license to use the product name MANAPOL-TM- (the "Mark") in connection with the advertising and sale of the Manufactured Products subject to the terms, conditions and restrictions set forth herein; and

WHEREAS, Licensor and Licensee are mutually desirous of insuring the consistent quality of all products sold in connection with the Mark;

NOW, THEREFORE, in consideration of premises, the mutual covenants, promises and agreement set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby covenant, promise and agree as follows:

Article 1

LICENSE

1.1 TERMS AND CONDITIONS. Licensor hereby grants to Licensee the non-transferable right and license to use the Mark in connection with the labeling, advertising and sale of Manufactured Products manufactured and sold by Licensee during the term of this Agreement. During the term of this Agreement, Licensee shall have (a) the exclusive right to use the Mark in connection with Manufactured Products containing MANAPOL-TM- that are intended for sale to the ultimate consumer in the United States, Canada and Mexico, and (b) the non-exclusive right to use the Mark in connection with Manufactured Products containing MANAPOL-TM- that are intended for sale to the ultimate consumer in places other than the United States, Canada and Mexico.

1.2 LICENSE COTERMINOUS WITH SUPPLY AGREEMENT. The license granted by this Agreement shall run conterminously with the Supply Agreement, and any actions or events which shall operate to extend or terminate the Supply Agreement shall automatically extend or terminate this Agreement simultaneously.

1.3 SUBLICENSES. Licensee shall not have the right without written permission from Licensor to grant sublicenses with respect to the license granted herein; however, Licensee may engage a third party or parties to make and affix labels for the Manufactured Products in compliance with Articles 2, 3, and 4 hereof, and/or to distribute and sell the Manufactured Products in compliance with the terms and conditions of this Agreement. Licensee shall be expressly obligated to ensure full compliance with all terms and conditions of this Agreement.

Article 2

CERTAIN OBLIGATIONS OF LICENSEE

2.1 REPRESENTATIONS BY LICENSEE. Licensee shall not represent in any manner that it owns any right, title or interest in or to the Mark. Licensee acknowledges that its use of the Mark shall inure to the benefit of Licensor and shall not create in Licensee's favor any right, title or interest in or to the Mark.

2.2 DISCONTINUATION OF USE OF MARK. Upon the expiration or termination of this Agreement, Licensee will cease and desist from all use of the Mark in any manner and will not adopt or use, without Licensor's prior written consent, any word or mark which is confusingly or deceptively similar to the Mark, except that Licensee may continue to use the Mark under the terms and, conditions of this Agreement in connection with any remaining supplies of MANAPOL-TM- purchased by Licensee from Licensor until such supplies are exhausted.

2.3 STANDARDS. All products on which the Mark is used by Licensee shall be of consistent quality and shall meet or exceed all standards set by Licensor, in Licensor's sole discretion, from time to time. Licensee shall have thirty (30) days from the receipt of written notice of any change in the standards to comply with any new requirements.

2.4 FDA COMPLIANCE OF PRODUCTS. All products on which the Mark is used by Licensee shall be manufactured, packaged, labeled, advertised, marketed and sold in compliance with (i) the Federal Food, Drug and Cosmetic Act and the rules and regulations promulgated thereunder, as amended from time to time, and (ii) all other applicable laws, rules and relations.

2.5 INSPECTION. Licensor reserves the right to inspect Licensee's products bearing the Mark and Licensee's manufacturing facilities at all reasonable times to insure Licensee's compliance with this Agreement.

2.6 USE OF TRADEMARK. Licensee shall not use the Mark except as specifically set forth herein. Without limiting the generality of the preceding sentence, Licensee shall not use the Mark in connection with the sale or advertising of any products other than the Manufactured Products.

2.7 TRADEMARK REGISTRATION. At Licensor's request and expense and, except as otherwise provided herein at Licensor's sole discretion and option, Licensee shall take whatever action it reasonably necessary to assist Carrington or its assigns in registering the Mark with the U.S. Patent and Trademark Office ("USPTO") and/or in perfecting, protecting or enforcing Carrington's and Licensor's rights in and to the Mark. Licensee understands that Carrington or its assigns may rely solely on Licensee's use of the Mark to obtain or maintain registration with the USPTO.

Article 3

MANUFACTURING AND SALE

3.1 MANUFACTURING FACILITIES. All manufacturing of the Manufactured Products shall be done in the Licensee's facilities or contract facilities that Licensee confirms meets all terms of this Agreement, including without limitation Sections 2.3 and 2.4.

3.2 COMBINATION WITH OTHER PRODUCTS. Licensee shall not combine MANAPOL-TM- with any product or Substance in any manner which would violate any laws, rules or regulations of any state, federal or other governmental body. Licensee shall not combine MANAPOL-TM- with any other substance in a Manufactured Product that is to be advertised or sold for use or consumption by humans or animals if the approval of the U.S. Food and Drug Administration (the "FDA") or the U.S. Department of Agriculture ("USDA") for such use or consumption is required and has not been obtained.

3.3 COMPLIANCE BY THIRD PARTIES. Licensee shall take all steps reasonably necessary to ensure that its distributors and any other parties to whom it sells any of the Manufactured Products for resale do not relabel, repackage, advertise, sell or attempt to sell MANAPOL-TM- or any of the Manufactured Products in a manner that would violate this Agreement if done by Licensee.

3.4 MANAPOL-TM- CONTENT. The amount of MANAPOL-TM- to be contained in each Manufactured Product shall be determined by mutual written agreement of Licensor and Licensee. The parties shall meet once each calendar quarter to determine and agree upon the MANAPOL-TM- content for existing and proposed Manufactured Products.

Article 4

LABELS AND ADVERTISING

4.1 FDA COMPLIANCE OF LABELS AND ADVERTISING. All labels and advertising relating to the Manufactured Products offered in connection with the Mark must strictly comply with all applicable rules and regulations of the FDA and all other applicable laws, rules and regulations, including but not limited to FDA requirements relating to product ingredients. Information regarding the ingredients of MANAPOL-TM- shall be furnished to Licensee by Licensor from time to time.

4.2 MANDATORY REQUIREMENTS. Licensee shall cause all labels, packaging, advertising and promotional materials used by it in advertising, marketing and selling any product manufactured by or on behalf of Licensee that contains MANAPOL-TM- to contain (i) the Mark, (ii) a statement setting forth the concentration of MANAPOL-TM- contained in such product, and (iii) the following legend:

MANAPOL-TM- is a trademark of Carrington laboratories, Inc.

4.3 CLAIMS BY LICENSEE. Licensee hereby agrees not to make, or permit any of its employees, agents or distributors to make, any claims of any properties or results relating to MANAPOL-TM- or any Manufactured Product, unless such claims have received written approval from the FDA.

4.4 FDA OR USDA APPROVAL OF CLAIMS. If Licensee desires to seek FDA or USDA approval as to any specific claims with respect to MANAPOL-TM- or any Manufactured Product Licensee hereby agrees to (i) notify Licensor of the claims and the application prior to filing and (ii) to keep Licensor informed as to the progress of the application, including but not limited to sending Licensor copies of all communications or notices to or from the FDA or USDA, as applicable.

4.5 RIGHT TO APPROVE LABELS, ETC. If Licensor so requests, Licensee shall not use any label, advertisement or marketing material that contains the Mark unless such label, advertisement or marketing material has first been submitted to and approved by Licensor. Licensor shall not unreasonably withhold its approval of any such label, advertisement or marketing material.

Article 5

RIGHT OF FIRST REFUSAL

5.1 RIGHT OF FIRST REFUSAL. If, during the period of ninety (90) days immediately following the effective date of this Agreement, Licensor receives an offer from a third party to purchase quantities of MANAPOL-TM- and obtain an exclusive license to use the Mark in connection with a product or products containing MANAPOL-TM- that are intended for sale to the ultimate consumer in places other than the United States, and Mexico, and such offer is acceptable to Licensor, Licensor shall give prompt written notice to Licensee setting forth the terms of such offer. If, within fifteen

(15) days after Licensee's receipt of such notice, Licensee notifies Licensor in writing that Licensee is willing to enter into an agreement or agreements with Licensor on the terms set forth in the third party's offer, Licensor and Licensee shall enter into an agreement or agreements embodying the terms of such offer and such other terms as Licensor and Licensee shall mutually agree upon; provided, however, that Licensor shall not be obligated to enter into any such agreement or agreements with Licensee if Licensee is in default under the terms of this Agreement or the Supply Agreement.

Article 6

NEGATION OF WARRANTIES, DISCLAIMER AND INDEMNITY

6.1 NEGATION OF WARRANTIES, ETC. Nothing in this Agreement shall be construed or interpreted as:

(a) a warranty or representation by Licensor that any product made, used, sold or otherwise disposed of under the license granted in this Agreement is or will be free of infringement or the like of the rights of third parties; or

(b) an obligation by Licensor to bring or prosecute actions or suits against third parties for infringement or the like of the Mark or of any registration that may subsequently be granted for such Mark; or

(c) granting by implication, estoppel or otherwise any licenses or rights other than those expressly granted hereunder.

6.2 DISCLAIMER. LICENSOR MAKES NO REPRESENTATIONS, EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS AND FITNESS FOR A PARTICULAR PURPOSE, AND ASSUMES NO RESPONSIBILITIES WHATSOEVER WITH RESPECT TO THE USE, SALE OR OTHER DISPOSITION BY LICENSEE OR ITS CUSTOMERS, VENDEES OR OTHER TRANSFEREES, WITH RESPECT TO THE MARK OR ANY PRODUCTS MADE OR SOLD BY LICENSEE.

6.3 LIABILITY OF LICENSEE FOR PRODUCTS. Licensee shall assume all financial and other obligations for the products made and sold by it under this Agreement and Licensor shall not incur any liability or responsibility to Licensee or to third parties arising out of or connected in any manner with Licensee's products made or sold pursuant to this Agreement. In no event shall Licensor be liable for lost profits, special damages, consequential damages or contingent liabilities arising out of or in any manner with this Agreement or the products made or sold by Licensee under this Agreement.

6.4 INDEMNITY OF LICENSOR. Licensee agrees to defend, indemnify and in hold Licensor, its officers, directors, employees and agents harmless, against all claims, liabilities, demands, damages, expenses or losses arising out of or connected with (a) the use by Licensee of the Mark or (b) any use, sale or other disposition of Licensee's products by Licensee or by any other party.

6.5 NEGATION OF TRADEMARK WARRANTY. Licensee acknowledges that Licensor makes no warranty, express or implied, with respect to its ownership of any rights relating to the Mark.

Article 7

TERM AND TERMINATION

7.1 TERM. Unless terminated as provided for herein, this Agreement shall remain in full force and effect for a five (5)-year period ending at midnight on March 31, 2000. This Agreement may be extended or renewed

as provided in Section 1.2, or otherwise by the written agreement of the parties.

7.2 BREACH OF AGREEMENT. Except as provided otherwise in Section 7.3, if either party breaches any material provision of this Agreement and fails to cure the breach within (30) days after receipt of written notice from the nonbreaching party specifying the breach, then the nonbreaching party may terminate this Agreement upon written notice to the breaching party, which right of termination shall be in addition to, and not in lieu of, all other rights and remedies the nonbreaching party may have against the breaching party under this Agreement, at law or in equity. Failure by Licensor to give notice of termination with respect to any such failure shall not be deemed a waiver of its right at a later date to give such notice if such failure continues or again occurs, or if another failure occurs. A breach by either party of a material provision of the Supply Agreement shall be deemed a breach by such party of a material provision of this Agreement.

7.3 IMMEDIATE TERMINATION. Licensor may immediately terminate this Agreement, upon written notice to Licensee, upon the occurrence of any one or more of the following events: (i) Licensee breaches any provision of Articles 2, 3, or 4; (ii) Licensee fails to purchase and/or to pay for the quantities of MANAPOL-TM- that it is obligated to purchase and pay for under the Supply Agreement in accordance with the terms thereof; (iii) Licensee voluntarily seeks protection under any federal or state bankruptcy or insolvency laws; (iv) a petition for bankruptcy or the appointment of a receiver is filed against Licensee and is not dismissed within thirty (30) days thereafter; (v) Licensee makes any assignment for the benefit of its creditors; or (vi) Licensee ceases doing business.

7.4 SURVIVAL OF PROVISIONS. In the event of termination, cancellation or expiration of this Agreement for any reason, Sections 2.2, 6.1, 6.2, 6.3, 6.4, 6.5 and 8.1 hereof shall survive such termination, cancellation or expiration and remain in full force and effect.

Article 8

MISCELLANEOUS

8.1 EQUITABLE RELIEF. A breach or default by Licensee of any of the provisions of Articles 2,3 and 4 hereof shall cause Licensor to suffer irreparable harm and, in such event, Licensor shall be entitled, as a matter of right, to a restraining order and other injunctive relief from any court of competent jurisdiction, restraining any further violation thereof by Licensee, its officers, agents, servants, employees and those persons in active concert or participation with them. The right to a restraining order or other injunctive relief shall be supplemental to any other right or remedy Licensor may have, including, without limitation, the recovery of damages for the breach or default of any of the terms of this Agreement.

8.2 AMENDMENT. This Agreement may be changed, modified, or amended only by an instrument in writing duly executed by each of the parties hereto.

8.3 ENTIRE AGREEMENT. This Agreement constitutes the full and complete agreement of the parties hereto and supersedes any and all prior understandings, whether written or oral, with respect to the subject matter hereof, including the Trademark License Agreement between the parties dated May 16, 1994.

8.4 NO WAIVER. The failure of either party to insist upon strict performance of any obligation hereunder by the other party, irrespective of the length of time for which such failure continues, shall not be a waiver of its right to demand strict compliance in the future. No consent or waiver, express or implied, by either party to or of any breach or default in the performance of any obligation hereunder by the other party shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation hereunder.

8.5 NOTICES. All Notices required or permitted to be made or given pursuant to this Agreement shall be in writing and shall be considered as properly given or when personally delivered or when duly deposited in the mails,

first class mail, postage prepaid, or when transmitted by prepaid telegram, and addressed to the applicable address first above written or to such other address as the addressee shall have theretofore specified in a written notice to the notifying Party.

8.6 ASSIGNMENT. This Agreement or any of the rights or obligations created herein may be assigned, in whole or in part, by Licensor. However, this Agreement is personal to Licensee, and Licensee may not assign this Agreement or any of its rights, duties or obligations under this Agreement to any third party without Licensor's prior written consent, and any attempted assignment by Licensee not in accordance with this Section 3.6 shall be void.

8.7 RELATIONSHIP OF PARTIES. Nothing contained herein shall be construed to create or constitute any employment, agency, partnership or joint venture arrangement by and between the parties, and neither of them has the power or authority, express or implied, to obligate or bind the other in any manner whatsoever.

8.8 REMEDIES CUMULATIVE. Unless otherwise expressly provided herein, the rights and remedies hereunder are in addition to, and not in limitation of, any other rights and remedies, at law or in equity, and the exercise or one right or remedy will not be deemed a waiver other right or remedy.

8.9 SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, PROVIDED, HOWEVER, that the foregoing shall not be deemed to expand or otherwise affect the limitations on assignment and delegation set forth in Section 3.6 hereof, and except as otherwise expressly provided in this Agreement, no other person or business entity is intended to or shall have any right or interest under this Agreement.

8.10 GOVERNING LAW. Agreement shall be governed by and interpreted, construed and enforced in accordance with the laws of the State of Texas, excluding, however, any conflicts of law rules that would require the application of the laws of any other state or country.

8.11 HEADINGS. The headings used in this Agreement are for convenience of reference only and shall not be used to interpret this Agreement.

8.12 COUNTERPARTS. This Agreement may be exceed in multiple counterparts, each of which shall be deemed an original and all of which will constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

CARALOE, INC.

By: /s/ Carlton E. Turner

Name: Carlton E. Turner

Title: Chief Operating Officer

EMPRISE INTERNATIONAL, INC.

By: William C. Fioretti

Name: William C. Fioretti

Title: Chief Executive Officer

TRADEMARK LICENSE AGREEMENT

THIS TRADEMARK LICENSE AGREEMENT ("Agreement"), effective as of August 14, 1997, is made by and between CARALOE, INC. ("Licensor"), a Texas corporation, having its principal place of business at 2001 Walnut Hill Lane, Irving, Texas 75038, and MANNATECH, INC., ("Licensee"), a Texas corporation, having its principal place of business at 600 S. Royal Lane, Suite 200, Coppell, Texas 75019.

WITNESSETH:

WHEREAS, simultaneously with the execution of this Agreement, Licensor and Licensee are entering into a non-exclusive Supply Agreement of even date herewith (the "Supply Agreement") for the sale by Licensor and purchase by Licensee of bulk aloe vera mucilaginous polysaccharide (hereinafter referred to under the product name of "MANAPOL-Registered Trademark- powder") to be used in products manufactured by Licensee in capsule (the "Manufactured Products");

WHEREAS, Carrington Laboratories, Inc., a Texas corporation ("Carrington"), claims the ownership of the trademark MANAPOL-Registered Trademark- (the "Mark") and has granted to Licensor a license to use the Mark and to license others to use it on an exclusive and/or a non-exclusive basis;

WHEREAS, Licensee is desirous of obtaining from Licensor, and Licensor is willing to grant to Licensee, a license to use the product name MANAPOL-Registered Trademark- (the "Mark") in connection with the advertising and sale of the Manufactured Products subject to the terms, conditions and restrictions set forth herein; and

WHEREAS, Licensor and Licensee are mutually desirous of insuring the consistent quality of all products sold in connection with the Mark;

NOW, THEREFORE, in consideration of premises, the mutual covenants, promises and agreement set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby covenant, promise and agree as follows:

Article 1

LICENSE

1.1 TERMS AND CONDITIONS. Licensor hereby grants to Licensee the non-transferable right and license to use the Mark in connection with the labeling, advertising and sale of Manufactured Products manufactured and sold by Licensee during the term of this Agreement. During the term of this Agreement, Licensee shall have (a) the non-exclusive right to use the Mark in connection with Manufactured Products containing MANAPOL-Registered Trademark- powder that are intended for sale to the ultimate consumer in the United States, Canada, and Mexico, and (b) the non-exclusive right to use the Mark in connection with Manufactured Products containing MANAPOL-Registered Trademark- powder that are intended for sale to the ultimate consumer in places other than the United States and Canada, that are specifically and mutually agreed upon from time to time and listed in Exhibit A hereto. The countries in Exhibit A may be removed by Caraloe upon written notice to Mannatech that an exclusive Trademark License Agreement has been executed for that country. In that event, Mannatech shall no longer be allowed to use the Manapol-Registered Trademark- Trademark within the country removed by Caraloe after its existing supplies have been exhausted. Relative to Japan, Mannatech may use the Trademark on a non-exclusive under the same conditions as those listed in Exhibit A except no drink may be sold using Manapol-Registered Trademark- powder or the Trademark.

1.2 LICENSE COTERMINOUS WITH SUPPLY AGREEMENT. The license granted by this Agreement shall run conterminously with the Supply Agreement, and any actions or events which shall operate to extend or terminate the Supply Agreement shall automatically extend or terminate this Agreement simultaneously.

1.3 **SUBLICENSES.** Licensee shall not have the right to grant sub licenses without the written permission of Licensor with respect to the license granted herein; however, Licensee may engage a third party or parties to make and affix labels for the Manufactured Products in compliance with Articles 2,3, and 4 hereof, and/or to distribute and sell the Manufactured Products in compliance with the terms and conditions of this Agreement Licensee shall be expressly obligated to ensure full compliance with all terms and conditions of this Agreement.

Article 2

CERTAIN OBLIGATIONS OF LICENSEE AND LICENSOR

2.1 **REPRESENTATIONS BY LICENSEE.** Licensee shall not represent in any manner that it owns any right, title or interest in or to the Mark. Licensee acknowledges that its use of the Mark shall inure to the benefit of Licensor and shall not create in Licensee's favor any right, title or interest in or to the Mark.

2.2 **DISCONTINUATION OF USE OF MARK.** Upon the expiration or termination of this Agreement, Licensee will cease and desist from all use of the Mark in any manner and will not adopt or use, without Licensor's prior written consent, any word or mark which is confusingly or deceptively similar to the Mark, except that Licensee may continue to use the Mark under the terms and conditions of this Agreement in connection with any remaining supplies of MANAPOL-Registered Trademark- powder purchased by Licensee from Licensor until such supplies are exhausted.

2.3 **FDA COMPLIANCE OF PRODUCTS.** All products on which the Mark is used by Licensee shall be manufactured, packaged, labeled, advertised, marketed and sold in compliance with (i) the Federal Food, Drug and Cosmetic Act and the rules and regulations promulgated thereunder, as amended from time to time if sold for use within the United States, and (ii) all other applicable laws, rules and regulations if sold for use outside of the United States.

2.4 **INSPECTION.** Upon reasonable notice, Licensor reserves the right to inspect Licensee's products bearing the Mark and Licensee's manufacturing facilities at all reasonable times to insure Licensee's compliance with this Agreement.

2.5 **USE OF TRADEMARK.** Licensee shall not use the Mark except as specifically set forth herein. Without limiting the generality of the preceding sentence, Licensee shall not use the Mark in connection with the sale or advertising of any products other than the Manufactured Products. Any use of the trademark, "Manapol-Registered Trademark-" pursuant to this agreement is non-exclusive. Whenever the Licensee uses the trademark, "Manapol-Registered Trademark-", it shall also indicate that such name is the registered trademark of Licensor and shall take all reasonable measures to assure that there is no confusion of ownership of the mark or the substance which it identifies, the same being the proprietary property of the Licensee. Likewise, Licensor, if referring to Ambrotose-TM-, shall indicate that the same is the trademark of Mannatech, Incorporated and shall take all reasonable measures to assure that there is no confusion of ownership the mark or the substance which it identifies, the same being the proprietary property of the Licensor.

2.6 **TRADEMARK REGISTRATION.** At Licensor's request and expense and, except as otherwise provided herein at Licensor's sole discretion and option, Licensee shall take whatever action is reasonably necessary to assist Carrington or its assigns in registering the Mark with the U.S. Patent and Trademark Office ("USPTO") and/or in perfecting, protecting or enforcing Carrington's and Licensor's rights in and to the Mark Licensee understands that Carrington or its assigns may rely solely on Licensee's use of the Mark to obtain or maintain registration with the USPTO.

Article 3

MANUFACTURING AND SALE

3.1 **MANUFACTURING FACILITIES.** All manufacturing of the Manufactured Products shall be done in the Licensee's own facilities or qualified contract manufacturing facilities.

3.2 COMBINATION WITH OTHER PRODUCTS. Licensee shall not combine MANAPOL-Registered Trademark- powder with any product or substance in any manner which would violate any laws, rules or regulations of any state, federal or other governmental body. Licensee shall not combine MANAPOL-Registered Trademark- powder with any other substance in a Manufactured Product that is to be advertised or sold for use or consumption by humans or animals if the approval of the U.S. Food and Drug Administration (the "FDA") or the U.S. Department of Agriculture ("USDA") for such use or consumption is required and has not been obtained.

3.3 COMPLIANCE BY THIRD PARTIES. Licensee shall take all steps reasonably necessary to ensure that its distributors and any other parties to whom it sells any of the Manufactured Products for resale do not relabel, repackage, advertise, sell or attempt to sell MANAPOL-Registered Trademark- powder or any of the Manufactured Products in a manner that would violate this Agreement if done by Licensee.

Article 4

LABELS AND ADVERTISING

4.1 FDA COMPLIANCE OF LABELS AND ADVERTISING. All labels and advertising relating to the Manufactured Products offered in connection with the Mark must strictly comply with all applicable rules and regulations of the FDA if sold for use within the United States, and all other applicable laws, rules and regulations wherever sold. Information regarding the ingredients of MANAPOL-Registered Trademark- powder shall be furnished to Licensee by Licensor from time to time.

4.2 MANDATORY REQUIREMENTS. Licensee shall cause all labels, packaging, advertising and promotional materials used by it in advertising, marketing and selling any product manufactured by or on behalf of Licensee that contains MANAPOL-Registered Trademark- to contain (i) the Mark, (ii) a statement setting forth the concentration of MANAPOL-Registered Trademark- powder contained in such product, and (iii) the following legend:

MANAPOL-Registered Trademark- is a registered trademark of Carrington Laboratories, Inc.

4.3 CLAIMS BY LICENSEE. Licensee hereby agrees not to make, or permit any of its employees, agents or distributors to make, any claims of any properties or results relating to MANAPOL-Registered Trademark- powder or any Manufactured Product which would violate any applicable law.

4.4 FDA OR USDA APPROVAL OF CLAIMS. If Licensee desires to seek FDA or USDA approval as to any specific claims with respect to MANAPOL-Registered Trademark- powder or any Manufactured Product, Licensee hereby agrees to (i) notify Licensor of the claims and the application prior to filing and (ii) to keep Licensor informed as to the progress of the application, including but not limited to sending Licensor copies of all communications or notices to or from the FDA or USDA, as applicable.

4.5 RIGHT TO APPROVE LABELS, ETC. If Licensor so requests, Licensee shall not use any label, advertisement or marketing material that contains the Mark unless such label, advertisement or marketing material has first been submitted to and approved by Licensor. Licensor shall not unreasonably withhold its approval of any such label, advertisement or marketing material.

Article 5

NEGATION OF WARRANTIES. DISCLAIMER AND INDEMNITY

5.1 NEGATION OF WARRANTIES, ETC. Nothing in this Agreement shall be construed or interpreted as:

(a) a warranty or representation by Licensor that any product made, used, sold or otherwise disposed of under the license granted in this Agreement is or will be free of infringement or the like of the rights of third parties; or

(b) an obligation by Licensor to bring or prosecute actions or suits against third parties for infringement or the like of the Mark or of any registration that may subsequently be granted for such Mark; or

(c) granting by implication, estoppel or otherwise any licenses or rights other than those expressly granted hereunder.

5.2 DISCLAIMER. LICENSOR MAKES NO REPRESENTATIONS, EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS AND FITNESS FOR A PARTICULAR PURPOSE, AND ASSUMES, NO RESPONSIBILITIES WHATSOEVER WITH RESPECT TO THE USE, SALE OR OTHER DISPOSITION BY LICENSEE OR ITS CUSTOMERS, VENDEES OR OTHER TRANSFEREES, WITH RESPECT TO THE MARK OR ANY PRODUCTS MADE OR SOLD BY LICENSEE. THE FOREGOING NOTWITHSTANDING, SELLER DOES REPRESENT THAT THE MANAPOL-Registered Trademark-POWDER DOES MEET THE SPECIFICATIONS OUTLINED ON EXHIBIT A AND THAT IT IS A FOOD SUPPLEMENT UNDER THE FDA RULES AND REGULATIONS.

5.3 LIABILITY OF LICENSEE FOR PRODUCTS. Licensee shall assume all financial and other obligations for the products made and sold by it under this Agreement and Licensor shall not incur any liability or responsibility to Licensee or to third parties arising out of or connected in any manner with Licensee's products made or sold pursuant to this Agreement. In no event shall Licensor be liable for lost profits, special damages, consequential damages or contingent liabilities arising out of or connected in any manner with this Agreement or the products made or sold by Licensee under this Agreement.

5.4 INDEMNITY OF LICENSOR. Licensee shall defend, indemnify and hold Licensor, its officers, directors, employees and agents, harmless against all claims, liabilities, demands, damages, expenses or losses arising out of or connected with (a) the wrongful or negligent use by Licensee of the Mark or (b) any use, sale or other disposition of Licensee's products by Licensee or by any other party.

5.5 NEGATION OF TRADEMARK WARRANTY. Licensee acknowledges that Licensor makes no warranty, express or implied, with respect to its ownership of any rights relating to the Mark.

Article 6

TERM AND TERMINATION

6.1 TERM. Unless terminated earlier as provided for herein, this Agreement shall remain in full force and effect for a five (5)-year period ending at midnight on August 14, 2001. This Agreement may be extended or renewed as provided in Section 1.2, or otherwise by the written agreement of the parties.

6.2 BREACH OF AGREEMENT. Except as provided otherwise in Section 6.3, if either party breaches any material provision of this Agreement and fails to cure the breach within thirty (30) days after receipt of written notice from the nonbreaching party specifying the breach, then the nonbreaching party may terminate this Agreement upon written notice to the breaching party, which right of termination shall be in addition to, and not in lieu of all other rights and remedies the nonbreaching party may have against the breaching party under this Agreement, at law or in equity. Failure

by Licensor to give notice of termination with respect to any such failure shall not be deemed a waiver of its right at a later date to give such notice if such failure continues or again occurs, or if another failure occurs. A breach by either party of a material provision of the Supply Agreement shall be deemed a breach by such party of a material provision of this Agreement.

6.3 IMMEDIATE TERMINATION. Licensor may immediately terminate this Agreement, upon written notice to Licensee, upon the occurrence of any one or more of the following events: (i) Licensee breaches any provision of Articles 2, 3, or 4; (ii) Licensee fails to purchase and/or to pay for the quantities of MANAPOL-Registered Trademark- powder that it is obligated to purchase and pay for under the Supply Agreement in accordance with the terms thereof, (iii) Licensee voluntarily seeks protection under any federal or state bankruptcy or insolvency laws; (iv) a petition for bankruptcy or the appointment of a receiver is filed against Licensee and is not dismissed within thirty (30) days thereafter, (v) Licensee makes any assignment for the benefit of its creditors; or (vi) Licensee ceases doing business.

6.4 SURVIVAL OF PROVISIONS. In the event of termination, cancellation or expiration of this Agreement for any reason, Sections 2.2, 5. 1, 5.2, 5.3, 5.4, 5.5 and 7.1 hereof shall survive such termination, cancellation or expiration and remain in full force and effect.

Article 7

MISCELLANEOUS

7.1 EQUITABLE RELIEF. A breach or default by Licensee of any of the provisions of Articles 2, 3 and 4 hereof shall cause Licensor to suffer irreparable harm and, in such event, Licensor shall be entitled, as a matter of right, to a restraining order and other injunctive relief from any court of competent jurisdiction, restraining any further violation thereof by Licensee, its officers, agents, servants, employees and those persons in active concert or participation with them. The right to a restraining order or other injunctive relief shall be supplemental to any other right or remedy Licensor may have, including, without limitation, the recovery of damages for the breach or default of any of the terms of this Agreement.

7.2 AMENDMENT. This Agreement may be changed, modified, or amended only by an instrument in writing duly executed by each of the parties hereto.

7.3 ENTIRE AGREEMENT. This Agreement constitutes the full and complete agreement of the parties hereto and supersedes any and all prior understandings, whether written or oral, with respect to the subject matter hereof.

7.4 NO WAIVER. The failure of either party to insist upon strict performance of any obligation hereunder by the other party, irrespective of the length of time for which such failure continues, shall not be a waiver of its right to demand strict compliance in the future. No consent or waiver, express or implied, by either party to or of any breach or default in the performance of any obligation hereunder by the other party shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation hereunder.

7.5 NOTICES. All notices required or permitted to be made or given pursuant to this Agreement shall be in writing and shall be considered as properly given or made when personally delivered or when duly deposited in the mails, first class mail, postage prepaid, or when transmitted by prep aid telegram, and addressed to the applicable address first above written or to such other address as the addressee shall have theretofore specified in a written notice to the notifying party.

7.6 ASSIGNMENT. This Agreement or any of the rights or obligations created herein may be assigned, in whole or in part, by Licensor. However, this Agreement is personal to Licensee, and Licensee may not assign this Agreement or any of its rights, duties or obligations under this Agreement to any third party without Licensor's prior written consent, and any attempted assignment by Licensee not in accordance with this Section 7.6 shall be void.

7.7 RELATIONSHIP OF PARTIES. Nothing contained herein shall be construed to create or constitute any

employment, agency, partnership or joint venture arrangement by and between the parties, and neither of them has the power or authority, express or implied, to obligate or bind the other in any manner whatsoever.

7.8 REMEDIES CUMULATIVE. Unless otherwise expressly provided herein, the rights and remedies hereunder are in addition to, and not in limitation of, any other rights and remedies, at law or in equity, and the exercise or one right or remedy will not be deemed a waiver of any other right or remedy.

7.9 SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, PROVIDED, HOWEVER that the foregoing shall not be deemed to expand or otherwise affect the limitations on assignment and delegation set forth in Section 7.6 hereof, and except as otherwise expressly provided in this Agreement, no other person or business entity is intended to or shall have any right or interest under this Agreement.

7.10 GOVERNING LAW. This Agreement shall be governed by and interpreted, construed and enforced in accordance with the laws of the State of Texas, excluding, however, any conflicts of law rules that would require the application of the laws of any other state or country.

7.11 HEADINGS. The headings used in this Agreement are for convenience of reference only and shall not be used to interpret this Agreement.

7.12 COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which will constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

CARALOE, INC.

By: /s/ Carlton E. Turner

Name: Carlton E. Turner

Title: President/CEO

MANNATECH, INC.

By: /s/ Charles E. "Skip" Fioretti

Name: Charles E. "Skip" Fioretti

Title: Chairman of the Board

EXHIBIT A

To that certain Trademark License and Supply Agreement
dated August 14, 1997 by and between Caraloe, Inc. and Mannatech, Inc.

Switzerland

The countries of the European Union as of August 14, 1997

Singapore

Malaysia

Australia

New Zealand

The Philippines

Taiwan

Hong Kong

Japan

December 23rd, 1997

Mr. Michael L. Finney
Larex, Incorporated
President and Chief Operating Officer
2842 Patton Road
Roseville, Minnesota 55113

RE: Letter Agreement Concerning the Requirements Supply of LAREX
Arabinogalactan Products

Dear Mr. Finney:

Further to our discussions during October, 1997, this Letter Agreement between Larex-Registered Trademark-, Incorporated as Seller and Mannatech-TM-, Incorporated as Buyer is intended to set forth the salient terms and conditions which will govern the sale by the Seller and purchase by the Buyer of Larex Arabinogalactan nutraceutical products, known as Laraceutical AG Products, including Manna 2000, (the specifications of such Manna 2000 being set forth in Exhibit "A" hereto) ("Larex Products"). The subject terms and conditions are as follows:

1. Up to and including through December, 1998 (and thereafter, if this Agreement is, by the further agreement of the parties, extended), the Buyer agrees that it will purchase its requirements for Larex Products, as shall from time-to-time exist, if any, from the Seller, and the Seller shall sell the same to Buyer. The obligation of the Seller to sell Larex-Registered Trademark-Products to the Buyer in the market segment of nutraceuticals for use in products for human nutritional, health and dietary supplement needs and for sales of such Products (including as an ingredient) and for distribution of Larex-Registered Trademark- Products in multi-level, direct and network sales is exclusive ("Exclusive Market Segments"). This exclusivity does not include the following applications and market channels of Larex-Registered Trademark-Products: (a) medical foods with medical or drug claims which are governed or permitted under the Food, Drug and Cosmetic Act (US, only) so long as the same do not conflict or compete with claims made and product types of nutraceutical products or functional foods produced by the Buyer and containing Larex Products, (b) products referred to as fiber or fiber supplements to enhance health and body benefits, so long as no claims for efficacy

respecting the Larex-Registered Trademark- Products as fiber relate to carbohydrate function or technology; (c) products used for flavor, color, texture or function health benefits or other associated properties with respect to food function so long as no claims for efficacy respecting the Larex-Registered Trademark- Products for such purposes relate to carbohydrate function or technology; (d) nutraceutical use where none of the claims relate to saccharide or carbohydrate technology, activity or efficacy and where Larex-Registered Trademark- Products are not used in nutraceutical products which compete with or with claims similar to those product offered for sale, from time-to-time by the Buyer; and (e) Practitioners/Herbalists/Chinese Medicines customers to which Seller currently sells Larex-Registered Trademark- Products as set forth on Exhibit "B" hereto provided such customers do not make claims as to the Larex Products based upon saccharide or carbohydrate technology or efficacy. It is specifically agreed between the parties that a claim relating to the Larex Products, as containing fiber, which may have cholesterol-lowering attributes, enhancement of bifido bacteria or other fiber-related benefits, so long as the same do not rely or conflict with claims related to carbohydrate and/or saccharide technology or efficacy, will not conflict with the exclusive granted to the Buyer hereunder.

Larex represents and warrants that it will not sell any grade of arabanogalactan which it produces other than the Laraceutical AG Products for use in dietary supplements and health products.

For the period of the operation of this Letter Agreement, Larex shall not sell Larex Products to any third party for use in or as a constituent component of products to be sold within the Exclusive Market Segments within the Territory, as set forth below.

The Territory in which in the Exclusive Market Segments shall apply during the term of this Agreement shall include North America, Australia, and the Asian Continent. It is recognized by Buyer that the Seller has previously appointed exclusive distributors in certain countries who are not currently bound by the Exclusive Marketing Segment limitations in favor of the Buyer in this agreement. Therefore, Seller shall use its reasonable best efforts to work with its existing distributors to protect by concession the Exclusive Market Segments in favor of Buyer wherever possible. During the term of this Agreement, however, the Seller shall make no commitments for any of the Exclusive Market Segments in other countries or continents which might preclude the granting of Exclusive Market Segments to the Buyer in such other countries or continents upon renewal or extension of this Agreement, inasmuch as it is the intention of the Buyer is to extend its products to all feasible world markets. Such restriction shall not, however, prevent the Seller from selling Larex-Registered Trademark- Products outside the Territory in any market segment during the term of this Agreement.

2. Buyer shall make a quarterly forecast for expected quantities in excess of the Minimum Sales Amount and provide an

updated (90) day rolling forecast to the Seller. During each month of the effective period of this Letter Agreement, the Buyer will provide to the Seller a projection of its requirements for Larex Products for the month next following ("Purchase Projection"). Such Purchase Projections shall be prepared in good faith and furnished to the Seller on or before the 20th day of each new quarter ("Projection Delivery Date") in which this Letter Agreement is in effect beginning with the Second Quarter. Seller shall then invoice the Buyer for the amount of Larex Products delivered in any Delivery Month, and Buyer shall have until the end day of the month following the Delivery Month in which to remit payment for such invoice. In any event the Purchase Projection, and consequently the minimum amount that the Buyer is required to purchase shall not be less than the following amount(s) of Larex Products in any specified month in which this Letter Agreement is in effect, as set forth below ("Minimum Sales Amount"):

Month -----	Monthly Minimum Purchase -----
November & December 1997	MANNA 2000, 2,275kg @ \$48.40/kg L'EXTRA B1000, 1,350kg @ \$33.00/kg
January 1998-December 1998	MANNA 2000, 4,546kg @ \$48.40/kg

3. In any month in which the Seller receives a Purchase Projection which contains a projected requirement which it, in its good faith discretion, determines that it will be unable to fulfil, it will notify the Buyer immediately; provided the Seller shall be required in all instances to sell and deliver at least the Minimum Sales Amount of Larex Products to the Buyer.

4. Seller warrants to Buyer that all Larex Products sold by Seller pursuant to this Letter Agreement will conform to the quality specifications set forth in EXHIBIT A to this Agreement and that all Larex Products sold by the Seller to the Buyer are suitable for use in its line of proprietary dietary supplement, over-the-counter drug, and cosmetic products ("Mannatech Products"). The Seller further agrees to notify Buyer if any of the Larex Products should cease to be generally regarded as safe for human use by any agency of the federal government of the United States of America or Canada, any State or local government or subdivision thereof with appropriate authority to make and enforce such a determination. Larex shall use and maintain current Good Manufacturing Practices in respect of its manufacture of Larex Products, being cognizant of the ultimate use in the Mannatech Products.

5. (a) The pricing, per kilogram of Larex Products, shall be \$48.40 USD per kilogram, F.O.B., dockside of Seller's warehouse facilities, Roseville, Minnesota.

(b) The prices set forth above are valid through

December, 1998, at which time this Letter Agreement shall cease as to its effect unless both parties mutually agree in writing to extend this Agreement or a new agreement is initiated with new volume and terms.

6. It is understood by the Seller that the Buyer will use Larex Products as a source of Arabinogalactan in Ambrotose-TM-, its proprietary ingredient in its various dietary supplement, cosmetic, health card products that the Buyer offers for sale in domestic and world markets and sold as Mannatech Products. During the term of this Letter Agreement, and any extensions as renewals thereof the Buyer may, without the payment of royalty, but shall not be required to use the registered trademarks, "Manna 2000-TM-" in identifying the Larex Products purchased from the Seller and used as a constituent component in Ambrotose-TM-. Any use of the trademark, "Manna 2000-TM-", pursuant to this agreement is non-exclusive. Whenever the Buyer uses the trademark, "Manna 2000-TM-", it shall also indicate that such name is the trademark of Seller and shall take all reasonable measures to assure that there is no confusion of ownership of the mark or the substance which it identifies, the same being the proprietary property of the Seller. Likewise, Seller, if referring to Ambrotose-TM-, shall indicate that the same is the trademark of Mannatech-TM-, Incorporated and shall take all reasonable measures to assure that there is no confusion of ownership of the mark or the substance which it identifies, the same being the proprietary property of the Buyer.

7. In the performance of obligations pursuant to this Letter Agreement, either party might acquire from the other or its affiliates, technical, commercial, operating or other proprietary information relative to the business or operations of Seller or its affiliates (the "Confidential Information"). Each party shall maintain the confidentiality, and take all necessary precautions to safeguard the secrecy, of any and all Confidential Information it may acquire from the other party or its affiliates. Neither party shall use any of such Confidential Information for its own benefit or for the benefit of anyone else. It is, nevertheless, intended that both parties will likely announce the existence of this Letter Agreement, which, in and of itself, shall not constitute Confidential Information. Seller shall execute the Confidentiality Agreement set forth in Exhibit "C" in respect of this covenant, which shall survive the performance and/or termination of this Agreement.

8. If either party (i) fails to observe the purchase or supply provisions of this Letter Agreement, (ii) fails to make a payment hereunder when due or (iii) otherwise breaches any term of this Agreement, and such failure or breach is not cured to other party's reasonable satisfaction within 5 days (in the case of a failure to make a payment or a shipment) or 30 days (in any other case) after receipt of written notice thereof by other party (which

notice shall be given in accordance with Paragraph 14 hereof, and which shall further state with specificity the nature, extent and required cure of the contended default), or if either party fails to perform or observe any covenant or condition on its part to be performed or observed under this Letter Agreement when required to be performed or observed, and such failure continues after the applicable grace period specified herein, the non-breaching party may refuse to continue under this Agreement and may terminate this Agreement upon notice to the breaching party and, in addition, shall have such other rights and remedies, including the right to recover damages, as are available to the non-breaching party under applicable law or otherwise. If either party becomes bankrupt or insolvent, or if a petition in bankruptcy is filed by or against it, or if a receiver is appointed for it or its properties, either party may, subject to the provisions of Section 365 and other applicable provisions of the Bankruptcy Code, refuse to continue to perform under this Letter Agreement. Any performance by either party of a failure by the other party to timely or appropriately perform under the terms of this Letter Agreement, or after any other default by such other party hereunder, shall not constitute a waiver of any rights of Seller arising out of such prior default; nor shall either party's failure to insist upon strict performance of any provision of this Agreement be deemed a waiver by such party of any of its rights or remedies hereunder or under applicable law or a waiver by such party of any subsequent default by other party in the performance of or compliance with any of the terms of this Agreement.

9. Buyer and Seller both represent, respectively, that each has in full force and effect, and will during the term of this agreement keep in full force and effect, products liability insurance covering its respective products. Each party agrees to name the other party as an additional insured under its products liability policy or certificate of insurance.

10. The expiration or termination of the term of this Letter Agreement shall not impair the rights or obligations of either party hereto which shall have accrued hereunder prior to such expiration or termination. The provisions of Exhibit "A", and Paragraphs 4 (as to quality requirements) 6 (as to the use of Larex-Registered Trademark- Products by Buyer), 7 and its related Exhibit "B", and 9 hereof, and the rights and obligations of the parties under each such Paragraph and Exhibit, shall survive the expiration or termination of this Letter Agreement.

11. This Letter Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas and in a venue situs appropriate to Dallas County, Texas.

12. Neither party hereto may assign or otherwise transfer this Letter Agreement or any of its rights or obligations hereunder (including, without limitation, by merger or consolidation) without

the prior written consent of the other party. This Letter Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Upon merger, acquisition or consolidation of either party to this agreement, this obligation shall, without further action by either party, be assumed by the surviving entity of such merger, acquisition or consolidation.

13. This Letter Agreement constitutes the entire agreement between the parties hereto relating to the matters covered hereby and supersedes any and all prior understandings, whether written or oral, with respect to such matters, including the prior Supply and License Agreements between the parties. The terms of this Letter Agreement shall prevail over any inconsistent terms contained in any purchase order issued by Buyer and acknowledgement or acceptance thereof issued by Seller. No modification, waiver or discharge of this Agreement or any of its terms shall be binding unless in writing and signed by the party against which the modification, waiver or discharge is sought to be enforced.

14. All notices and other communications with respect to this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when duly deposited in the mails, first class mail, postage prepaid, to the address set forth below, or such other address hereafter specified in like manner by one party to the other.

If to Seller: LAREX Incorporated
2852 Patton Road
Roseville, Minnesota 55113
Attention: Bo Nickoloff

If to Buyer: Mannatech, Incorporated
600 S. Royal Lane
Coppell, Texas 75029
Attention: Chairman of the Board

15. In the event that any provision of this Agreement is illegal, invalid or unenforceable as written but may be rendered legal, valid and enforceable by limitation thereof, then such provision shall be deemed to be legal, valid and enforceable to the maximum extent permitted by applicable law. The illegality, invalidity or unenforceability in its entirety of any provision hereof will not affect the legality, validity or enforceability of the remaining provisions of this Agreement.

16. Each party hereto agrees that it will not voluntarily undertake any action or cause of action inconsistent with the provisions or intent of this Agreement and, subject to the requirements of notice and opportunity to cure contained herein, will promptly do all acts and take all measures as may be

appropriate to comply with the terms, conditions and provisions of this Agreement.

If the foregoing comports with your understanding of our agreements in this matter, please signify the same by affixing your execution below.

Very truly yours,
MANNATECH-TM-, INCORPORATED
A Texas Corporation

/s/ Anthony E. Canale

Anthony E. Canale,
Chief Operations Officer

AGREED:

LAREX Incorporated
A Minnesota Corporation

By: /s/ Bo Nickoloff

Its: Chief Operating Officer

EXHIBIT A

MANNA 2000 SPECIFICATIONS

ATTRIBUTE	SPECIFICATION
PURITY (RI)	95% MINIMUM
PHYSICAL STATE	
-TEXTURE	FREE FLOWING
-FLAVOR	SLIGHT
-ODOR	SLIGHTLY AROMATIC
ABSORBANCE	
-1% SOL. @ 400nm	0.06 AU MAXIMUM
DISSOLUTION	
-SINK WET	PASS
-LUMPS	NONE
BULK DENSITY	RECORD
PARTICLE SIZE	
-(+) 40 MESH	RECORD
pH(1% SOL.)	RECORD
BACTERIA	
-APC	1000 CFU/G MAX
-YEAST	10 CFU/G MAX
-MOLD	100 CFU/G MAX
-SALMONELLA	NEGATIVE
-COLIFORM	10 CFU/G MAX
-E. COLI	10 CFU/G MAX
-STAPH	1 CFU/G MAX

/s/ Richard D. Lamb

RICHARD D. LAMB
DIRECTOR OF PROCESS TECHNOLOGY
NOVEMBER 26, 1997

EXHIBIT B

Larex currently sells and continues to sell Laraceutical AG to the following customers:

Biotics
Eclectic
GNC
Intelligent Nutrients
Monarch
NANP
Synergy Co.
Sisu (Canada)

Exhibit C

NONDISCLOSURE AGREEMENT

THIS AGREEMENT is made effective as of December 23, 1997, by and between Larex, Inc. ("Larex") and Mannatech, Inc., (the "Recipient") to assure the protection and preservation of the confidential and or proprietary nature of information to be disclosed or made available by Larex to the Recipient in connection with certain negotiations or discussions further described in Exhibit A attached hereto.

1. Subject to the limitations set forth in Section 2, all information disclosed by Larex to the Recipient shall be deemed to be "Proprietary Information." In particular, Proprietary Information shall be deemed to include any trade secret or other confidential information, know-how or data of any nature concerning the development, use, formulation or manufacture of Larex's products or prospective products, and any process, techniques, formulae, chemical compositions, cell line, sample, algorithm, computer program, design, drawing or test data therefor. Proprietary Information shall further include any information relating to any marketing, servicing, financing, or personnel matter relating to Larex or any third party, or their respective present or future products, sales, suppliers, clients, employees, investors, or business, whether in oral, written, graphic or electronic form.

2. The term "Proprietary Information" shall not be deemed to include information which the Recipient can demonstrate:

- (a) is now, or hereafter becomes, through no act or failure to act on the part of the Recipient, generally known or available;
- (b) is known by the Recipient at the time of receiving such information as evidenced by its records;
- (c) is hereafter furnished to the Recipient by a third party, as a matter of right and without restriction on disclosure; or
- (d) is the subject of a written permission to disclose provided by Larex.

3. All Proprietary Information shall remain the property of Larex and shall be returned to Larex promptly upon its request together with all copies thereof. The Recipient shall protect the Proprietary Information received with at least the same degree of care used to protect its own Proprietary Information from unauthorized use or disclosure and shall not use it for any purpose other than as specified above. The Recipient shall not disclose Larex's Proprietary Information to any third party without the express written consent of Larex. Proprietary Information supplied shall not be reproduced in any form except as required to accomplish the intent of this Agreement. The Recipient shall advise its employees or agents who might have access to such

Proprietary Information of the confidential nature thereof and shall obtain from each of such employees and agents an agreement to abide by the terms of this Agreement.

4. This Agreement shall continue in full force for so long as the Recipient continues to receive or hold any Proprietary Information. This Agreement may be terminated at any time by either party upon thirty (30) days written notice to the other party. The termination of this Agreement shall not relieve the Recipient of the obligations imposed by Sections 2 and 3 with respect to Proprietary Information disclosed prior to the effective date of such termination, which shall survive the termination of this Agreement for a period of five (5) years from the date of such termination.

5. This Agreement shall be governed by the laws of the State of Minnesota, excluding its choice of law provisions.

6. This Agreement contains the final, complete and exclusive agreement of the parties relative to the subject matter hereof and may not be changed, modified, amended or supplemented except by a written instrument signed by both parties.

7. Larex shall be entitled to seek injunctive relief in any court of competent jurisdiction in addition to any other remedy at law or in equity in the event of a material breach of this Agreement. In the event of any legal action or proceeding arising out of or resulting from this Agreement, the prevailing party shall also be entitled to recover its reasonable attorney's fees and costs thereby incurred.

AGREED TO:

Larex, Inc.
2852 Patton Road
St. Paul, MN 55113
U.S.A.

AGREED TO:

Mannatech, Inc.
600 South Royal Lane, Suite 200
Coppell, TX 75019
U.S.A.

/s/ Bo Nickoloff

By: Bo Nickoloff
Title: Chief Operating Officer

/s/ Tony Canale

By: Mr. Tony Canale
Title: Chief Operating Officer

NONDISCLOSURE AGREEMENT

EXHIBIT A

TO DISCUSS ALL ASPECTS OF ARABINOGALACTAN (AG).

PRODUCT DEVELOPMENT AND DISTRIBUTION AGREEMENT

This Product Development and Distribution Agreement is made effective as of the 15th day of September 1997, by and between New Era Nutrition Inc. of Alberta, Canada (hereinafter referred to as "New Era") and Mannatech Incorporated of Texas, USA (hereinafter referred to as "Mannatech").

WITNESSETH:

WHEREAS, New Era is engaged in the research, development, manufacture and sale of functional foods and nutraceuticals, and possesses particular technology or know how which it is applying to develop products under its brand and for third parties;

AND WHEREAS, Mannatech is a marketer and distributor of nutraceutical products through a multi-level distribution, network;

AND WHEREAS, Mannatech is desirous to engage New Era to develop nutraceutical food bars which Mannatech will market and distribute in accordance with its methodology of product distribution in domestic and world markets;

NOW THEREFORE, New Era and Mannatech intending to become legally bound and in consideration of their mutual covenants and promises herein contained agree as follows:

1. Subject to and in accordance with the terms and conditions hereof, Mannatech hereby engages New Era to formulate and develop prototype nutraceutical food bars which Mannatech intends to exclusively market and distribute ("Mannatech Bars").
2. Each of Mannatech and New Era have a vested interest to support the commercial success of Mannatech Bars. Each party shall reasonably cooperate with the other and shall apply reasonable efforts as applicable, to assure the success of Mannatech Bars through the cycle of product development, manufacture, marketing, merchandising and sale.
3. In accordance with the provisions of this Agreement, Mannatech may from time to time, request New Era to perform specific product development as set out in a proposed written work order ("Proposed Work Order"). The Proposed Work Order shall contain complete guidelines and specifications for product development, as the parties may reasonably require in order for New Era to assess technical and market feasibility including: target consumer(s), intended price, proposed launch date, jurisdictional and regulatory restrictions, ingredient contents and restrictions, nutritional specifications, organoleptic criteria, shelf life, manufacturing process and preferred manufacturer.
4. (a) If New Era agrees to proceed, the parties shall negotiate the terms of the Work Order including: the projected cost and time for development work, as well as other technical and business aspects as the parties determine at such time ("Work Order").

(b) Any subsequent changes to the Work Order shall be in writing and shall be in the form of a Change Order ("Change Order"). Any and all services to be performed and products to be developed pursuant to the Work Order and each Change Order shall constitute the work to be performed under this Agreement (the "Work"). Any Change Order which increases the Work by more than 10% shall require written approval of both parties. Mannatech shall compensate New Era for any Work in excess of the Work Order at a rate of \$150.00 per hour.

(c) In respect of each Work Order, New Era and Mannatech will each identify to the other a technical representative who will have the primary responsibility to coordinate all product development issues between the parties during the course of the Work.

(d) Completion of a Work Order to Mannatech's reasonable satisfaction, shall be evidenced by the provision of completed reasonably acceptable prototype sample(s) supported by nutritional laboratory analysis which are consistent with the Work Order or any Change Order(s).

5. (a) During the term of this Agreement or any license between the parties, provided Mannatech is not in default of a material obligation of this Agreement or the license at issue (provided (30) days have lapsed without such default being cured after receipt of a written notice of such default stating with specificity the nature, extent and cure required regarding such default) New Era shall not directly or indirectly develop, manufacture or market an "equivalent or derivative product" means any other multi-level marketing company or any other form of retail distribution. For the purpose of this Agreement "equivalent or derivative product" means any bar formulated by New Era which substantially replicates the Mannatech Bars as to the combination of specific macro and micro nutrients and claims regarding such micro nutrients, stated functional features, esthetic and organoleptic features, with or without Mannatech's proprietary ingredients, an/or formulations. Nothing in this Agreement is intended to prevent New Era from developing, manufacturing or marketing any other type of bar.

(b) During the term of this Agreement or any license between the parties, provided New Era is not in default of a material obligation of this Agreement or the license at issue (provided (30) days have lapsed without such default being cured after receipt of a written notice of such default stating with specificity the nature, extent and cure required regarding such default), Mannatech shall not directly or indirectly develop, manufacture, acquire for distribution or market any type of bar including food bar, vitamin bar or nutraceutical bar derived from any entity other than New Era.

6. Prior to the sale of each Mannatech Bar developed pursuant to this Agreement, the parties shall enter a licensing agreement with terms in form and substance similar to that set forth in Exhibit "A". The license agreement may include additional commercial terms hereafter agreed to by the parties in respect of each Work Order ("License Agreement"). Each License Agreement which is executed by New Era and Mannatech shall be attached as an Appendix "A" hereto and shall form a part of this Agreement. Mannatech shall not assign or transfer any License Agreement entered pursuant to this Agreement, without the

prior written consent of New Era, except to an affiliate or subsidiary, provided such affiliate or subsidiary becomes a party to this Agreement and provided Mannatech remains primarily and jointly liable and responsible for the performance of all its obligations and those of its transferee or assignee.

7. (a) Mannatech acknowledges the proprietary nature of the technology and know how applied by New Era in the development of Mannatech Bars from time to time under this Agreement ("New Era Technology"). New Era retains ownership to all intellectual property regarding New Era Technology which includes the recipe, formulation, development, manufacture, technology, know how and process of the Mannatech Bars. Mannatech shall not directly or through others, for a period of one year following the expiration of this Product Development and Distribution Agreement and any License incident thereto, attempt to alter any Mannatech Bars, without the prior written consent of New Era. So long as the provisions of the Product Development and Distribution Agreement and any License Agreement incident thereto are observed, nothing contained herein shall be deemed to preclude Mannatech from developing its own bar product which is not based on New Era Technology, provided the Product Development and Distribution Agreement &id any License Agreement incident thereto have been lawfully terminated or have expired. (b) All technology which is possessed or entitled to be possessed by Mannatech prior to the date of this Agreement (hereinafter "Mannatech Technology"), as evidenced by its books and records, shall remain the sole property of Mannatech. No license or other right to such technology is granted therein by this Agreement. Mannatech retains ownership to all intellectual property in the Mannatech Technology including formulations, manufacturing processes, technology, and know how as well as Mannatech's proprietary Ambrotose-TM- and its Metabolically Formulated Dietary Supplement Profile products.

(c) Mannatech agrees that it will not attempt to interfere, circumvent or usurp New Era in its contractual negotiations or relations with third parties in regards to product development or manufacturing.

(d) Any products developed and/or sold by Mannatech in contravention of the Product Development and Distribution Agreement and any License Agreement incident thereto, shall be deemed to be the property of and for the benefit of New Era. If requested Mannatech shall assign, and shall require those over who it has control to assign, any and all rights determined to conflict or be inconsistent with New Era's ownership according hereto. The provisions herein shall survive expiration or termination of this Agreement.

8. The parties agree to maintain information confidential in accordance with the provisions in this Agreement and the Secrecy Agreement set out in Appendix "B" attached hereto and forming a part of this Agreement. Either party may propose to the other such additional provisions as it may reasonably require for the protection of its confidential information, which the parties shall deal with in good faith. The provisions herein shall survive expiration or termination of this Agreement.

9. During the term of this Agreement or any License hereunder, New Era shall offer Mannatech a first right to distribute any new nutraceutical bar formulations which New Era intends to offer to third parties for multi-level marketing. Mannatech shall offer New Era a first right to conduct research and development, to formulate, provide and manufacture nutraceutical bar products which it intends to sell. In respect of each offer provided pursuant to this paragraph, the receiving party shall provide a complete written proposal within 30 days of receipt of each such offer, which the offering party shall have the absolute discretion to accept or reject. All information exchanged hereunder shall be kept confidential and shall not be used for any other purpose. Any offer hereunder not accepted within 30 days after submission shall be deemed rejected.

10. In accordance with the terms and provisions of this Agreement, at the termination of this Agreement or any License incidental thereto (or any renewal or extension thereof) provided such termination was not the result of a breach by Mannatech, Mannatech shall have the right and ability to make bar and food products, particularly using its proprietary ingredients and formulae, so long as it does not employ any of the Intellectual Property or other proprietary property of New Era.

11. For any work performed in Canada, New Era shall at its discretion attempt to secure research and development assistance by grant, matching funds or strategic relationship from government, academic or scientific institutions, or industry agency, as may be applicable and in amounts and with conditions or terms agreed to by the parties, provided that the same shall not negatively affect any rights of Mannatech hereunder.

12. Subject to earlier payment terms imposed by third parties, all payments shall be paid by wire transfer or certified check within twenty (20) days after receipt of an invoice. Invoices shall be accompanied by supporting documentation.

13. Any reference to either New Era or Mannatech is deemed to include subsidiary and affiliated companies. This Agreement shall be binding upon the parties hereto and upon their respective officers, executors, administrators, legal representatives, successors and assigns. This Agreement may not be assigned by either party without the prior written consent of the other.

14. This Agreement shall be governed for all purposes by the laws and courts of the Province of Alberta, Canada. The parties hereby consent and agree not to oppose the filing of any final, non-appealable judgment in any jurisdiction in which it owns assets or conducts business. If any provision of this Agreement is declared void, or otherwise unenforceable, such provision shall be deemed to have been severed from the Agreement, all other provisions shall otherwise remain in full force and effect. Notwithstanding the foregoing, the parties agree that in the event subject matter or length of time set forth in this Agreement is deemed too restrictive (except the term of the Agreement itself), in any court proceeding; the court may reduce such restrictions to that which it deems reasonable under the circumstances, but may not otherwise modify the terms and conditions of this Agreement.

15. The obligations respecting disclosure and use of secret information shall survive expiration or termination of this Agreement. In the event of conflict between the provisions of this Agreement or the Appendices, the more specific provision shall apply firstly and the more restrictive interpretation secondly.

16. In the event of any dispute under this Agreement, the parties agree to resolve such dispute through a process of arbitration in accordance with the Arbitration Act of the Province of Alberta. The parties shall appoint an arbitrator within 30 days of a party invoking arbitration, failing which the arbitrator shall forthwith be appointed upon application by either party to a court of law. The decision of the arbitrator shall be binding upon the parties.

17. This Agreement and the Appendices hereto constitute the entire understanding of the parties and replace any and all former agreements, understanding or representations relating in any way to the subject matter hereof, and contain all of the terms, conditions, understanding, and promises of the parties hereto relating to the subject matter, hereof.

IN WITNESS WHEREOF, THE PARTIES EXECUTED THE FOREGOING AGREEMENT AS OF THE DATE FIRST SET OUT ABOVE.

NEW ERA NUTRITION INC.

MANNATECH INCORPORATED

/s/ Saul Katz

/s/ Tony Canale

PRESIDENT

CHIEF EXECUTIVE OFFICER

APPENDIX "A" TO A PRODUCT DEVELOPMENT AGREEMENT BETWEEN NEW ERA NUTRITION INC. AND MANNATECH INCORPORATED DATED SEPTEMBER 15th, 1997 (HEREINAFTER REFERRED TO AS THE "MASTER AGREEMENT") TERMS DEFINED IN THE MASTER AGREEMENT SHALL HAVE THE SAME MEANING IN THIS EXHIBIT "A".

LICENSE PROVISIONS:

RE: Work Order for three metabolic profile nutraceutical bars developed to Licensee requirements and containing its proprietary ingredients, all in accordance with the Master Agreement ("Mannatech Bars").

LICENSER: New Era Nutrition Inc.
LICENSEE: Mannatech Incorporated.

TERRITORY: Exclusive worldwide.

DURATION: Initial term of five (5) years, with an automatic option for Licensee to renew the License for three (3) subsequent terms of three (3) years, provided the License Agreement has not terminated.

ROYALTY: Licensee shall pay Licenser the following per bar royalty on the total amount of Mannatech Bars sold by Licensee or offered as a promotion by Licensee (other than those bars distributed strictly for sampling purposes and without consideration) and subject to credits in royalties occasioned by returns of Mannatech Bars, if any, as follows, all funds are in CDN currency:

- (a) 0-5,000,000 bars @ \$.10 per bar
- (b) 5,000,001 bars and over \$.08 per bar

Royalty rates per bar are based on cumulative volume over the life of the License and are not figured on annual volumes.

Licenser, except by the terms of hereto or as otherwise may be agreed to by Licensee, is precluded from receiving any other payment, consideration, concession or thing of value in respect of the Mannatech Bars, especially including from any third party who is a vendor or potential vendor of Licensee.

CHANNELS OF

DISTRIBUTION: Multi-level, but precluding retail sales.

TERMS & CONDITIONS:

1. This is a per bar royalty arrangement. Licensee is to pay all costs in accordance with the Master Agreement, this License Agreement and Appendix "C".
2. The Licensee shall have the exclusive worldwide right to sell the Mannatech Bars. The Licensee shall use its best efforts to sell the Mannatech Bars. The Licenser shall not

sell Mannatech Bars or an equivalent or derivative product, to any third party, in accordance with the terms of this License Agreement and the Master Agreement as applicable.

3. Upon approval of Appendix "C" the Licensee shall forthwith provide the Licensor with a non-refundable retainer equal to 50% of the budgeted cost. The balance shall be paid forthwith upon receipt of invoices.
4. Licensor and Licensee shall jointly and reasonably agree on manufacturing issues including: choice of manufacturing facility(s), volume and timing of bars to be manufactured from time to time, technical specifications regarding packaging material, cost of manufacturing, as well as such other reasonable manufacturing specifications consistent with the Work Order to which the Mannatech Bus shall comport. Licensee shall have final determination of the choice of manufacturer.
5. The Licensor may, at its sole discretion, determine and implement such measures it deems necessary to keep its Mannatech Bar formulations confidential, which measures may include restriction of information to the manufacturer, and the pre-mixing of particular ingredients prior to their delivery to the manufacturer, provided the end product shall conform to any applicable requirement of good manufacturing practices for either foods or dietary supplements (as specifically identified by Licensee to Licensor) both in the country of manufacture and intended shipment and sale.
6. All costs (approved in advance by Licensee) relating to product development, manufacturing and sale shall be to the expense of the Licensee. There shall be no cost whatsoever to Licensor other than as specifically set out herein. Without limiting the generality of the foregoing, cost to the Licensee includes all costs of product development in accordance with Appendix "C", as well as such additional items as ingredient acquisition and delivery, manufacturing, packaging, analysis, regulatory compliance and the ratable portion of Licensor's reasonable in-house personnel and overhead, as well as subcontracts cost related to any of the foregoing (as set out in Exhibit "C" and any amendments which the parties may agree to). All invoices relating to the cost of manufacturing shall be invoiced to and payable by the Licensee for payment. The Licensee shall receive the benefit of any volume discounts.
7. The Licensor, as directed and at the request of Licensee, shall act on behalf of the Licensee in respect of manufacturing matters, but will not attempt to bind the Licensee to any obligation without the Licensee's express review and approval. At the request of the Licensee, the Licensor shall negotiate prices and conditions with bar manufacturers and ingredient suppliers, and shall make recommendations to the Licensee. The Licensor shall assist in the coordination of the initial manufacturing process at the direction of the Licensee ("the first commercial run"). Licensor, at the direction of the Licensee shall conduct approved communications with bar manufacturer(s) and ingredient suppliers. In addition to the royalty payment, the Licensee shall reimburse the Licensor for pre-approved work regarding aspects of the manufacturing process authorized in advance by the Licensee, after the first

commercial run on the basis of \$150.00 per hour and at! out of pocket expenses reasonably incurred.

8. The Licensee shall apply its best efforts to market, promote, distribute and sell the Mannatech Bars in the Territory and through its channel of distribution. The Licensee shall aggressively launch the sale of each NE bar within six months from delivery of a prototype acceptable to the Licensee.
9. The Licensee shall provide the Licensor with sales information, royalty and all other payments respecting the Mannatech Bars no later than the twentieth (20th) day of each month, in respect of the preceding month throughout the effective term of this License Agreement and any renewal or extension thereof. On a quarterly basis, the Licensee shall provide the Licensor with sales information (to be prepared by or under the supervision of a certified accountant) in regard to the Mannatech Bars. Licensor shall have the right to inspect and make copies of Licensee records in respect of operations and sales of Mannatech Bars, provided Licensor provides Licensee a minimum of forty eight (48) hours notice in writing, and conducts its review in a manner which does not unreasonably interfere with Licensee's operations.
10. This License Agreement may be terminated by a party providing a written notice of a material default by the other party, provided thirty (30) days have lapsed without such default being cured after receipt of a written notice of such default stating with specificity the nature, extent and cure required regarding such default. New Era may terminate this License Agreement in the event Mannatech fails to achieve minimal annual sales targets reasonably established by the parties prior to each term in years in which such requirement is applicable. Minimal sales targets of Mannatech Bars will be established by the mutual agreement of the parties after the Licensor shall have commercially sold the Mannatech Bars for a one (1) year period. The parties shall meet on or before sixty (60) days from the first anniversary date of the first commercial sale of the Mannatech Bars to in good faith establish minimal sales targets for each of the following years.
11. All compositions and formulations developed concerning Mannatech Bus hereunder during performance of the Work Order under the License Agreement and pursuant to the Master Agreement (hereinafter "Mannatech Bar Compositions") shall be owned by Licensor. To the extent that Licensee determines in its sole discretion to seek patent protection for the Mannatech Bar Composition, the parties agree to cooperate in the filing and prosecution of any and all patent applications, including continuations, divisions, reissues and renewals thereof, which cover, in whole or in part, or otherwise relate to the Mannatech Bar Compositions. Licensee shall be responsible for the filing and prosecution of each such patent application as well as the payment of all fees associated therewith and the maintenance and renewal of any patents that issue from such patent applications. Licensor and Licensee acknowledge and agree that each party shall own a one-half (1/2) undivided interest in any patents that issue from such patent applications and that include at least one claim directed to the Mannatech Bar Compositions ("Patents"). Licensor and Licensee also acknowledge and agree that in

the absence of the prior written consent of the other party, neither party shall grant (i) licenses to third parties to make, use or sell the subject matter claimed in the Patents, or (ii) covenants not to sue third parties for infringements of the Patents. Other than license fees to be paid by Licensee to Licensor according to any License Agreement, Licensee shall in all cases have a royalty-free license under any and all Patents.

12. The parties agree to cooperate for their mutual benefit in the filing of any available joint patents for the Mannatech Bars, which will be co-owned, as the parties shall hereafter agree. Other than license fees to be paid by the Licensee to the Licensor for product development, there will be no additional license fees payable by the Licensee for the use of any patents acquired and owned jointly by the parties which would otherwise be payable by the Licensee, and are hereby waived. Notwithstanding joint ownership, all costs relating to patent protection including professional fees and registration shall be to the expense of the Licensee.
13. In relation to the development, manufacture, marketing and sale of the Mannatech Bus, the parties shall comply with all applicable rules, regulations, standards and orders of authoritative bodies whether of government or industry.
14. Licensee shall indemnify and save Licensor its officers and directors harmless in any claim or action occasioned by its actions, omissions or errors whatsoever which may arise from this License Agreement or the Master Agreement during or after expiration thereof Licensor shall indemnify and save Licensee its officers and directors harmless in any claim or action occasioned by its actions, omissions or errors whatsoever which may arise from this License Agreement or the Master Agreement during or after expiration thereof.
15. Neither party may make any public statement, whether oral or in writing, which makes reference to the other party without the specific prior written approval of the other party in relation to each specific statement.
16. Licensor shall attempt to secure direct government grants up to a total of CDN \$20,000.00 to offset the cost to the Licensee of product development as set out in Appendix "C", provided that such grants shall not reduce or negatively or adversely affect the rights of either party hereunder.
17. Both parties shall use their best efforts to adhere to the project budget estimate as set out in Appendix "C", and actual overall cost to Licensee may not be exceed more than 10% without the written agreement of both parties.

AGREED TO AS OF THE 15TH DAY OF SEPTEMBER 1997.

NEW ERA NUTRITION INC.

MANNATECH INC. INCORPORATED

/s/ Saul Katz

/s/ Tony Canale

PRESIDENT

CHIEF EXECUTIVE OFFICER

NON-DISCLOSURE AGREEMENT

Mannatech Incorporated (the "Promisor") has a principal place of business at Grand Prairie, Texas USA and New Era Nutrition Inc. (the "Company"), has a principal place of business at Edmonton, Alberta Canada. In consideration of the Company agreeing to disclose to the Promisor certain Confidential Information, the parties hereby agree as follows:

1. **PURPOSE:** To further a business relationship between the Company and the Promisor, it is necessary and desirable that the Company disclose and provide to the Promisor certain business information and product samples proprietary to the Company, and which the Company considers confidential.
2. **DEFINITION:** "Confidential Information" includes business, technical information, know-how and product samples, including but not limited to: research and development, products, prototypes and samples, inventions, processes, formulae, specifications, agglomeration of ingredients, trade and product names, designs or drawings, actual or planned and disclosed by the Company, either directly or indirectly, in writing, orally, physically, by drawings or inspection.
3. **DISCLOSURE:** The Promisor hereby agrees not to disclose Confidential Information to any person or entity other than as permitted herein, and agrees to use its best efforts to prevent inadvertent disclosure of Confidential Information.
4. **USE:** The Promisor agrees not to use Confidential Information for its own use or for any purpose except to evaluate whether the Promisor desires to become engaged with the Company in a business possibility or, after becoming engaged, to carry out the business with the Company only. The Promisor agrees not to disclose the Confidential Information except to its employees on a need to know basis and in compliance with paragraph 8 hereof. The Promisor agrees not to attempt to reverse engineer any product, sample or prototype of the Company, or without prior written consent first received from the Company, to analyze any such item for any purpose whatsoever.
5. **TERMINATION OF OBLIGATION:** The obligations of paragraphs 3 and 4 hereof, shall terminate with respect to any particular portion of the Confidential Information, the earlier of receipt of written release from the Company, or the third anniversary of this Agreement unless another agreement has replaced such provisions.
6. **PROPERTY RIGHTS AND RETURN OF MATERIALS:** All information and materials in any form furnished to the Promisor by the Company shall remain the property of the Company, and nothing contained herein shall be construed as giving the Promisor any license or rights with respect to any information or materials which may be disclosed to the Promisor. The Promisor shall make no copies of any Confidential Information without the prior written consent of the Company. The Promisor shall return to the Company promptly at its request or upon termination of the business relationship contemplated herein, all information and materials provided by the Company along with all copies made thereof.

7. DISCLOSURE OF THE COMPANY: Communications from the Promisor to personnel and authorized representatives of the Company, shall not be in violation of the rights of any third party.
8. PROMISOR'S EMPLOYEES: Upon disclosing Confidential Information to any employee or shortly thereafter, the Promisor shall notify the Company in writing with the name(s) of each such employee(s). Prior to disclosing Confidential Information to any employee, the Promisor shall first obtain an executed non-disclosure agreement substantially in the same form as herein, which protects the Confidential Information.
9. REMEDIES: The Promisor acknowledges that compliance with the provisions of this Agreement is necessary to protect the proprietary interests of the Company. The Promisor further acknowledges that any unauthorized use or disclosure to any third Party in breach of this Agreement may result in irreparable and continuing damage to the Company and agrees that, in the event of such a breach, the Company shall be authorized and entitled to obtain immediately injunctive relief and other remedies to which the Company may be entitled.
10. MISCELLANEOUS: This Agreement shall be construed in accordance with the laws of the province of Alberta and the parties attorn to the jurisdiction of the courts therein. Failure to enforce any provision of this Agreement shall not constitute a waiver of any term hereof. This Agreement contains the entire agreement of, and supersedes any and all prior understandings, arrangements and agreements between the parties hereto, whether oral or written, with respect to the subject matter thereof. This Agreement is binding upon and for the benefit of the parties, their successors and assigns, and cannot be assigned without the consent of the Company.
11. USURPATION OF INFORMATION: Notwithstanding anything to the contrary in this Agreement, the Promisor acknowledges that it will not circumvent or compete with the Company, either on its own or with another, in the development, manufacture, distribution, marketing or sale of any snack or food bar substantially similar to products, samples and prototypes presented to the Promisor

PROMISOR	COMPANY
MANNATECH INCORPORATED	NEW ERA NUTRITION INC.
Officer: Sam Caster	Officer: Saul Katz
Title: President	Title: President & CEO
At: Grand Prairie, Texas	At: Edmonton, Alberta
Dated August 21, 1997	Dated: August 21, 1997
/s/ Sam Caster	/s/ Saul Katz

SEVERANCE AND CONSULTING AGREEMENT
AND COMPLETE RELEASE

This Severance and Consulting Agreement and Complete Release ("Agreement") is entered into between Mannatech, Incorporated ("Mannatech") and Ronald E. Kozak ("Kozak").

WHEREAS, Kozak has been employed by Mannatech as Chief Executive Officer; and

WHEREAS, effective May 1, 1997, Kozak's employment and Employment Agreement with Mannatech were terminated by mutual agreement of both parties; and

WHEREAS, Kozak's expertise and knowledge relating to various ongoing matters involving Mannatech or third parties remain valuable to Mannatech; and

WHEREAS, Kozak and Mannatech desire to continue their mutually beneficial business relationship; and

WHEREAS, as an employee and officer of Mannatech, Kozak has had access to trade secret, confidential and proprietary information belonging to Mannatech or third parties, which information constitutes valuable property and other interests of Mannatech in need of protection; and

WHEREAS, Kozak and Mannatech desire to resolve completely and forever all claims and differences between them.

NOW, THEREFORE, in consideration of the mutual promises set forth below, Kozak and Mannatech agree as follows:

1. KOZAK TO RESIGN. Kozak hereby resigns all officer and employee positions with Mannatech. Upon signing this Agreement, and provided that Kozak does not later revoke this Agreement in accordance with paragraph 12 below, Mannatech's corporate and personnel records will reflect that Kozak voluntarily resigned. Kozak represents that he has returned to Mannatech all property, without limitation, belonging to Mannatech.

2. PAYMENTS BY MANNATECH. Mannatech agrees that if Kozak does not revoke this Agreement in accordance with paragraph 12 below, and provided Kozak does not violate any of his promises set forth in paragraphs 11 and 12 of his Employment Agreement (which paragraphs survive termination of the Employment Agreement), Mannatech will:

(a) pay to Kozak a consulting fee at the rate of twenty-five thousand dollars (\$25,000.00) per month for a period of one (1) year from May 1, 1997, payable in monthly installments, less federal withholding taxes and other deductions required by law, if any. Mannatech will send Kozak a Form 1099 for each year in which payments are made;

(b) immediately convey and deliver to Kozak that certain 1996 Lexus L5400 automobile, vehicle identification number JT8BH22F2T0056429, which Mannatech has previously made available for Kozak's use, including, in recordable form, the Texas Certificate of Title on said automobile; and

(c) grant to Kozak an option to purchase 200,000 shares of common stock issued and outstanding in accordance with the terms of that certain Stock Option Agreement set forth in Exhibit "A" hereto. (Kozak is aware that Mannatech contemplates an initial public offering of its securities within the next twelve (12) months.)

Kozak understands and agrees that the above amounts are in excess of what he is otherwise entitled to receive as a terminated employee of Mannatech, and that, except for any payments he may be entitled to receive as a terminated employee under Mannatech's 401(k) plan, he will receive no further or other salary, benefits, commissions, bonuses (including contributions to or distributions from the Bonus Volume Limited Partnership described in Paragraph 4 of Kozak's Employment Agreement), accrued but unused vacation, expense reimbursement or similar payments from Mannatech.

3. CONTINUED CONSULTING RESPONSIBILITIES. Kozak agrees and covenants that he will provide reasonable consulting services to Mannatech with respect to ongoing matters involving subjects for which he was responsible, in whole or in part, during his employment with Mannatech, for a period of one (1) year from May 1, 1997. Such consulting services will be provided by Kozak in good faith on an as needed basis. In connection with any consulting services to be performed, Kozak shall not be required to travel more than a 50 mile radius of his then residence at his own expense (the "Consulting Distance"). In the event that Mannatech should request Kozak to travel beyond the Consulting Distance, Mannatech shall reimburse Kozak the reasonable and actual out-of-pocket costs of such travel including, but not limited to, hotel, air fair, taxi/car rental, meals, and other reasonable per diem expenses.

4. NO FUTURE EMPLOYMENT. Kozak agrees that he will not seek or demand employment with Mannatech or any of its related companies or successors at any time in the future.

5. COMPLETE RELEASE BY KOZAK. As a material inducement to Mannatech to enter into this Agreement, Kozak hereby irrevocably and unconditionally releases, acquits, and forever discharges Mannatech, as well as each of its owners, stockholders, predecessors, trustees, successors, holding companies, assigns, agents, directors, officers, employees, representatives, plan administrator(s), attorneys, parent companies, divisions, subsidiaries, affiliates, (and any agents, directors, officers, employees, representatives, and attorneys of such parent companies, divisions, subsidiaries and affiliates), past or present, in both their representative and individual capacities, and all persons acting by, through, under or in concert with any of them (collectively referred to as the "Mannatech Releasees"), from any and all claims, causes of action or demands, of any nature whatsoever, known or unknown, suspected or unsuspected, including any claims or demands for costs, expenses or attorney's fees. This includes a release of any rights or claims Kozak may have under the Age Discrimination

in Employment Act, which prohibits age discrimination in employment; Title VII of the Civil Rights Act of 1964, which prohibits discrimination in employment based on race, color, national origin, religion or sex; the Americans With Disabilities Act, which prohibits discrimination in employment based on a disability; the Employee Retirement Income Security Act; the Texas Payday Law; the Texas Workers' Compensation Act; the Texas Commission on Human Rights Act; and any other federal, state or local law or regulation. This also includes a release of any claims for wrongful discharge, breach of express or implied contract, breach of express or implied covenant of good faith and fair dealing, and any tort claims, including any claim of negligence or gross negligence on the part of Mannatech or any of the Mannatech Releasees. This release does not include, however, a release of Kozak's rights, if any, under Mannatech's 401(k) plan. Moreover, this release does not waive, release, include, or apply to any and all rights and/or claims which may arise and/or accrue after the date Kozak signs this agreement, including but not limited to, claims for a breach of this agreement by Mannatech.

6. COMPLETE RELEASE BY MANNATECH. As a material inducement to Kozak to enter into this Agreement, Mannatech hereby irrevocably and unconditionally releases, acquits, and forever discharges Kozak, as well as each of his heirs, administrators, trustees, representatives, agents, attorneys, executors, successors and assigns, from any and all claims, causes of action or demands, of any nature whatsoever, known or unknown, suspected or unsuspected, including any claims or demands for costs, expenses or attorney's fees. Moreover, this release does not waive, release, include, or apply to any and all rights and/or claims which may arise and/or accrue after the date Mannatech signs this agreement, including but not limited to, claims for a breach of this agreement by Kozak.

7. NO FUTURE LAWSUITS. Kozak and Mannatech agree never to file a lawsuit asserting any claims that are released in paragraphs 5 and 6.

8. NO RELEASE OF FUTURE CLAIMS. This Agreement does not waive or release any rights or claims that Kozak may have under the Age Discrimination in Employment Act which may arise after the date he signs this Agreement. Moreover, this release does not waive, release, include, or apply to any and all rights and/or claims which may arise and/or accrue after the date the parties sign this agreement, including but not limited to, claims for a breach of this agreement by either party.

9. NON-ADMISSION OF LIABILITY. Kozak and Mannatech agree that they are entering into this Agreement to, among other things, resolve any claims or differences that may exist between them, and to avoid the cost of possible lawsuits. By entering into this Agreement, neither party admits any wrongdoing.

10. CONSEQUENCES OF VIOLATION OF PROMISES. Kozak agrees that if he breaches any of the terms of this Agreement, Kozak will not be entitled to a continuation of the payments referenced in paragraph 2 of this Agreement. Kozak and Mannatech understand and agree that the consequences of violation of promises identified in this paragraph do not constitute their exclusive remedies for breaches of this Agreement, and each shall be entitled to recover such other and further legal and equitable relief to which he or it may be entitled.

11. PERIOD OF REVIEW AND CONSIDERATION OF AGREEMENT/RIGHT TO CONSULT ATTORNEY. Kozak has been given a period of 21 days from May 8, 1997 to review and consider this Agreement before signing it. He may use as much of this 21-day period as he wishes before signing and he is encouraged to consult with an attorney before signing this Agreement. Kozak understands that whether or not to consult with an attorney is his decision.

12. KOZAK'S RIGHT TO REVOKE AGREEMENT. Kozak may revoke this Agreement within seven days after signing it. Revocation can be made by delivering a written notice of revocation to Mannatech c/o Deanne Varner, General Counsel, 600 S. Royal Lane, Suite 200, Coppell, TX 75019. For this revocation to be effective, written

notice must be received by Ms. Varner no later than the close of business on the seventh day after Kozak signed this Agreement. If Kozak revokes this Agreement, it will not be effective or enforceable and he will not receive the payments described in paragraph 2.

13. RESPONSIBILITY FOR TAXES. Mannatech makes no representations regarding the taxability of the payments made in accordance with paragraph 2 above, and Kozak hereby agrees that he is solely responsible for all tax obligations, if any, including, but not limited to, all reporting and payment obligations, which may arise as a consequence of such payments, with the exception of any and all withholding obligations, if any, attributable to Mannatech as a result of the payments made in accordance with paragraph 2 above, for which obligations Mannatech will be responsible. Kozak hereby agrees to indemnify and hold Mannatech and the Mannatech Releasees harmless from and against any and all loss, cost, damage or expense, including, without limitation, attorney's fees, incurred by Mannatech and the Mannatech Releasees, arising out of the tax treatment of any payments received by Kozak as a result of this Agreement, except Kozak shall not indemnify and hold Mannatech and the Mannatech Releasees harmless from and against losses, costs, damages, or expenses, including without limitation, attorney's fees, arising from and/or relating to Mannatech's withholding obligations, if any, relating to the payments received by Kozak as a result of this Agreement.

14. PROPER CONSTRUCTION. The language of this Agreement shall be construed as a whole, according to its fair meaning, and not strictly for or against either of the parties hereto. The paragraph headings used in this Agreement are intended solely for convenience of reference and shall not in any manner amplify, limit, modify or otherwise be used in the interpretation of any of the provisions hereof.

15. ENTIRE AGREEMENT. This Agreement supersedes all other agreements between the parties with respect to the subject matter hereof; provided, however, that Paragraphs 11 and 12 of Kozak's Employment Agreement continue to survive the termination of the Employment Agreement. With respect to said Paragraph 12 of

Kozak's Employment Agreement ("Restrictive Covenant"), Kozak and Mannatech hereby agree that the one (1) year period shall commence on May 1, 1997, and that the covered Territory shall, in addition to the United States of America, include Canada, the Bahamas and all other countries in which Mannatech currently does business.

16. AGREEMENT TO BE BINDING ON OTHERS. If it becomes effective, this Agreement will be binding upon Kozak and Mannatech, and their respective heirs, administrators, trustees, representatives, executors, successors and assigns.

17. AGREEMENT TO BE CONFIDENTIAL. Kozak and Mannatech agree that they will keep the terms, amount and fact of this Agreement completely confidential, and that, unless required to do so by law or court order, or if necessary to enforce this Agreement or defend themselves against claims by the other, they will not disclose any information concerning this Agreement to anyone (other than their attorneys and tax advisers, if any, and in the case of Kozak, his spouse, all of whom shall be subject to and bound by this confidentiality provision).

18. NO DETRIMENTAL REMARKS OR ACTIONS. Kozak and Mannatech agree that they will not, directly or indirectly, in any individual or representative capacity whatsoever, make any statement, oral or written, or perform any act or omission which is or could be detrimental in any material respect to the reputation or goodwill of the other (including, in the case of Mannatech, its successors, affiliates, or related companies); provided, however, that any truthful statements made by either Kozak or Mannatech in good faith shall not violate this subsection. Mannatech's obligations under this paragraph extend only to officers and senior management employees of Mannatech who were officers and/or senior management employees of Mannatech at the time the statements were made.

19. TEXAS LAW APPLIES. This Agreement will be construed in accordance with and governed by the laws of the State of Texas.

20. NO WAIVER OR MODIFICATION. No waiver or modification of this Agreement will be valid unless in writing and signed by both parties.

21. SEVERABILITY OF PROVISIONS. If any provision in this Agreement shall be held to be invalid, illegal or unenforceable, this Agreement shall be construed as if that provision had never been contained in this Agreement and the remainder of this Agreement shall remain valid and enforceable.

22. Kozak has elected to maintain his current company health insurance coverage for a period of eighteen (18) months, as provided for by COBRA. Mannatech has agreed to and will pay all associated premium costs related to such health and dental insurance coverage, for a period of six (6) months, beginning May 1, 1997.

PLEASE READ THIS AGREEMENT CAREFULLY. IT CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS AS SPECIFIED IN PARAGRAPHS 5, 6, AND 8 ABOVE.

I ACKNOWLEDGE THAT I HAVE CAREFULLY READ THE FOREGOING AGREEMENT, THAT I UNDERSTAND ALL OF ITS TERMS, AND THAT I AM ENTERING INTO IT VOLUNTARILY.

I FURTHER ACKNOWLEDGE THAT I AM AWARE OF MY RIGHTS TO RENEW AND CONSIDER THIS AGREEMENT FOR 21 DAYS AND TO CONSULT WITH AN ATTORNEY ABOUT IT, AND STATE THAT BEFORE SIGNING THIS AGREEMENT, I EXERCISED THESE RIGHTS TO THE FULL EXTENT THAT I DESIRED.

/s/ Ronald E. Kozak

Ronald E. Kozak ("Kozak")

August 1, 1997

Date

Subscribed and sworn to before me this 1 day of August , 1997.

/s/ Debbie L. Anthony

Notary Public for the State of Oklahoma
County of Oklahoma
My Commission Expires: 5-12-01

ACCEPTED AND AGREED:

Mannatech, Incorporated ("Mannatech")

By /s/ [Illegible]

Title CHIEF EXECUTIVE OFFICER

Date August 13, 1997

Subscribed and sworn to before me this 13 day of August , 1997.

/s/ Vincenza C. Calvey

[SEAL] VINCENZA C. CALVEY
MY COMMISSION EXPIRES
September 11, 1997

Notary Public for the State of Texas
County of Dallas
My Commission Expires: 9-11-97

SUMMARY OF MANAGEMENT BONUS PLAN

The Company's executive officers and certain other members of corporate management are eligible to receive annual bonuses in addition to their base salaries. The management bonus plan (the "Plan") is based upon the attainment by management of certain financial goals of the Company. Until such time as the shares of the Company's common stock, par value \$0.0001 per share, are registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Plan will be administered by the Board of Directors of the Company. After such registration, the Plan will be administered by a compensation committee composed of at least two "Non-Employee Directors," as such term is defined in rule 16b-3 promulgated under the Exchange Act.

PROMISSORY NOTE

Dallas County, Texas

Date: AUGUST 31, 1997

\$45,907.40

For value received, the undersigned, Patrick D. Cobb ("Maker"), promises to pay to the order of Mannatech, Incorporated ("Payee"), whose business house is located in Dallas County, Texas, in lawful money of the United States of America, together with interest from the date hereof on the principal amount from time to time remaining unpaid, at the rate per annum hereinafter described. All past due principal hereof and interest thereon shall bear interest from the maturity of such principal, and both principal and interest shall be payable to Payee at 600 S. Royal Lane, Coppell, Dallas County, Texas, or such other place in Dallas County, Texas as Payee may designate in writing.

This Note shall bear interest at six percent (6%) per annum.

This principal and interest shall be payable as follows: All principal and interest shall be due and payable upon that date upon which the Maker first receives good funds derived from the sale of certain of his stock in Mannatech, Incorporated in connection with the initial public offering of the same or upon December 31, 1998, whichever shall first occur.

Maker may prepay the obligations of this Note in whole or in part, without any premium or penalty therefor, the principal amount then remaining unpaid, together with all accrued interest payable thereon, and interest shall cease to run from the date of payment of such part or all of the principal amount hereof as shall so be prepaid. Any such prepayment hereunder shall be applied first to

accrued interest and the balance to principal, but no part of prepayment shall, until this Note is fully paid and satisfied, affect the obligations to continue to pay the regular installments required hereunder until the entire indebtedness has been paid.

If Maker shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking for Maker any arrangement, composition, readjustment, or similar relief under any present or future statute, law or regulation, or shall file any answer admitting the material allegations of a petition filed against Maker in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee or receiver, on all or any substantial part of the properties of Maker, or if a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Maker to be bankrupt or insolvent under the federal bankruptcy laws or any applicable law of the United States of America or any state law, or appointing a receiver or trustee or assignee in bankruptcy or insolvency of Maker or any of Maker's properties, and such decree or order shall have continued undischarged or unstayed for a period of sixty (60) days; or if Maker shall make an assignment for the benefit of creditors, or if Maker shall fail to pay this note or any installment hereof, whether principal or interest, when due, then Payee shall have the option, to the extent permitted by applicable law, to declare this Note due and payable, whereupon the entire unpaid principal balance of this note and all accrued unpaid interest thereon shall at once

mature and become due and payable without presentment, demand, protest or notice of any kind (including, but not limited to, notice of intention to accelerate or notice of acceleration), all of which are hereby expressly waived by Maker. The time of payment of this note is also subject to acceleration in the same manner provided in this paragraph in the event Maker defaults or otherwise fails to discharge its obligations under any of the instruments securing payment hereof or relating hereto.

Maker and any and all sureties, guarantors and endorsers of this Note and all other parties now or hereafter liable hereon, severally waive grace, demand, presentment for payment, protest, notice of any kind (including, but not limited to, notice of dishonor, notice of protest, notice of intention to accelerate and notice of acceleration) and diligence in collecting and bringing suit against any party hereto and agree (i) to all extensions and partial payments, with or without notice, before or after maturity, (ii) to any substitution, exchange or release of any security now or hereafter given for this note, (iii) to the release of any party primarily or secondarily liable hereon, and (iv) that it will not be necessary for Payee, in order to enforce payment of this Note, to first institute or exhaust Payee's remedies against Maker or any other party liable therefor or against any security for this Note.

If this Note is not paid at maturity, however, and such maturity is brought about and is placed in the hands of an attorney for collection, or if collected through any legal proceedings including but not limited to probate, insolvency or bankruptcy

proceedings, or if suit is brought on the same, Makers agree to pay a reasonable amount of attorneys' fees and expenses of collection.

If Maker shall fail to pay this Note or any installment hereof, whether principal or interest, when due, and if Makers shall not have cured such default in the payment of principal and interest, or either, within ten (10) days after Makers shall have received from the Payees written notice of such Payee's intent to accelerate the maturity of this Note, then Payees may, at their option, without further demand, notice or presentment, all of which are hereby severally waived by Makers, and by any and all sureties, guarantors, and endorsers of this Note, accelerate the maturity of this Note, upon which the entire unpaid balance of the principal hereof together with all accrued but unpaid interest thereon shall be at once due and payable.

As used in this Note, the term "Maker" shall be deemed to include Patrick D. Cobb, and any of his successors in interest or assignees.

As used in this Note, the term "Payee" shall be deemed to include Mannatech, Incorporated, and any subsequent holders hereof.

This Note shall be governed by and construed under the laws of the State of Texas and the laws of the United States of America.

/s/ Patrick D. Cobb

Patrick D. Cobb, Maker

PROMISSORY NOTE

Dallas County, Texas

Date: AUGUST 31, 1997

\$275,444.42

For value received, the undersigned, Samuel L. Caster ("Maker"), promises to pay to the order of Mannatech, Incorporated ("Payee"), whose business house is located in Dallas County, Texas, in lawful money of the United States of America, together with interest from the date hereof on the principal amount from time to time remaining unpaid, at the rate per annum hereinafter described. All past due principal hereof and interest thereon shall bear interest from the maturity of such principal, and both principal and interest shall be payable to Payee at 600 S. Royal Lane, Coppell, Dallas County, Texas, or such other place in Dallas County, Texas as Payee may designate in writing.

This Note shall bear interest at six percent (6%) per annum.

This principal and interest shall be payable as follows: All principal and interest shall be due and payable upon that date upon which the Maker first receives good funds derived from the sale of certain of his stock in Mannatech, Incorporated in connection with the initial public offering of the same or upon December 31, 1998, whichever shall first occur.

Maker may prepay the obligations of this Note in whole or in part, without any premium or penalty therefor, the principal amount then remaining unpaid, together with all accrued interest payable thereon, and interest shall cease to run from the date of payment of such part or all of the principal amount hereof as shall so be prepaid. Any such prepayment hereunder shall be applied first to

accrued interest and the balance to principal, but no part of prepayment shall, until this Note is fully paid and satisfied, affect the obligations to continue to pay the regular installments required hereunder until the entire indebtedness has been paid.

If Maker shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking for Maker any arrangement, composition, readjustment, or similar relief under any present or future statute, law or regulation, or shall file any answer admitting the material allegations of a petition filed against Maker in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee or receiver, on all or any substantial part of the properties of Maker, or if a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Maker to be bankrupt or insolvent under the federal bankruptcy laws or any applicable law of the United States of America or any state law, or appointing a receiver or trustee or assignee in bankruptcy or insolvency of Maker or any of Maker's properties, and such decree or order shall have continued undischarged or unstayed for a period of sixty (60) days; or if Maker shall make an assignment for the benefit of creditors, or if Maker shall fail to pay this note or any installment hereof, whether principal or interest, when due, then Payee shall have the option, to the extent permitted by applicable law, to declare this Note due and payable, whereupon the entire unpaid principal balance of this note and all accrued unpaid interest thereon shall at once

mature and become due and payable without presentment, demand, protest or notice of any kind (including, but not limited to, notice of intention to accelerate or notice of acceleration), all of which are hereby expressly waived by Maker. The time of payment of this note is also subject to acceleration in the same manner provided in this paragraph in the event Maker defaults or otherwise fails to discharge its obligations under any of the instruments securing payment hereof or relating hereto.

Maker and any and all sureties, guarantors and endorsers of this Note and all other parties now or hereafter liable hereon, severally waive grace, demand, presentment for payment, protest, notice of any kind (including, but not limited to, notice of dishonor, notice of protest, notice of intention to accelerate and notice of acceleration) and diligence in collecting and bringing suit against any party hereto and agree (i) to all extensions and partial payments, with or without notice, before or after maturity, (ii) to any substitution, exchange or release of any security now or hereafter given for this note, (iii) to the release of any party primarily or secondarily liable hereon, and (iv) that it will not be necessary for Payee, in order to enforce payment of this Note, to first institute or exhaust Payee's remedies against Maker or any other party liable therefor or against any security for this Note.

If this Note is not paid at maturity, however, and such maturity is brought about and is placed in the hands of an attorney for collection, or if collected through any legal proceedings including but not limited to probate, insolvency or bankruptcy

proceedings, or if suit is brought on the same, Makers agree to pay a reasonable amount of attorneys' fees and expenses of collection.

If Maker shall fail to pay this Note or any installment hereof, whether principal or interest, when due, and if Makers shall not have cured such default in the payment of principal and interest, or either, within ten (10) days after Makers shall have received from the Payees written notice of such Payee's intent to accelerate the maturity of this Note, then Payees may, at their option, without further demand, notice or presentment, all of which are hereby severally waived by Makers, and by any and all sureties, guarantors, and endorsers of this Note, accelerate the maturity of this Note, upon which the entire unpaid balance of the principal hereof together with all accrued but unpaid interest thereon shall be at once due and payable.

As used in this Note, the term "Maker" shall be deemed to include Samuel L. Caster, and any of his successors in interest or assignees.

As used in this Note, the term "Payee" shall be deemed to include Mannatech, Incorporated, and any subsequent holders hereof.

This Note shall be governed by and construed under the laws of the State of Texas and the laws of the United States of America.

/s/ Samuel L. Caster

Samuel L. Caster, Maker

PROMISSORY NOTE

Dallas County, Texas

Date: AUGUST 31, 1997

\$275,444.42

For value received, the undersigned, Charles E. Fioretti ("Maker"), promises to pay to the order of Mannatech, Incorporated ("Payee"), whose business house is located in Dallas County, Texas, in lawful money of the United States of America, together with interest from the date hereof on the principal amount from time to time remaining unpaid, at the rate per annum hereinafter described. All past due principal hereof and interest thereon shall bear interest from the maturity of such principal, and both principal and interest shall be payable to Payee at 600 S. Royal Lane, Coppell, Dallas County, Texas, or such other place in Dallas County, Texas as Payee may designate in writing.

This Note shall bear interest at six percent (6%) per annum.

This principal and interest shall be payable as follows: All principal and interest shall be due and payable upon that date upon which the Maker first receives good funds derived from the sale of certain of his stock in Mannatech, Incorporated in connection with the initial public offering of the same or upon December 31, 1998, whichever shall first occur.

Maker may prepay the obligations of this Note in whole or in part, without any premium or penalty therefor, the principal amount then remaining unpaid, together with all accrued interest payable thereon, and interest shall cease to run from the date of payment of such part or all of the principal amount hereof as shall so be prepaid. Any such prepayment hereunder shall be applied first to

accrued interest and the balance to principal, but no part of prepayment shall, until this Note is fully paid and satisfied, affect the obligations to continue to pay the regular installments required hereunder until the entire indebtedness has been paid.

If Maker shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking for Maker any arrangement, composition, readjustment, or similar relief under any present or future statute, law or regulation, or shall file any answer admitting the material allegations of a petition filed against Maker in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee or receiver, on all or any substantial part of the properties of Maker, or if a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Maker to be bankrupt or insolvent under the federal bankruptcy laws or any applicable law of the United States of America or any state law, or appointing a receiver or trustee or assignee in bankruptcy or insolvency of Maker or any of Maker's properties, and such decree or order shall have continued undischarged or unstayed for a period of sixty (60) days; or if Maker shall make an assignment for the benefit of creditors, or if Maker shall fail to pay this note or any installment hereof, whether principal or interest, when due, then Payee shall have the option, to the extent permitted by applicable law, to declare this Note due and payable, whereupon the entire unpaid principal balance of this note and all accrued unpaid interest thereon shall at once

mature and become due and payable without presentment, demand, protest or notice of any kind (including, but not limited to, notice of intention to accelerate or notice of acceleration), all of which are hereby expressly waived by Maker. The time of payment of this note is also subject to acceleration in the same manner provided in this paragraph in the event Maker defaults or otherwise fails to discharge its obligations under any of the instruments securing payment hereof or relating hereto.

Maker and any and all sureties, guarantors and endorsers of this Note and all other parties now or hereafter liable hereon, severally waive grace, demand, presentment for payment, protest, notice of any kind (including, but not limited to, notice of dishonor, notice of protest, notice of intention to accelerate and notice of acceleration) and diligence in collecting and bringing suit against any party hereto and agree (i) to all extensions and partial payments, with or without notice, before or after maturity, (ii) to any substitution, exchange or release of any security now or hereafter given for this note, (iii) to the release of any party primarily or secondarily liable hereon, and (iv) that it will not be necessary for Payee, in order to enforce payment of this Note, to first institute or exhaust Payee's remedies against Maker or any other party liable therefor or against any security for this Note.

If this Note is not paid at maturity, however, and such maturity is brought about and is placed in the hands of an attorney for collection, or if collected through any legal proceedings including but not limited to probate, insolvency or bankruptcy

proceedings, or if suit is brought on the same, Makers agree to pay a reasonable amount of attorneys' fees and expenses of collection.

If Maker shall fail to pay this Note or any installment hereof, whether principal or interest, when due, and if Makers shall not have cured such default in the payment of principal and interest, or either, within ten (10) days after Makers shall have received from the Payees written notice of such Payee's intent to accelerate the maturity of this Note, then Payees may, at their option, without further demand, notice or presentment, all of which are hereby severally waived by Makers, and by any and all sureties, guarantors, and endorsers of this Note, accelerate the maturity of this Note, upon which the entire unpaid balance of the principal hereof together with all accrued but unpaid interest thereon shall be at once due and payable.

As used in this Note, the term "Maker" shall be deemed to include Charles E. Fioretti, and any of his successors in interest or assignees.

As used in this Note, the term "Payee" shall be deemed to include Mannatech, Incorporated, and any subsequent holders hereof.

This Note shall be governed by and construed under the laws of the State of Texas and the laws of the United States of America.

/s/ Charles E. Fioretti

Charles E. Fioretti, Maker

INDIVIDUAL GUARANTY

Dated 1/5/98

Master Lease Agreement Date: 1/98

Lessee Name: MANNATECH, INCORPORATED

Equipment Cost \$ 1,500,000.00

1. For valuable consideration, the receipt of which is hereby acknowledged, the undersigned jointly and severally conditionally guarantee to BANC ONE LEASING CORPORATION (hereinafter called "Lessor") the full and prompt performance by the lessee identified above (hereinafter called "Lessee"), of all obligations which Lessee now has or may hereafter have to Lessor, including but not limited to obligations under equipment leases and promissory notes executed in connection with anticipated equipment leases (including but not limited to all present and future leases and promissory notes under the Master Lease identified above, with a total original equipment cost to the Lessor of no more than the amount of the Equipment Cost set forth above), and unconditionally guarantee the prompt payment when due (whether at scheduled maturity, upon acceleration or otherwise) of any and all sums, indebtedness and liabilities of whatsoever nature, due or to become due, direct or indirect, absolute or contingent, now or hereafter at any time owed or contracted by Lessee to Lessor, and all costs and expenses of and incidental to collection of any of the foregoing, including reasonable attorneys' fees (all of the foregoing hereinafter called "Obligations"). It is the undersigned's express intention that this guaranty in addition to covering all present Obligations of Lessee to Lessor, shall extend to all future Obligations of Lessee to Lessor, whether or not such Obligations are reduced or entirely extinguished and thereafter increased or are reincurred, whether or not such Obligations are related to the Master Lease identified above, whether or not such Obligations exceed the Equipment Cost identified above, and whether or not such Obligations are specifically contemplated by the undersigned, Lessee, and Lessor as of the date hereof.

2. This is an absolute and unconditional guarantee of payment and not of collection. Lessor shall not be required, as a condition of the liability of the undersigned, to resort to, enforce or exhaust any of its remedies against the Lessee or any other party who may be liable for payment on any Obligation or to resort to, marshal, enforce or exhaust any of its remedies against any leased property or any property given or held as security for this Guaranty or any Obligation.

3. The undersigned hereby waive and grant to Lessor, without notice to the undersigned and without in any way affecting the liability of the undersigned, the right at any time and from time to time, to extend other and additional credit, leases, loans or financial accommodations to Lessee apart from the Obligations, to deal in any manner as it shall see fit with any Obligation of Lessee to Lessor and with any leased property or security for such Obligation, including, but not limited to, (i) accepting partial payments on account of any Obligation, (ii) granting extensions or renewals of all or any part of any Obligation, (iii) releasing, surrendering, exchanging, dealing with, abstaining

from taking, taking, abstaining from perfecting, perfecting, or accepting substitutes for any or all leased property or security which it holds or may hold for any Obligation, (iv) modifying, waiving, supplementing or otherwise changing any of the terms, conditions or provisions contained in any Obligation and (v) the addition or release of any other party or person liable hereon, liable on the Obligations or liable on any other guaranty executed to guarantee any of Lessee's Obligations. The undersigned jointly and severally hereby agree that any and all settlements, compromises, compositions, accounts stated and agreed balances made in good faith between Lessor and Lessee shall be binding upon the undersigned.

4. Every right, power and discretion herein granted to Lessor shall be for the benefit of the successors or assigns of Lessor and of any transferee or assignee of any Obligation covered by this Guaranty, and in the event any such Obligation shall be transferred or assigned, every reference herein to Lessor shall be construed to mean, as to such Obligation, the transferee or assignee thereof. This Guaranty shall be binding upon each of the undersigned's executors, administrators, heirs, successors and assigns.

5. This Guaranty shall continue in force for so long as Lessee shall be obligated to Lessor, and thereafter until Lessor shall have actually received written notice of the termination hereof from the undersigned, it being contemplated that Lessee may borrow, lease, repay and subsequently borrow money from or lease property from, or become obligated to, Lessor from time to time, and the undersigned, not having given notice of the termination hereof as herein provided for, shall be deemed to have permitted this Guaranty to remain in full force and effect for the purpose of inducing Lessor to make further leases or loans to Lessee; provided, however, no notice of termination of this Guaranty shall affect in any manner the rights of Lessor arising under this Guaranty with respect to the following: (a) any Obligation incurred by Lessee in connection with the Master Lease identified above with a total equipment cost of no more than the amount of the Total Equipment Cost set forth above, whether such obligation is in the form of a lease or a promissory note; or (b) any Obligation incurred by Lessee prior to receipt by Lessor of written notice of termination or any Obligation incurred after receipt of such written notice pursuant to a written agreement entered into by Lessor prior to receipt of such notice. The undersigned expressly waive notice of the incurring by Lessee of any Obligation to Lessor. The undersigned also waive presentment, demand of payment, protest, notice of dishonor or nonpayment of or nonperformance of any Obligation.

6. The undersigned hereby waive any claims or rights which they might now have or hereafter acquire against Lessee or any other person primarily or contingently liable on any Obligation of Lessee, which claims or rights arise from the existence or performance of the undersigned's obligations under this Guaranty or any other guaranty or under any instrument or agreement with respect to any leased property or any property constituting collateral or security for this Guaranty or any other guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of Lessor or any other creditor which the undersigned now has or hereafter acquires, whether such claim or right arises in equity, under contract or statute, at common law, or otherwise.

7. Lessor's rights hereunder shall be reinstated and revived, and this Guaranty shall be fully enforceable, with respect to any amount at any time paid on account of the Obligations which thereafter shall be required to be restored or returned by Lessor upon the bankruptcy, insolvency or reorganization of the Lessee, the undersigned, or any other person, or as a result of any other fact or circumstance, all as though such amount had not been paid.

8. The undersigned jointly and severally agree to pay to Lessor all costs and expenses, including reasonable attorneys' fees, incurred by Lessor in the enforcement or attempted enforcement of this Guaranty, whether or not suit is filed in connection therewith, or in the exercise by Lessor of any right, privilege, power or remedy conferred by this Guaranty.

9. The undersigned represent and warrant that they have relied exclusively on their own independent investigation of Lessee, the leased property and the collateral for their decision to guarantee Lessee's Obligations now existing or thereafter arising. The undersigned agree that they have sufficient knowledge of the Lessee, the leased property, and the collateral to make an informed decision about this Guaranty, and that Lessor has no duty or obligation to disclose any information in its possession or control about Lessee, the leased property, and the collateral to the undersigned. The undersigned warrant to Lessor that they have adequate means to obtain from the Lessee on a continuing basis information concerning the financial condition of the Lessee and that they are not relying on Lessor to provide such information either now or in the future.

10. As long as any indebtedness under any of the Obligations remains unpaid or any credit is available to Lessee under any of the Obligations, the undersigned agree to furnish to Lessor: (a) annual financial statements setting forth the financial condition of the undersigned in form and providing such information as required by Lessor (including without limitation income tax returns) within 120 days of the end of each calendar year; and (b) such other financial information as Lessor may from time to time request.

11. No postponement or delay on the part of Lessor in the enforcement of any right hereunder shall constitute a waiver of such right. The failure of any person or entity to sign this Guaranty shall not discharge the liability of any of the undersigned.

12. This Guaranty remains fully enforceable irrespective of any claim, defense or counterclaim which the Lessee may or could assert on any of the Obligations including but not limited to failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, fraud, bankruptcy, accord and satisfaction, and usury, some of which the undersigned hereby waive along with any standing by the undersigned to assert any said claim, defense or counterclaim.

13. This Guaranty contains the entire agreement of the parties and supersedes all prior agreements and understandings, oral or written, with respect to the subject matter hereof. This Guaranty is not intended to replace or supersede any other guaranty which the undersigned have entered into or may enter into in the future. The undersigned may enter into additional guaranties in the future which may or may not refer to the Master Lease identified above and such guaranties are not intended to replace or supersede this Guaranty unless specifically provided in that additional guaranty. The interpretation, construction and validity of this guaranty shall be governed by the laws of the State of Ohio. With respect to any action brought by Lessor against Guarantor to enforce any term of this guaranty, Guarantor hereby irrevocably consents to the jurisdiction and venue of any state or federal court in Franklin County, Ohio, where Lessor has its principal place of business and where payments are to be made by Lessee and Guarantor.

ALL PARTIES TO THIS GUARANTY, INCLUDING GUARANTOR AND LESSOR, WAIVE ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY ON ANY MATTER WHATSOEVER ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY RELATED TO THIS GUARANTY.

Guarantor:

SAMUEL L. CASTER

SAMUEL L. CASTER

Witness: Patrick Cobb, Secretary

GUARANTY ACKNOWLEDGMENT
INDIVIDUAL

State of TEXAS :

: ss

County of DALLAS :

Before me, a Notary public in and for said County and State, personally appeared SAMUEL L. CASTER who acknowledged that he/she did sign the foregoing guaranty and that the same is his/her free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my seal this 5TH day of JANUARY , 1998.

[SEAL] VINCENZA C. CALVEY
MY COMMISSION EXPIRES
SEPTEMBER 11, 2001

Vincenza C. Calvey

Notary Public

ADDENDUM I TO GUARANTY

Dated 12/22/97

Individual Guaranty dated as of DECEMBER 22 , 1997

Lessee: Mannatech, Inc.

Master Lease dated DECEMBER, 1997

Guarantor: Samuel L. Caster

Reference is made to the Individual Guaranty identified above ("Guaranty") made by the Guarantor identified above ("Guarantor") in favor of Banc One Leasing Corporation ("Lessor"). This Addendum I modifies the terms and conditions of the Guaranty. Unless otherwise defined herein, capitalized terms defined in the Guaranty shall have the same meaning when used herein.

As part of the valuable consideration to induce Lessor to enter into the Master Lease, Guarantor and Lessor hereby agree as follows:

- 1. The following is added to Section 10 of the Guaranty:

"Guarantor shall maintain a minimum of \$1,000,000 of unencumbered liquidity at all times. Each calendar quarter Guarantor shall provide Lessor with a statement as to the calculation of Guarantor's unencumbered liquidity and identifying the sources of liquidity."

Except as expressly amended by the terms and conditions contained herein, the Guaranty remains unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum I as of the date referenced above.

Samuel L. Caster

Samuel L. Caster
(Guarantor)

Banc One Leasing Corporation
(Lessor)

By: Anthony Park

Witness: Cindy Bodine

Title Funding Authority

INDIVIDUAL GUARANTY

Dated 1/5/98

Master Lease Agreement Date: 1/98

Lessee Name: MANNATECH, INCORPORATED

Equipment Cost \$ 1,500,000.00

1. For valuable consideration, the receipt of which is hereby acknowledged, the undersigned jointly and severally conditionally guarantee to BANC ONE LEASING CORPORATION (hereinafter called "Lessor") the full and prompt performance by the lessee identified above (hereinafter called "Lessee"), of all obligations which Lessee now has or may hereafter have to Lessor, including but not limited to obligations under equipment leases and promissory notes executed in connection with anticipated equipment leases (including but not limited to all present and future leases and promissory notes under the Master Lease identified above, with a total original equipment cost to the Lessor of no more than the amount of the Equipment Cost set forth above), and unconditionally guarantee the prompt payment when due (whether at scheduled maturity, upon acceleration or otherwise) of any and all sums, indebtedness and liabilities of whatsoever nature, due or to become due, direct or indirect, absolute or contingent, now or hereafter at any time owed or contracted by Lessee to Lessor, and all costs and expenses of and incidental to collection of any of the foregoing, including reasonable attorneys' fees (all of the foregoing hereinafter called "Obligations"). It is the undersigned's express intention that this guaranty in addition to covering all present Obligations of Lessee to Lessor, shall extend to all future Obligations of Lessee to Lessor, whether or not such Obligations are reduced or entirely extinguished and thereafter increased or are reincurred, whether or not such Obligations are related to the Master Lease identified above, whether or not such Obligations exceed the Equipment Cost identified above, and whether or not such Obligations are specifically contemplated by the undersigned, Lessee, and Lessor as of the date hereof.

2. This is an absolute and unconditional guarantee of payment and not of collection. Lessor shall not be required, as a condition of the liability of the undersigned, to resort to, enforce or exhaust any of its remedies against the Lessee or any other party who may be liable for payment on any Obligation or to resort to, marshal, enforce or exhaust any of its remedies against any leased property or any property given or held as security for this Guaranty or any Obligation.

3. The undersigned hereby waive and grant to Lessor, without notice to the undersigned and without in any way affecting the liability of the undersigned, the right at any time and from time to time, to extend other and additional credit, leases, loans or financial accommodations to Lessee apart from the Obligations, to deal in any manner as it shall see fit with any Obligation of Lessee to Lessor and with any leased property or security for such Obligation, including, but not limited to, (i) accepting partial payments on account of any Obligation, (ii) granting extensions or renewals of all or any part of any Obligation, (iii) releasing, surrendering, exchanging, dealing with, abstaining

from taking, taking, abstaining from perfecting, perfecting, or accepting substitutes for any or all leased property or security which it holds or may hold for any Obligation, (iv) modifying, waiving, supplementing or otherwise changing any of the terms, conditions or provisions contained in any Obligation and (v) the addition or release of any other party or person liable hereon, liable on the Obligations or liable on any other guaranty executed to guarantee any of Lessee's Obligations. The undersigned jointly and severally hereby agree that any and all settlements, compromises, compositions, accounts stated and agreed balances made in good faith between Lessor and Lessee shall be binding upon the undersigned.

4. Every right, power and discretion herein granted to Lessor shall be for the benefit of the successors or assigns of Lessor and of any transferee or assignee of any Obligation covered by this Guaranty, and in the event any such Obligation shall be transferred or assigned, every reference herein to Lessor shall be construed to mean, as to such Obligation, the transferee or assignee thereof. This Guaranty shall be binding upon each of the undersigned's executors, administrators, heirs, successors and assigns.

5. This Guaranty shall continue in force for so long as Lessee shall be obligated to Lessor, and thereafter until Lessor shall have actually received written notice of the termination hereof from the undersigned, it being contemplated that Lessee may borrow, lease, repay and subsequently borrow money from or lease property from, or become obligated to, Lessor from time to time, and the undersigned, not having given notice of the termination hereof as herein provided for, shall be deemed to have permitted this Guaranty to remain in full force and effect for the purpose of inducing Lessor to make further leases or loans to Lessee; provided, however, no notice of termination of this Guaranty shall affect in any manner the rights of Lessor arising under this Guaranty with respect to the following: (a) any Obligation incurred by Lessee in connection with the Master Lease identified above with a total equipment cost of no more than the amount of the Total Equipment Cost set forth above, whether such obligation is in the form of a lease or a promissory note; or (b) any Obligation incurred by Lessee prior to receipt by Lessor of written notice of termination or any Obligation incurred after receipt of such written notice pursuant to a written agreement entered into by Lessor prior to receipt of such notice. The undersigned expressly waive notice of the incurring by Lessee of any Obligation to Lessor. The undersigned also waive presentment, demand of payment, protest, notice of dishonor or nonpayment of or nonperformance of any Obligation.

6. The undersigned hereby waive any claims or rights which they might now have or hereafter acquire against Lessee or any other person primarily or contingently liable on any Obligation of Lessee, which claims or rights arise from the existence or performance of the undersigned's obligations under this Guaranty or any other guaranty or under any instrument or agreement with respect to any leased property or any property constituting collateral or security for this Guaranty or any other guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of Lessor or any other creditor which the undersigned now has or hereafter acquires, whether such claim or right arises in equity, under contract or statute, at common law, or otherwise.

7. Lessor's rights hereunder shall be reinstated and revived, and this Guaranty shall be fully enforceable, with respect to any amount at any time paid on account of the Obligations which thereafter shall be required to be restored or returned by Lessor upon the bankruptcy, insolvency or reorganization of the Lessee, the undersigned, or any other person, or as a result of any other fact or circumstance, all as though such amount had not been paid.

8. The undersigned jointly and severally agree to pay to Lessor all costs and expenses, including reasonable attorneys' fees, incurred by Lessor in the enforcement or attempted enforcement of this Guaranty, whether or not suit is filed in connection therewith, or in the exercise by Lessor of any right, privilege, power or remedy conferred by this Guaranty.

9. The undersigned represent and warrant that they have relied exclusively on their own independent investigation of Lessee, the leased property and the collateral for their decision to guarantee Lessee's Obligations now existing or thereafter arising. The undersigned agree that they have sufficient knowledge of the Lessee, the leased property, and the collateral to make an informed decision about this Guaranty, and that Lessor has no duty or obligation to disclose any information in its possession or control about Lessee, the leased property, and the collateral to the undersigned. The undersigned warrant to Lessor that they have adequate means to obtain from the Lessee on a continuing basis information concerning the financial condition of the Lessee and that they are not relying on Lessor to provide such information either now or in the future.

10. As long as any indebtedness under any of the Obligations remains unpaid or any credit is available to Lessee under any of the Obligations, the undersigned agree to furnish to Lessor: (a) annual financial statements setting forth the financial condition of the undersigned in form and providing such information as required by Lessor (including without limitation income tax returns) within 120 days of the end of each calendar year; and (b) such other financial information as Lessor may from time to time request.

11. No postponement or delay on the part of Lessor in the enforcement of any right hereunder shall constitute a waiver of such right. The failure of any person or entity to sign this Guaranty shall not discharge the liability of any of the undersigned.

12. This Guaranty remains fully enforceable irrespective of any claim, defense or counterclaim which the Lessee may or could assert on any of the Obligations including but not limited to failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, fraud, bankruptcy, accord and satisfaction, and usury, some of which the undersigned hereby waive along with any standing by the undersigned to assert any said claim, defense or counterclaim.

13. This Guaranty contains the entire agreement of the parties and supersedes all prior agreements and understandings, oral or written, with respect to the subject matter hereof. This Guaranty is not intended to replace or supersede any other guaranty which the undersigned have entered into or may enter into in the future. The undersigned may enter into additional guaranties in the future which may or may not refer to the Master Lease identified above and such guaranties are not intended to replace or supersede this Guaranty unless specifically provided in that additional guaranty. The interpretation, construction and validity of this guaranty shall be governed by the laws of the State of Ohio. With respect to any action brought by Lessor against Guarantor to enforce any term of this guaranty, Guarantor hereby irrevocably consents to the jurisdiction and venue of any state or federal court in Franklin County, Ohio, where Lessor has its principal place of business and where payments are to be made by Lessee and Guarantor.

ALL PARTIES TO THIS GUARANTY, INCLUDING GUARANTOR AND LESSOR, WAIVE ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY ON ANY MATTER WHATSOEVER ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY RELATED TO THIS GUARANTY.

Guarantor:

/s/ CHARLES E. FIORETTI

CHARLES E. FIORETTI

Witness: /s/ Cindy Bodine

GUARANTY ACKNOWLEDGMENT
INDIVIDUAL

State of TEXAS :

: ss

County of DALLAS :

Before me, a Notary public in and for said County and State, personally appeared CHARLES E. FIORETTI who acknowledged that he/she did sign the foregoing guaranty and that the same is his/her free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my seal this 5TH day of JANUARY, 1998.

[SEAL] VINCENZA C. CALVEY
MY COMMISSION EXPIRES
SEPTEMBER 11, 2001

/s/ Vincenza C. Calvey

Notary Public

ADDENDUM I TO GUARANTY

Dated 12/23/97

Individual Guaranty dated as of DECEMBER 23, 1997

Lessee: Mannatech, Inc.

Master Lease dated DECEMBER, 1997

Guarantor: Charles Fioretti

Reference is made to the Individual Guaranty identified above ("Guaranty") made by the Guarantor identified above ("Guarantor") in favor of Banc One Leasing Corporation ("Lessor"). This Addendum I modifies the terms and conditions of the Guaranty. Unless otherwise defined herein, capitalized terms defined in the Guaranty shall have the same meaning when used herein.

As part of the valuable consideration to induce Lessor to enter into the Master Lease, Guarantor and Lessor hereby agree as follows:

1. The following is added to Section 10 of the Guaranty:

"Guarantor shall maintain a minimum of \$1,000,000 of unencumbered liquidity at all times. Each calendar quarter Guarantor shall provide Lessor with a statement as to the calculation of Guarantor's unencumbered liquidity and identifying the sources of liquidity."

Except as expressly amended by the terms and conditions contained herein, the Guaranty remains unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum I as of the date referenced above.

/s/ Charles Fioretti

Charles Fioretti
(Guarantor)

Banc One Leasing Corporation
(Lessor)

By: /s/ Anthony Park

Witness: /s/ Cindy Bodine

Title Funding Authority

LEASE

NEW SOUTH WALES

REAL PROPERTY ACT 1900

Office of State Revenue use only

(A) PROPERTY LEASED
if appropriate, specify the part or premises. Folio Identifier: 1/635124 part being Level 3, 69 Christie Street, St Leonards

(B) LODGED BY
LTO Box 421 X HUNT & HUNT
Level 15 Gateway
1 Macquarie Place, Sydney NSW
2000 DX 214 Sydney (02) 9391.3000
Reference: MPBA:111379784

(C) LESSOR
Legal & General Properties No. 1 Pty Limited
(ACN 000 511 624)

(D) The lessor leases to the lessee the property described above.
Encumbrances (if applicable) 1. 2. 3. 4.

(E) LESSEE
L Mannatech Australia Pty Limited
(ACN 082 375 862)

(F) TENANCY:

- (G) 1. TERM: Five (5) years
2. COMMENCING DATE: 1 September 1998
3. TERMINATING DATE: 31 August 2003
4. With an OPTION TO RENEW for a period of five (5) years set out in Clause 17 of Annexure "A".
7. Incorporates the provisions set out in ANNEXURE "A" hereto.

(H) We certify this dealing correct for the purposes of the Real Property Act 1900.

DATE -----

Signed in my presence by the lessor who is personally known to me.

THE COMMON SEAL of LEGAL &)
GENERAL PROPERTIES NO. 1 PTY)
LIMITED was duly affixed in the presence)
of:)

Signature: ----- Signature: -----
Name: ----- Name: -----
PLEASE PRINT PLEASE PRINT

SECRETARY DIRECTOR

Signed in my presence by the lessor who is personally known to me.

THE COMMON SEAL of MANNATECH)
AUSTRALIA PTY LIMITED was duly)
affixed in the presence of:)

Signature: DAVID CYRIL NOMCHONG Signature: DAVID CYRIL NOMCHONG
Name: David Cyril Nomchong Name: David Cyril Nomchong
PLEASE PRINT PLEASE PRINT

SECRETARY DIRECTOR

(I) STATUTORY DECLARATION

I solemnly and sincerely declare that: the time for the exercise of Option to Renew/Purchase in expired lease no. *15* has ended; the lessee under that lease has not exercised the option; and a variation of lease extending the term has not been entered into. I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths Act 1900.

Made and subscribed at _____ in the State of _____ on _____ 19__ in the presence of

Signature of Witness

Name of Witness (BLOCK LETTERS)

Address and Qualification of Witness Signature of Lessor

1. INTERPRETATION

1.1 DEFINITIONS

In this Lease and in any Rules and Regulations made hereunder unless the contrary intention appears:

"Building" means the Building erected on the Land and known as 69 Christie Street, St Leonards together with any modifications, extensions or alterations thereto from time to time and together with the fixtures, fittings, furnishings, plant, machinery and equipment of the Lessor therein from time to time and including (but without affecting the generality hereof) the Common Areas herein referred to and parking areas.

"Common Areas" means such tea rooms, water closets and toilets in the Building as are designated by the Lessor for use by the Lessee and its invitees in common with other persons entitled to use the same and also but for the purpose only of ingress and egress to and from the Demised Premises the forecourt, entrance, vestibules, corridors, passages, stairways and landings in the Building and the escalators and lifts therein, and all gardens, landscaped land and curtilage.

"Demised Premises" means the premises described as demised premises in the Lease including any part thereof and the fixtures, fittings, furnishings, plant, machinery and equipment (if any) of the Lessor now or hereafter installed therein.

"Institute" means the Australian Institute of Valuers and Land Economists (Inc) NSW Division.

"Land" means the land described as such in the Lease.

"Lease" means this lease and any annexures appendices and schedules relating thereto.

"Lessee" means the Lessee named and described as such in the Lease and includes the successors and permitted assigns of the Lessee and where not repugnant to the context the servants, invitees and agents of the Lessee who are in or about the premises at any time at the request of or under the control or direction of the Lessee or in the course of the conduct of the Lessee's business.

"Lessee's Works" means all those fit-out items in which the right title and interest vest in the Lessee and as detailed in the First Schedule to this Lease.

"Lessor" means the Lessor named and described as such in the Lease and includes the successors and assigns of the Lessor and where not repugnant to the context the servants and agents of the Lessor.

"Reference Schedule" means the Reference Schedule described as such in the Lease.

"Rules and Regulations" means the Rules and Regulations (if any) of the Building contained in the Second Appendix hereto and all additions and variations made thereto by the Lessor from time to time pursuant to Clause 4.5.

1.2 HEADINGS ETC.

Headings of clauses and marginal notes have been inserted for guidance only and shall be deemed not to form part of the context.

1.3 SINGULAR, PLURAL ETC

Words importing the singular number shall include the plural and the masculine gender the feminine or neuter and vice versa and words importing persons shall include corporations. Any covenant or agreement on the part of two or more persons shall be deemed to bind them jointly or severally.

1.4 STATUTES

Reference to a statute or ordinance includes all regulations under and amendments to that statute or ordinance whether by subsequent statute or otherwise and a statute or ordinance passed in substitution for the statute or ordinance referred to or incorporating any of its provisions.

1.5 SATURDAYS SUNDAYS AND PUBLIC HOLIDAYS

Where pursuant to this Lease the day on or by which any act matter or thing is to be done is a Saturday or a Sunday or a public holiday such act matter or thing may be done on the next succeeding day which is not a Saturday or a Sunday or public holiday.

2. EXCLUSION OF IMPLIED COVENANTS AND POWERS

2.1 The covenants and powers implied in every lease by virtue of Sections 84, 84A and 85 of the Conveyancing Act, 1919 shall not apply to or be implied in the Lease except insofar as the same or some parts thereof are included in the covenants herein contained.

3. RENT AND OUTGOINGS

3.1 PAYMENT OF RENT AND OUTGOINGS

The Lessee will during the term pay to the Lessor the rent and outgoings of the Building all as specified, calculated and payable in the manner provided in the First Appendix hereto.

3.2 TERMINATION OR ABATEMENT ON DAMAGE RESUMPTION ETC.

If the Building shall be resumed or taken for public purposes by any competent authority, or if the whole or any part of the Building shall be destroyed or damaged by fire, flood, lightning, storm, tempest or other disabling cause so as (in either case) to render the Building substantially unfit for the use and occupation of the Lessee, or so as (in either case) to deprive the Lessee of substantial use of the same, or so as (in the latter case only) to render the reconstruction of the Building in its previous form impracticable or undesirable in the opinion of the Lessor then:-

- (a) this Lease may be terminated without compensation by either the Lessor or the Lessee by notice in writing to the other PROVIDED ALWAYS that the Lessee shall only be entitled to terminate this Lease if the Lessor shall have failed to rebuild or reinstate the Building within a reasonable time after notice in writing from the Lessee having regard to the extent of the damage and the work required to rebuild or reinstate the Building;
- (b) any such termination as aforesaid shall be without prejudice to the rights of either party in respect of any antecedent breach matter or thing;
- (c) nothing herein contained or implied shall be deemed to impose any obligation upon the Lessor to rebuild or reinstate the Building or to make the same fit for use and occupation of the Lessee;
- (d) upon the happening of any such damage or destruction as aforesaid the rent hereby reserved, and any moneys payable by the Lessee to the Lessor for the cleaning of the Demised Premises, and the Lessee's proportion of the outgoings of the Building or a proportionate part thereof according to the nature and extent of the damage sustained shall abate until the Building shall have been rebuilt or reinstated or made fit for the occupation and use of the Lessee or until the Lease shall be terminated pursuant to the provisions of paragraph (a) hereof as the case may be;
- (e) in the event of any dispute arising out of this Clause the same shall be referred to arbitration under the provisions of the laws for the time being in force in the State of New South Wales; and
- (f) notwithstanding the aforesaid the Lessee shall have no right of termination and the payment of rent and other moneys shall not abate

if the destruction or damage was caused or contributed to by the Lessee, its servants, agents, contractors or other invitees.

3.3 DAMAGE TO PREMISES

If the Demised Premises shall be damaged or destroyed (in whole or part) by fire, flood, lightning, storm, tempest or other disabling cause so as (in either case) to render the Demised Premises substantially unfit for the use and occupation of the Lessee, or so as (in either case) to deprive the Lessee of substantial use of the same and the Lessor shall not have served notice upon the Lessee within 30 days of the event or damage or destruction to the effect that the Lessor will reinstate the Demised Premises within a reasonable time after service of that notice having regard to the extent of the damage and work required to rebuild or reinstate the Demised Premises:-

- (a) this Lease may be terminated without compensation by either the Lessor or the Lessee by notice in writing to the other;
- (b) any such termination as aforesaid shall be without prejudice to the rights of either party in respect of any antecedent breach matter or thing;
- (c) nothing herein contained or implied shall be deemed to impose any obligation upon the Lessor to rebuild or reinstate the Demised Premises or to make the same fit for use and occupation of the Lessee;
- (d) upon the happening of any such damage or destruction as aforesaid the rent hereby reserved, and any moneys payable by the Lessee to the Lessor for the cleaning of the Demised Premises, and the Lessee's proportion of the outgoings of the Demised Premises or a proportionate part thereof according to the nature and extent of the damage sustained shall abate until the Demised Premises shall have been rebuilt or reinstated or made fit for the occupation and use of the Lessee or until the Lease shall be terminated pursuant to the provisions of paragraph (a) hereof as the case may be;
- (e) in the event of any dispute arising out of this Clause the same shall be referred to arbitration under the provisions of the laws for the time being in force in the State of New South Wales; and
- (f) notwithstanding the aforesaid the Lessee shall have no right of termination and the payment of rent and other moneys shall not abate if the destruction or damage was caused or contributed to by the Lessee, its servants, agents, contractors or other invitees and the Lessor's insurances are irrecoverable as a result of the act or omission of the Lessee. its servants, agents, contractors or invitees.

4. USE OF DEMISED PREMISES. ASSIGNMENT AND SUBLETTING

4.1 PERMITTED USE

Without the prior written consent of the Lessor the Lessee will not use the Demised Premises or any part thereof, or permit or suffer the same to be used, for any purpose other than that set out in Item 4 of the Reference Schedule and will not use or permit or suffer the same to be used for any other purpose or for any residential purpose whether temporary or permanent and any storage space forming part of the Demised Premises shall not be used for any purpose other than storage.

4.2 ASSIGNMENT & SUBLETTING

- (a) The Lessee will not during the continuance of this Lease assign, transfer, sublet, part with, share the possession of, or grant any licence affecting, or mortgage, charge or otherwise deal with, or dispose of the Demised Premises or any part thereof or by any act or deed procure the same or any part thereof to be assigned, transferred, sublet unto, shared or put into possession of any person or persons without the prior consent in writing of the Lessor which consent shall not be unreasonably withheld or delayed where:
- (i) the Lessee is not in default in the observance and performance of the covenants on the Lessee's part herein contained;
 - (ii) the Lessee proposes to assign, transfer, sublet or grant a licence to an assignee, transferee, sublessee or licensee who:
 - (aa) proves to the reasonable satisfaction of the Lessor that he is a respectable, responsible and solvent person capable of adequately carrying on the permitted use specified in Item 4 of the Reference Schedule;
 - (bb) enters into a covenant with the Lessor in the form required by the Lessor that he will duly perform and observe the covenants on the Lessee's part herein contained;
 - (cc) in the case of an assignee or transferee, furnishes to the Lessor such guarantee or guarantees of the performance of his obligations under this Lease as the Lessor shall require;
 - (dd) in the case of a subletting or licence, is bound to pay a current market rental or current market licence fee but in any event not less than a rental or licence fee at pro rata to the then annual rent being paid by the Lessee under this Lease;

(ee) in the case of a subletting or licence, enters into a sublease or licence agreement (as the case may be) in a form acceptable to the Lessor.

(iii) in the case of an assignment or transfer the Lessee enters into a deed in the form required by the Lessor under which he releases the Lessor from all claims which the Lessee then has, or may thereafter have, against the Lessor in respect of, or in any way arising from this Lease but such release shall not be required for any claim already notified in writing to the Lessor by the Lessee.

(iv) The Lessee pays to the Lessor its legal and other costs and disbursements reasonably incurred in respect of such assignment, transfer, sublease or grant of licence.

(b) Where the Lessee is a corporation any change in the principal shareholding altering the effective control of the Lessee shall be deemed an assignment of this Lease and will require the consent of the Lessor as aforesaid.

(c) An assignment of this Lease to a related corporation (as defined in the Corporations Law) shall require the consent of the Lessor but that consent may not be withheld unless the Lessee shall be in breach of this Lease at the time of the request for consent to assign.

4.3 The Lessee will not at any time during the term of this Lease:-

NOXIOUS USES ETC

(a) use, exercise, carry on or permit or suffer to be used, exercised or carried on, in or upon the Demised Premises, or any part thereof, any noxious, noisome or offensive act, trade, business, occupation or calling, or

NUISANCE OR ANNOYANCE

(b) do or omit, or permit or suffer to be done or omitted, any act, matter or thing whatsoever in upon or about the Demised Premises or the Building or any part thereof which is or may become an annoyance, nuisance, grievance or disturbance to any other occupier or owner of any adjacent premises, or

ANIMALS AND BIRDS

(c) keep any animal or bird in or about the Demised Premises or Building, or

BURNING OF RUBBISH

(d) burn any rubbish or waste upon the Demised Premises or Building, or

AUCTION OR FIRE SALE

- (e) conduct or permit to be conducted on the Demised Premises any auction, bankrupt or fire sale.

4.4 SIGNS ETC.

The Lessee will:

- (a) not without the prior approval in writing of the Lessor such approval shall not be unreasonably withheld or delayed erect, display, inscribe, paint, affix or exhibit on or to the interior or the exterior of the Demised Premises or of the Building so as to be visible from the Common Area any sign, light, embellishment, advertisement, name, notice or other device, furnishing, ornament or object;
- (b) upon vacating the Demised Premises or immediately prior thereto at the request of the Lessor remove the same and make good any damage or disfigurement caused by reason of such erection, displaying, inscription, painting, affixing, exhibiting or removal thereof;
- (c) advise the Lessor prior to the commencement date of this Lease of the manner in which the Lessee's business is to be advertised on the Directory Board maintained by the Lessor in the foyer of the Building and pay on demand the Lessor's reasonable costs in providing the same in a style and manner consistent with that reasonably prescribed by the Lessor for the Directory Board.

4.5 RULES AND REGULATIONS

- (a) Notwithstanding anything hereinbefore contained the Lessee shall not enter or use or permit to be entered or used the Demised Premises the Building or any Common Areas otherwise than in accordance with the Rules and Regulations.

ALTERATIONS TO RULES AND REGULATIONS

- (b) The Lessor reserves the right at any time and from time to time to amend, cancel, add to or suspend all or any of the Rules and Regulations for the time being subsisting and to make such other and further rules and regulations either in lieu of or in addition as, in the judgment of the Lessor, may be required for the management, safety, care or cleanliness of the Demised Premises or of the Building, or for the preservation of good order therein, and for the convenience of the occupiers and invitees thereof provided that no amendment or variation to the Rules and Regulations shall be inconsistent with the rights of the Lessee as expressed in this Lease. All such amendments and additions shall bind the Lessee when written notice thereof shall have been given to the Lessee. If there shall be any inconsistency between the provisions of

this Lease and the Rules and Regulations the provisions of this Lease shall prevail.

NON-ENFORCEMENT OF RULES AND REGULATIONS

- (c) The Lessor shall not be liable for any loss or damage howsoever caused arising out of any non-enforcement of the Rules and Regulations.

4.6 COMPLIANCE WITH NOTICES ETC.

The Lessee will from time to time forthwith comply with all statutes, ordinances, proclamations, orders or regulations present or future affecting or relating to the Demised Premises, or the use thereof and with all requirements which may be made or notices or orders which may be given by any governmental, semi-governmental, municipal, health, licensing or any other authority having jurisdiction or authority in respect of the Demised Premises or the user thereof, and will keep the Lessor indemnified in respect of all such matters PROVIDED THAT the Lessee shall not be liable in respect of any structural alterations the requirement for which was not caused or contributed to by the Lessee's use or occupation of the Demised Premises.

4.7 HEAVY MACHINERY

The Lessee will not bring upon the Demised Premises any heavy machinery or other plant or equipment unless the same is reasonably necessary for the Lessee's use of the Demised Premises as herein provided and in no event shall any such machinery, plant or equipment be of such nature or size as to cause or in the reasonable opinion of the Lessor be likely to cause any structural or other damage to the floors or walls or any other parts of the Demised Premises or the Building. Before bringing any such machinery, plant or equipment upon the Demised Premises or the Building the Lessee shall inform the Lessor of the Lessee's intention so to do and the Lessor may direct the routing, installation and location of all such machinery, plant and equipment and the Lessee shall observe and comply with all such directions. The Lessor shall have the right to obtain expert advice from a structural engineer if it considers such advice to be necessary in relation to the positioning of such heavy machinery and the Lessee agrees to pay the costs of obtaining such advice.

4.8 USE OF TOILETS ETC

The Lessee shall not use or permit or suffer to be used the toilets, sinks, drainage and other plumbing facilities in the Demised Premises or the Common Areas for any purpose other than those for which they were constructed or provided, and shall not deposit or permit to be deposited therein any sweepings rubbish or other matter and any damage thereto by misuse shall be made good by the Lessee forthwith.

4.9 RODENTS AND VERMIN

The Lessee will take all reasonable precautions to keep the Demised Premises free of rodents, vermin, cockroaches, paper lice, fleas and other pests and in the event of the Lessee failing so to do the Lessee will if and so often as required by the Lessor but at the cost of the Lessee employ pest exterminators approved by the Lessor.

4.10 INFECTIOUS ILLNESS

The Lessee will in the event of any infectious illness occurring in the Demised Premises forthwith give notice thereof to the Lessor and to the proper authorities and at the expense of the Lessee will thoroughly fumigate and disinfect the Demised Premises to the satisfaction of the Lessor and such authorities and otherwise comply with their reasonable and lawful requirements.

4.11 ACCIDENTS, DEFECTS ETC

The Lessee will give to the Lessor prompt notice in writing of any accident to or defect or want of repair in any services to or fittings in the Demised Premises and of any circumstances of which the Lessee is aware or ought reasonably to be aware likely to be or cause any danger, risk or hazard to the Demised Premises or to the Building or any person or property therein.

5. ELECTRICITY AND SERVICES

5.1 LESSEE'S PAYMENT OF CHARGES

The Lessee shall pay all charges for electricity, gas, water, oil, telephone and other services to or from the Demised Premises and separately metered to the Demised Premises.

5.2 DEFAULT IN PAYMENT BY LESSEE

Should the Lessee make default in the payment of any of the aforesaid charges the Lessor may pay the same and recover the amount so paid as if the same was rent payable hereunder on the date on which the Lessor pays the same.

6. AIR-CONDITIONING ELEVATORS AND ESCALATORS

6.1 USE BY LESSEE

Where any plant, machinery or equipment for heating, cooling or circulating air (all of which are in this clause included in the expression "air-conditioning plant") or any one or more lifts or escalators (hereinafter called "elevators") are provided in the Building or the Demised Premises by the Lessor:-

- (a) delays or stoppages due to repairs, maintenance, strikes, accidents or other unavoidable cause excepted, the Lessor shall endeavor to keep the air-conditioning plant and the elevators working and reasonably available for the use of the Lessee:
 - (i) between the hours of 8.00 a.m. and 6.00 p.m. Monday to Friday inclusive, and
 - (ii) between such extended hours and/or upon such other days as the Lessor shall from time to time notify the Lessee, and
 - (iii) between such extended hours as the Lessee requests at the Lessee's cost.

NON-INTERFERENCE BY LESSEE

- (b) the Lessee will at all times comply with and observe the reasonable requirements of the Lessor in relation to the air-conditioning plant and the elevators and will not do, or permit or suffer to be done, anything in relation to the same or otherwise which might interfere with or impair the efficient operation of such air-conditioning plant and elevators;

FAILURE

- (c) should the air-conditioning plant or the elevators fail to function for any reason, the Lessee shall not by reason of any such failure be entitled to determine this Lease, nor shall the Lessee have any right of action or claim for compensation or damages against the Lessor in respect thereof;

MAINTENANCE

- (d) the Lessee shall allow the Lessor and the Lessor's engineers to enter the Demised Premises at any time to install, remove examine or repair all or any of the air-conditioning plant or the elevators provided that in and about such work the Lessor shall not cause any undue interference to the Lessee in the conduct of its business in the Demised Premises;

PROHIBITED USE

- (e) the Lessee will not use or permit to be used the elevators except any elevator designated as a goods lift other than for the conveyance of passengers.

7. MAINTENANCE, REPAIR, ALTERATIONS, ETC.

7.1 REPAIR OF DEMISED PREMISES

The Lessee will during the whole of the term and for so long as the Lessee may remain in possession or otherwise occupation when where and so often as need shall be maintain, replace, repair and keep the whole of the Demised Premises in good and substantial repair order and condition (having regard to their condition at the commencement of the Lease) damage by explosion, earthquake, aircraft, riot, civil commotion, fire, flood, lightning, storm, tempest and reasonable wear and tear Act of God and war damage only excepted unless any insurance moneys are irrecoverable through the neglect default or misconduct of the Lessee its servants agents contractors other invitees and persons claiming through the Lessee and in such repair order and condition (except as aforesaid) the Lessee shall peaceably surrender and yield up to the Lessor the whole of the Demised Premises at the expiration or sooner determination of the Lease. An inventory of the fixtures, fittings, furnishings, plant, machinery and equipment of the Lessor forming part of the Demised Premises at the date of commencement of the term of the Lease has been signed by the parties by way of identification and the parties acknowledge that the condition thereof as at such date is as stated therein.

7.2 The Lessee shall, without affecting the generality of Clause 7.1, at the Lessee's expense:-

PAINTING AND PAPERING

- (a) so often as the Lessor may reasonably require during the term (which the Lessor may not do at intervals of less than three (3) years) and in addition during the last year of the term (if in the Lessor's reasonable opinion it is required and the Lessor requests it of the Lessee) paint, paper or otherwise appropriately treat with materials and to standards reasonably determined by the Lessor such parts of the Demised Premises which have or ought to have been so treated.

EQUIPMENT OF LESSEE

- (b) keep and maintain clean and in good order, repair and condition all fittings, plant, furnishings and equipment of the Lessee;

DAMAGE TO BUILDING

- (c) from time to time make good any breakage, defect or damage to the Demised Premises, the Building or to any adjoining premises or any facility or appurtenance thereof occasioned by want of care, misuse or abuse on the part of the Lessee its servants agents contractors other invitees and persons claiming through the Lessee or otherwise occasioned by any breach or default by the Lessee hereunder or under any Rules or Regulations hereto;

CARPETS, BLINDS AND CURTAINS

- (d) keep such of the standard carpets and floor coverings in the Demised Premises and such of the blinds and curtains therein (if any) as are supplied by the Lessor in good and tenantable repair and condition and the Lessor shall not be liable for any damage done thereto arising from use in any way inconsistent with the occupation of the Demised Premises for the use hereinbefore permitted and/or the neglect, default or misconduct of the Lessee or of any servant agent contractor or other invitee of the Lessee or any person claiming through the Lessee.

7.3 ALTERATIONS

The Lessee shall not without the previous consent in writing of the Lessor make or suffer or permit to be made any alterations or additions to the Demised Premises (including but without limiting the generality thereof the partitions and floor coverings) or drive nails or screws into or in any way damage or deface any ceilings, walls, partitions, floors, wood, stone, concrete or iron or metal work thereof.

7.4 PARTITIONING

- (a) The Lessee shall use internal partitions within the Demised Premises only of such standard as to type, quality, colour and size as the Lessor shall decide and which shall be installed in the Demised Premises by a builder approved by the Lessor under the supervision of an Architect approved by the Lessor and the Lessee covenants not to make any additions or alterations to the partitions except according to the said standards and supervision and with the prior approval in writing of the Lessor all such approvals not to be unreasonably withheld or delayed.
- (b) The cost of internal partitions within the Demised Premises and the cost of installation thereof including all doors, vents, glass and other items included in or incidental to the same and the cost of all additional lights and power outlets and switches and telephone outlets and alterations and/or additions to the air-conditioning and/or sprinkler installations which may be required by law and/or by reason of the position of any such partitions or the particular requirements of the Lessee together with all architects and other consultants fees incurred in connection with the same shall be borne by the Lessee.

7.5 LESSOR'S RIGHT TO INSPECT

When and so often as the Lessor shall require and at all reasonable times of the day the Lessor may by itself and/or those authorised by it enter the Demised Premises and view the state of repair and condition thereof, and make such reasonable investigations as it or they may deem necessary for the purpose of ascertaining whether or not there has been any breach of any of the covenants and conditions herein contained or implied and serve upon the Lessee a notice

in writing of any defect requiring it to repair the same in accordance with any covenant herein contained.

7.6 LESSOR MAY ENTER TO REPAIR

The Lessor shall have the right for itself and all those authorised by it upon reasonable notice (except in case of emergency when no notice shall be required) and at all reasonable times to carry out any works, or make any repairs, alterations or additions to, and to enter upon all or any part of the Demised Premises, and to use the same for the purpose of effecting or carrying out any repairs, alterations or additions or other work which the Lessor may consider necessary or desirable to any part of the Building or any buildings adjacent thereto from time to time.

7.7 DEFAULT IN REPAIRING

In default of the Lessee repairing any defect according to reasonable notice the Lessor by itself and/or those authorised by it may enter the Demised Premises and execute at all reasonable times all or any of the required repairs as the Lessor may think fit, and in addition to the Lessor's other remedies recover from the Lessee the cost of such repairs as the Lessee ought to have effected, including all sums paid on account of any insurance, indemnities or compensation under the Worker's Compensation Acts or otherwise with respect thereto.

7.8 REQUIREMENTS OF PUBLIC AUTHORITIES

Without prejudice to the obligations of the Lessee under this Lease, the Lessor by itself and all those authorised by it may enter the Demised Premises at all reasonable times with workmen and others and all necessary materials and appliances, for the purpose of complying with the terms of any present or future legislation affecting the Demised Premises or the Building or of any notice by any authority having jurisdiction or authority over or in respect of the Demised Premises or the Building in respect of the destruction of insects, rodents or other pests or for the carrying out of any repairs, alterations or works (including the provision of air-conditioning, sprinklers, lighting, power, telephone and other services to the Lessee and other tenants of the Building for which purpose the Lessor may from time to time require access to the service ducts, walls, floors and ceilings and the Demised Premises) and also for the purpose of exercising the powers and authorities of the Lessor hereunder.

8. CLEANING

8.1 CLEANING SERVICES AND RESPONSIBILITIES

Where it is stated in Item 5 in the Reference Schedule that the Lessee is not responsible for cleaning the Demised Premises:-

- (a) the same shall be cleaned and garbage removed therefrom by a contractor engaged by the Lessor;
- (b) the Lessor will in no way be responsible to the Lessee for any loss of or damage to the property of the Lessee by the contractor so engaged or any employees of such contractor;
- (c) the Lessee will use exclusively the cleaning and garbage removal service provided by the Lessor and will permit reasonable access for the person or persons engaged by the Lessor to provide the cleaning (including window cleaning) of the Premises and garbage removal therefrom;
- (d) the Lessee will during the term pay to the Lessor the cleaning charge specified calculated and payable in the manner provided in the First Appendix hereto.

8.2 Where it is stated in Item 5 in the Reference Schedule that the Lessee is responsible for cleaning the Demised Premises:-

- (a) the Lessee will at the Lessee's expense cause the Demised Premises to be kept clean and free from dirt and rubbish in a proper and workmanlike manner and particularly shall keep all trade waste trash and garbage in proper receptacles and arrange for the regular removal thereof from the Demised Premises:
- (b) the Lessee will where required by the Lessor engage for the aforesaid purposes such cleaning and garbage removal service as is reasonably approved by the Lessor, but the Lessor will in no way be responsible to the Lessee for any loss of or damage to the property of the Lessee by the contractor so engaged or their employees.

8.3 NO RUBBISH

The Lessee will cause the Demised Premises to be kept free from dirt and rubbish and particularly shall store and keep all trade waste trash and garbage in proper receptacles.

9. INSURANCES

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9.1 POLICIES TO BE MAINTAINED

The Lessee at all times during the continuance of this Lease and at its own expense will effect and keep current in respect of the Demised Premises the following policies of insurance with a reputable, respectable and solvent insurance company or office and the Lessee shall produce such policies and certificates of currency for inspection by the Lessor as and when required:-

- (a) where applicable, a policy in the joint names of the Lessee and the Lessor in such amount (not being less than the full insurable value) and against such risks as the Lessor may require in respect of all plate glass windows and doors and display showcases upon the Demised Premises;
- (b) a public risk policy for such amount as the Lessor shall from time to time notify the Lessee and in the absence of such notification for an amount not less than ten million dollars (\$10,000,000.00) such policy to specifically include the risks set out in Clause 10;

9.2 INSURANCE NOT TO BE AVOIDED

The Lessee will not at any time do or suffer to be done or allowed anything upon the Demised Premises or the Building or bring or keep anything therein whereby any insurance relating to the Demised Premises or the Building may be rendered void or voidable or whereby the rate of premium on such insurance shall be liable to be increased and that in case the Lessor shall approve in writing of any proposal of the Lessee to increase the risk of fire the Lessee will pay all additional premiums of insurance on the Building (if any) required on account of the additional risk caused by the use to which the Demised Premises are put by the Lessee with the consent aforesaid.

9.3 STORAGE OF INFLAMMABLE MATTER

Without prejudice to the generality of the preceding sub-clause the Lessee will not (other than in accordance with the specified use of the Demised Premises approved by the Lessor) store chemicals, acetylene, alcohol or any solid, liquid or gas of an inflammable volatile or explosive nature and will not use the same or any of them in the Demised Premises for any purpose.

9.4 COMPLIANCE WITH FIRE REGULATIONS

The Lessee will comply with insurance, sprinkler and fire alarm regulations in respect of any partitions which may be erected by or on behalf of the Lessee upon the Demised Premises and the Lessee will pay to the Lessor the cost of any alteration to the sprinkler and/or fire alarm installation which may become necessary by reason of the non-compliance by the Lessee with such regulations or the requirements of the insurer or the Insurance Council of Australia.

10. RELEASE AND INDEMNITY

- 10.1 The Lessee agrees to occupy and use the Demised Premises and the Building at the risk of the Lessee and hereby releases to the full extent permitted by law the Lessor, its servants agents and contractors from all claims and demands of every kind resulting from any accident damage death or injury occurring therein except where the same is caused by neglect, default or misconduct on the part of the Lessor or its servants agents or contractors.

- 10.2 The Lessee will and does hereby indemnify the Lessor and its servants agents and contractors in the absence of any neglect default or misconduct on their part from and against all actions, claims, demands, loss, damages, costs and expenses incurred or suffered by the Lessor or its servants agents and contractors or for which the Lessor or its servants agents or contractors may become liable in respect of any damage to property or injury to any person which may be suffered or sustained in, upon or near any part of the Demised Premises or the Building whether in the occupation of the Lessor or of the Lessee or of any other person, where such damage or injury results from the use of the Demised Premises or the Building by the Lessee its servants agents contractors, other invitees and persons claiming through the Lessee.
- 10.3 Without limiting the generality of Clause 10.2 the Lessee will and does hereby indemnify the Lessor from and against all actions, claims, demands, loss, damage, costs and expenses incurred by the Lessor or for which the Lessor may become liable in respect of or arising from:-
- (a) the negligent use, misuse, waste or abuse by the Lessee or any servant, agent, contractor, other invitee, or person claiming through the Lessee of the water, gas, electricity, lighting and other installations in and facilities of the Demised Premises or the Building or arising from any faulty fitting or fixture of the Lessee;
 - (b) overflow or leakage of water (including rain water) in or from the Demised Premises and caused or contributed to by any act or omission on the part of the Lessee or other persons as aforesaid;
 - (c) loss, damage or injury from any cause whatsoever to property or person caused or contributed to by the use of the Demised Premises by the Lessee or other persons as aforesaid; and
 - (d) loss, damage or injury from any cause whatsoever to the Demised Premises or the Building or to any property or person within or without the Demised Premises or the Building occasioned or contributed to by any act, neglect, default or misconduct by the Lessee or other persons as aforesaid.

11. HEAD LEASE AND OTHER INTERESTS

11.1 POWER OF ENTRY

The Lessee will at all times permit the Lessor and any persons having any estate or interest in the Demised Premises superior to or concurrent with the Lessor to exercise the Lessor's powers to enter and view the Demised Premises and to carry out repairs, renovations, maintenance and other work thereon and otherwise to exercise or perform their lawful rights or obligations in regard thereto.

11.2 BENEFIT OF LESSEE'S COVENANTS

In the event of a person other than the Lessor becoming entitled to receive the rents payable pursuant to the Lease either by operation of law or otherwise, the Lessee agrees that such persons shall have the benefit of all covenants and agreements on the part of the Lessee hereunder and the Lessee at the cost of the Lessor will enter into such covenant with such other person in this regard as the Lessor may reasonably require.

11.3 LESSEE'S INTEREST

The Lessor will not permit the Lessee's estate or interest under the Lease to be determined as a result of any breach by the Lessor of any obligation on its part to any person having an estate or interest superior to that of the Lessor.

11.4 LESSOR'S INTEREST

No act, matter or thing whatsoever shall at any time during the term of this Lease be done or permitted by the Lessee likely to result in the determination of the estate or interest of the Lessor in the Demised Premises or the Building or the Land.

12. LESSOR'S COVENANTS

12.1 QUIET ENJOYMENT

The Lessee, paying the rent payable pursuant to the Lease and duly and punctually observing and performing the covenants, obligations and provisions in the Lease on the part of the Lessee to be observed and performed shall and may peaceably possess and enjoy the Demised Premises for the term hereby granted without any interruption or disturbances from the Lessor or any other person or persons lawfully claiming by, from or under the Lessor.

12.2 REMOVAL OF LESSEE'S FIXTURES

- (a) The Lessee shall at or prior to the expiration of this Lease take, remove and carry away from the Demised Premises all fixtures, fittings, plant, equipment or other articles upon the Demised Premises in the nature of trade or tenant's fixtures including the Lessee's Works brought upon the Demised Premises by the Lessee but the Lessee shall in such removal do no damage to the Demised Premises or to the Building or shall forthwith make good any damage which the Lessee may occasion thereto and shall remove all rubbish and shall leave the Demised Premises in a clean state and condition.

LESSEE'S FIXTURES NOT TO BE REMOVED

(b) In the event that the Lessee does not remove and carry away such fixtures, fittings, plant, equipment or other articles at or prior to the expiration of the Lease, the Lessor may at the expense of the Lessee remove and dispose of the same and any such fixtures, fittings, plant, equipment or other articles not so removed by the Lessee by that date shall become the property of the Lessor.

12.3 The Lessor agrees to notify the Lessee in writing of any matter which the Lessor considers to be an event of default under this lease provided that the Lessor will not be required to notify the Lessee in writing if the rent is unpaid. The notice must contain sufficient detail of the alleged default to enable the Lessee to rectify the default. The Lessor agrees to give any such notice within a reasonable time of the Lessor forming the view that the Lessee is in default under the lease.

12.4 The Lessor shall take reasonable action to repair those matters for which the Lessor is responsible within a reasonable time having regard to the nature of the repairs required.

13. DEFAULT, TERMINATION, ETC.

13.1 DEFAULT

In the event that:

- (a) the rent payable pursuant to this Lease or any part thereof shall be unpaid for the period of fourteen (14) days after any of the days on which the same ought to have been paid and in accordance with the covenants for payment herein contained (although no formal or legal demand shall have been made therefor); or
- (b) the Lessee commits, permits or suffers to occur any breach or default in the due and punctual observance and performance of any of the covenants, obligations and provisions of this Lease or the Rules and Regulations; or
- (c) the Lessee being a company, an order is made or a resolution is effectively passed for the winding up of the Lessee (except for the purpose of reconstruction or amalgamation with the written consent of the Lessor which consent shall not be unreasonably withheld); or
- (d) the Lessee makes an assignment for the benefit of or enters into an arrangement or composition with its creditors or stops payment or is unable to pay its debts within the meaning of the Corporations Law; or
- (e) a receiver is appointed over any property of the Lessee; or

- (f) execution is levied against the Lessee and not discharged within thirty (30) days; or
- (g) the Lessee, being a natural person, brings his estate within the operation of any law relating to bankrupts (other than by becoming a bankrupt), by committing an act of bankruptcy or executing a deed of arrangement or deed of assignment under the provisions of the Bankruptcy Act, 1966

THEN but without prejudice to any action or other remedy which the Lessor has or might or otherwise could have for arrears of rent or breach of covenant or for damages as a result of any such event, the Lessor at any time or times thereafter shall have the right to re-enter into and upon the Demised Premises and repossess and enjoy the same as of its former estate anything herein contained to the contrary notwithstanding and furthermore upon such re-entry the Lessor shall have the right to recover from the Lessee damages as compensation for the loss sustained as a result of the failure of the Lessee to pay rent and other monies payable under this Lease and observe and carry out all the other covenants of this Lease for the period commencing from the date on which the right of re-entry is exercised and terminating on the date on which, but for the exercise of the right of re-entry, the term of the Lease would otherwise expire and upon re-entry the Lessor shall be freed and discharged from any action, suit, claim or demand by or obligation to the Lessee under or by virtue of this Lease. Any fixtures, fittings, plant, equipment, stock-in-trade or other articles of the Lessee in the Demised Premises shall upon such re-entry become the property of the Lessor.

13.2 LESSOR'S RIGHT TO DAMAGES

In the event that:-

- (a) the rent payable pursuant to this Lease or any part thereof shall be unpaid for the period of fourteen (14) days after any of the dates on which the same ought to have been paid in accordance with the covenants for payment herein contained (although no formal or legal demand shall have been made therefor); or
- (b) the Lessee commits, permits or suffers to occur any breach or default in the due and punctual performance of the covenants contained in Clauses 3.1 (with respect to outgoings of the Building), 4.1, 4.2, 4.6, 7.1 and 7.3;

(each such event being referred to in this sub-clause as a "prescribed default event") the parties hereby acknowledges that the occurrence of any prescribed default event shall be deemed to be a repudiation of all of the Lessee's obligations under this Lease THEN but without prejudice to any other remedy available to the Lessor, the Lessor having exercised its rights of re-entry as aforesaid shall be entitled to recover from the Lessee its loss suffered as a consequence of such repudiation provided that the Lessor may elect to recover such loss as liquidated damages (not as a penalty) the amount

thereof being calculated in accordance with the formula $D = (A + B) - C$ where:

D is the amount of such liquidated damages.

A is the present value of the amount of the rent and outgoings of the Demised Premises for which the Lessee is liable in accordance with this Lease from the date of occurrence of the prescribed default event until the expiry of the term thereon on the assumption that the Lease was to continue in force until such expiry but having regard to any provision of the Lease relating to the calculation of rent and outgoings and review of rent.

B is the amount of the fees charged by the valuer hereunder in providing the certificate hereunder.

C is the present value of the amount of the rent expected to be received from a new tenant in respect of the Demised Premises from the date of occurrence of the prescribed default event until the expiry of the term of the Lease taking into account all relevant factors including but not limited to any rent free period or other inducements usual in the market for such premises at the time of this calculation.

The amounts required to be ascertained in respect of items A, B and C shall be determined by a valuer of the Australian Institute of Valuers and Land Administrators being either a Fellow or Associate of the Valuers Division (or should such Institute have ceased to exist, of such body or association as then has substantially the same objects as such Institute) appointed by the Lessor practising in the state or territory in which the Demised Premises are situated and such valuer shall act in the capacity of an expert and not as an arbitrator and his decision shall be final and binding in all respects.

13.3 LESSOR'S RIGHT TO REMEDY LESSEE'S DEFAULTS

On each and every occasion on which the Lessee omits or neglects to pay any money or to do or effect anything which the Lessee has in the Lease covenanted to pay, do or effect then it shall be lawful for but not obligatory upon the Lessor (and without prejudice to any rights and powers arising from such default) to pay such money or do or effect such thing by itself, its architects, contractors, workmen and agents as if it were the Lessee and for that purpose the Lessor its architects, contractors and workmen may enter upon the Demised Premises and there remain for the purpose of doing or effecting any such thing and the Lessor may recover from the Lessee the amount, expenses and costs of such payment doing or effecting forthwith.

13.4 INTEREST ON MONEYS OVERDUE

The Lessee will pay to the Lessor interest at the rate equivalent to the Westpac Banking Corporation Indicator Rate (or if such Rate shall cease to be published whichever rate having similar purposes is periodically announced by the Westpac Banking Corporation) plus two percent (2%) per annum on any

moneys due but unpaid for seven (7) days by the Lessee to the Lessor on any account whatsoever pursuant to the Lease such interest to be computed from the due date for the payment of the moneys in respect of which the interest is chargeable until payment of such moneys in full and to be recoverable in like manner as rent in arrears.

14. GENERAL

14.1 WAIVER NEGATIVED

- (a) The Lessor's failure to take advantage of any default or breach of covenant on the part of the Lessee shall not be or be construed as a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this Lease be construed to waive or to lessen the right of the Lessor to insist upon the performance by the Lessee of any term, covenant or condition hereof, or to exercise any rights to the Lessor on account of any such default;
- (b) A waiver by the Lessor of a particular breach or default shall not be deemed to be a waiver of the same or any other subsequent breach or default;
- (c) The subsequent acceptance of rent under the Lease by the Lessor shall not be deemed to be a waiver of any preceding breach by the Lessee of any term, covenant or condition of the Lease, other than the failure of the Lessee to make the particular payment or payments of rental so accepted, regardless of the Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

14.2 NOTICES

Any notice or other document or writing served or given by the Lessor under this Lease shall be valid and effectual if served or given under the hand of the Lessor (being an individual) or under the common seal of the Lessor or under the hand of any director or attorney or manager or secretary for the time being of the Lessor (being a company).

14.3 SERVICE OF NOTICES

Without prejudice to any other means of giving notice, any notice or other document or writing required to be served delivered or given hereunder shall be sufficiently served on or delivered or given to the Lessee or Covenantor (as the case may be) if served personally or if left addressed to the Lessee or Covenantor on the Demised Premises or forwarded to the Lessee or Covenantor by prepaid post to the last known place of business or abode of the Lessee or Covenantor, and shall be sufficiently served on the Lessor if served personally or if addressed to the Lessor and left at or sent by prepaid post to the Lessor's registered office for the time being or last known place of business or abode, and a notice of other document or writing sent by post

shall be deemed to be given at the time when it ought to be delivered in ordinary course of post.

14.4 STAMP DUTY COSTS ETC.

The Lessee shall pay all stamp duty and all the Lessor's legal and other costs charges and expenses incidental to the preparation, completion, stamping and registration of this Lease, of any assignment, subletting, surrender or termination (otherwise than by effluxion of time) of this Lease and the consent of any person whose consent may be required and any certificate of registration required by the Lessor, and in case of default by the Lessee in observing or performing any of its covenants in the Lease contained or implied, the Lessee shall pay to the Lessor all legal and other costs, charges and expenses for which the Lessor shall become liable in consequence of or in connection with such default.

14.5 INSPECTION BY PURCHASER OR TENANT

The Lessee shall at all reasonable times permit the Lessor to show the Demised Premises to prospective purchasers and will at all times within the six (6) months immediately preceding the termination of the Lease allow the Lessor to show the Demised Premises to prospective tenants and to affix and exhibit where the Lessor shall think fit from time to time the usual "For Sale" and the usual "To Let" notice, and in each case with the name and address of the Lessor and/or its agents thereon and the Lessee will not remove any such notice without the prior written consent of the Lessor.

14.6 CONSENT OF LESSOR

In any case where pursuant to this Lease or to any Rule or Regulation made hereunder the doing or executing of any act matter or thing by the Lessee is dependent upon the consent or approval of the Lessor such consent or approval may be given or withheld by the Lessor in its absolute uncontrolled discretion unless otherwise herein provided.

14.7 PARTNERSHIP NEGATIVED

Nothing contained in the Lease shall be deemed or construed by the parties hereto nor by any third party as creating the relationship of a partnership or of principal and agent or of joint venture between the parties hereto, it being understood and agreed that neither the method of computation of rent, nor any acts of the parties hereto shall be deemed to create any relationship between the parties hereto other than the relationship of lessor and lessee upon the terms and conditions only as provided in this Lease.

14.8 EXCLUSION OF IMPLIED TERMS

- (a) The covenants, provisions, terms and agreements contained in the Lease expressly or by statutory implication cover and comprise the whole of the agreement between the parties and they expressly agree

and declare that no further or other covenants, agreements, provisions or terms whether in respect of the Demised Premises or otherwise shall be deemed to be implied herein or to arise between the parties by way of collateral or other agreement by reason of any promise, representation, warranty or undertaking given or made by either party to the other on or prior to the execution of this Lease and the existence of any such implication or collateral or other agreement is hereby negated.

- (b) Without prejudice to the foregoing, the Lessee acknowledges that no warranty or representation has been given by or on behalf of the Lessor in respect of the suitability of the Demised Premises or the Building for any business to be carried on therein, or as to the fixtures furnishings finish plant and machinery and equipment of or in the Demised Premises or the Building or as to other businesses to be carried on in the Building otherwise than in this Lease expressly contained.

14.9 HOLDING OVER

Should the Lessee continue to occupy the Demised Premises beyond the expiration of the term of this Lease or any further Lease granted hereunder with the consent of the Lessor it shall do so hereunder on and subject to the covenants, terms, conditions and provisions hereof as a monthly tenant at a monthly rental equal to one (1) month's proportion of the annual rent payable immediately prior to the expiration of this Lease (subject to the right of the Lessor to review such rent in accordance with the First Appendix hereto) or such further Lease (as the case may be) payable monthly in advance such tenancy being determinable at the will of either the Lessor or the Lessee by one (1) month's notice in writing to the other expiring on any day of the week.

14.10 POWER OF ATTORNEY

The Lessee hereby irrevocably appoints the Lessor and the Lessor's nominee or nominees and their substitute or substitutes jointly and severally to be the true and lawful attorney or attorneys of the Lessee to act at any time after the power to re-enter herein contained shall have become exercisable or shall have been exercised (a sufficient proof whereof shall be the statutory declaration of the Lessor or any officer of the Lessor duly authorised by the Lessor in that behalf) to execute and sign an assignment or a surrender of this Lease and to procure the same to be registered and for this purpose to use the name of the Lessee and generally to do, execute and perform any act, deed, matter or thing relative to the premises as fully and effectually as the Lessee could do in and about the premises and the Lessee hereby covenants to ratify and confirm all and whatsoever the said attorney or attorneys shall lawfully do or cause to be done in and about the said premises.

14.11 MORATORIUM

No statute ordinance proclamation order regulation or moratorium present or future shall apply to this Lease so as to abrogate extinguish impair diminish

fetter delay or otherwise prejudicially affect any rights powers remedies or discretions given or accruing to the Lessor.

14.12 ALTERATIONS TO BUILDING

The Lessor shall have the right from time to time to improve extend add to or reduce the Building or any Common Areas or in any manner whatsoever alter or deal with the Building or any Common Areas (in both cases excluding the Demised Premises) PROVIDED THAT in exercising such right the Lessor will endeavor to cause as little inconvenience to the Lessee as is practicable in the circumstances.

15. OBLIGATION OF COVENANTOR

15.1 In consideration of the Lessor entering into the Lease at the request of the Covenantor named in Item 6 in the Reference Schedule the Covenantor and so as to bind his heirs executors administrators and assigns (or, in the case of a corporation, its successors and assigns) HEREBY COVENANTS AND AGREES with the Lessor, its successors and assigns that the Covenantor will be jointly with the Lessee and severally liable to the Lessor for the due and punctual payment of all rent and other moneys reserved by and for the due and punctual performance and observance of all of the terms covenants and conditions on the part of the Lessee contained in this Lease and in any renewal thereof and also for the payment to the Lessor of any moneys due to the Lessor by way of mesne profits recoverable against the Lessee after termination of the Lease or any renewal thereof and if there be more than one Covenantor named in Item 6 in the Reference Schedule then this covenant shall bind them and their respective executors administrators successors and assigns jointly and each of them severally and it is hereby acknowledged that the liability of any Covenantor hereunder shall not be affected by any matter or thing whatever and in particular but without in any way limiting the generality of the foregoing shall not be affected by:

- (a) the death of the Lessee or of any Covenantor;
- (b) the giving of time or the granting of other indulgence to the Lessee or any Covenantor;
- (c) any variation of this Lease;
- (d) any agreement between the Lessor and the Lessee and/or any Covenantor whereby the Lessor gives time to the Lessee and/or Covenantor (as the case may be) or agrees not to sue the Lessee and/or Covenantor (as the case may be);
- (e) any release of the Lessee or any Covenantor. If any payment made by the Lessee or any Covenantor shall subsequently be avoided such payment shall not discharge the liability of the Covenantor or

other Covenants (as the case may be) in respect thereof and all parties shall be restored to the position in which they respectively would have been if such payment had not been made. Notwithstanding anything express or implied to the contrary and notwithstanding previous actual service on the Covenantor notice of any fact or thing served on the Lessee shall be deemed to be service on the Covenantor for all purposes.

16. BANK GUARANTEE

- 16.1 The Lessee shall deliver to the Lessor on or before execution of this Lease a valid, enforceable and irrevocable bond in a form approved by the Lessor in the Lessor's favour from a bank holding an Australian Banking Licence carrying on business in Sydney to secure unconditional payment by such Bank to the Lessor of the sum specified in Item 8(a) of the Reference Schedule hereto ("the sum"). The sum secured by the bond or any part thereof as determined from time to time by the Lessor but not exceeding in aggregate the sum shall become payable upon failure by the Lessee to duly and punctually pay rent and other moneys reserved by this Lease forthwith upon demand in writing from the Lessor without reference by the Bank to the Lessee and notwithstanding notice from the Lessee to the Bank not to pay the Lessor any moneys. Notwithstanding anything express or implied to the contrary, acceptance of the bond or payment thereunder shall not thereby affect or limit the rights of the Lessor hereunder or operate as a waiver of the Lessee's failure breach non-performance or non-observance. Any part of the bond money so paid and determined by the Lessor to be in excess of the Lessor's loss, damages and expenses by reason of the Lessee's aforesaid failure, breach, non-performance or non-observance shall be accounted for to the Lessee. If upon the Lessee vacating the Demised Premises the bond has not become payable hereunder then it shall be released to the Bank provided always that the Lessee has duly and punctually paid all rent and other moneys reserved by and duly and punctually performed and observed all of the terms covenants and conditions on the part of the Lessee contained in this Lease or any renewal hereof.
- 16.2 On each occasion on which the rental payable under this Lease is increased, the Lessee shall deliver to the Lessor within fourteen (14) days of the final determination of such increased rental, a valid, enforceable and irrevocable bond in the same form and with the same Bank (or such other bank as the Lessor may reasonably approve) as the bond previously delivered, to secure unconditional payment by such bank to the Lessor of the sum equal to the number of months rent and outgoings specified in Item 8(b) of the Reference Schedule at the revised rental.
- 16.3 In the event that the Lessor requires the Lessee's bank to make payment to the Lessor pursuant to the bond and permits the Lessee to remain in possession of the Demised Premises pursuant to the terms of this Lease then the Lessee shall, within fourteen (14) days of notification by the Lessor to the Lessee that such payment by the Bank has been made, deliver to the Lessor a further bond in the same form as that previously delivered, to secure Demised Premises pursuant to the terms of this Lease then the Lessee shall, within fourteen (14)

days of notification by the Lessor to the Lessee that such payment by the Bank has been made, deliver to the Lessor a further bond in the same form as that previously delivered, to secure unconditional payment by the issuing Bank of the difference between a sum equal to the number of months rent and outgoings specified in Item 8(b) of the Reference Schedule at the then current rental and the balance remaining payable pursuant to the existing bond so the Lessor holds bonds securing unconditional payment by the issuing Bank of an aggregate sum equal to the number of months rent and outgoings specified in Item 8(b) of the Reference Schedule at the then current rent.

- 16.4 Upon delivery to the Lessor of any such bond pursuant to the provisions of Clause 16.2 or 16.3, the provisions of Clause 16.1 shall apply to such bond.
- 16.5 If during the term of this Lease the Lessor shall transfer its ownership in the Building and shall provide a notice to the Lessee requiring the amendment to the bank bond to reflect the new Lessor THEN the Lessee shall take all acts necessary to effect the same within fourteen (14) days of the Lessor serving such notice.

17. OPTION FOR RENEWAL

- 17.1 If the Lessee desires to have a further lease of the Demised Premises for the further term or term of years (if any) set out in Item 9 in the Reference Schedule and shall give to the Lessor not less than three (3) months nor more than nine (9) months previous notice in writing thereof (time in both cases being of the essence) and shall neither at the date of such exercise of option nor at the date of expiry of the immediately preceding term be in default in material respect of the performance of the terms covenants and conditions by and on the part of the Lessee herein contained the Lessor shall grant to the Lessee a Lease of the premises for such further term of years commencing on the day following the date of expiry of the immediately preceding term and otherwise subject to such terms, covenants and conditions as this Lease provided that:-
- (a) in the case of the last of the said further terms, this Clause shall be excluded,
 - (b) the annual rent for the first year of the further term shall be the annual rent payable immediately prior to the date of commencement of the further term, and
 - (c) Item 2 of the Reference Schedule shall be amended and the following dates inserted: 1 September 2004 and 1 September 2006.

FIRST APPENDIX

1. RENT

The Lessee will during the term of this Lease pay to the Lessor without demand from the Lessor and without any deduction whatsoever the annual rent set out in Item 1 in the Reference Schedule such rent to be paid in advance by regular and consecutive monthly payments each equal to one-twelfth (1/12th) of the annual rent on the first day of each month in each year during the term (except the first and last payments which will be proportionate) the first being payable on the date of commencement of the term.

2. RENT REVIEW

- (a) In this Clause 2 the expression "review date" means the date set out in Item 2 of the Reference Schedule:
- (i) the date of expiry of each period of years set out in Item 2 in the Reference Schedule during the term hereof and any further term in both cases computed from the date of commencement of the relevant term; or
 - (ii) the date of holding over, where the Lessee holds over under Clause 14.9.
- (b) No earlier than ninety (90) days before each review date and at any time thereafter the Lessor shall have the option by notice given in writing to the Lessee to increase the Annual Rent to an amount which would at the relevant review date be the current market rent of the Premises with the exception of any improvements effected by the Lessee in the Premises (having regard to all matters then relevant to the determination of such rent) and reference shall be had to the aggregate of all premises leased by the Lessee in the Building at each such review date and the amount so determined shall subject as hereinafter appearing be the annual Rent payable by the Lessee as from the review date.
- (c) The Lessee within a period of twenty-one (21) days after service of any such notice may by notice in writing to the Lessor dispute that the amount set out in the notice referred to in sub-clause (b) of this Clause 2 is the current market rent of the demised premises.
- (d) In the event of any dispute between the Lessor and the lessee as to the current market rent, then both the Lessor and the Lessee, at their own cost, each shall appoint a valuer who shall determine the current market rent. Upon such determination being made each valuer shall advise the party who appointed him of his determination of the current market rent. Both the Lessor and the Lessee shall have the right to reject the determination of the current market rent of the valuer appointed by it. Each of the valuers shall have practiced in the field of valuation of rentals for similar premises for not less than 2 years prior to their appointment and shall be either Fellows or Associates of the Institute (or should such Institute have ceased to exist, of such body or

association as then has substantially the same objects as such Institute). The valuers so appointed may be employees of either the Lessor of the Lessee.

The factors to be considered by all valuers assessing the current market rent of the Premises at the relevant review date are:-

- (i) any valuer shall be acting as an expert not as an arbitrator;
 - (ii) there shall be excluded from such assessment any goodwill attributable to the Lessee's business and the value of the Lessee's fixtures and fittings in the Premises and also any deleterious condition of the Premises if such condition results from any breach of any terms of this Lease by the Lessee;
 - (iii) regard shall be had to the terms and conditions of this Lease in particular to any liability on the part of the Lessee to pay a contribution to the outgoings of the Building;
 - (iv) regard shall be had to the annual market rental value of comparable premises based on a lease between a willing Lessor and a willing Lessee; and
 - (v) regard shall be had to improvements or refurbishment of the Premises effected at the instance and expense of the Lessor.
- (e) If either the Lessor or the Lessee rejects the determination of the current market rent of the valuer appointed by it or if the two valuers cannot agree as to the current market rent, in both cases within thirty (30) days after the lessor has by notice in writing to the Lessee advised the Lessee of the name of the valuer appointed by the Lessor, a third valuer shall be appointed by the two valuers to determine the current market rent. the determination of the current market rent by the third valuer shall be binding upon both the Lessor and the Lessee. The third valuer shall be either a Fellow or an Associate of the Institute and shall practice in the State of New South Wales and if possible have at least five years experience in the determination of market rents for properties of similar type and location as the Building
- (f) Should the Lessee fail to appoint a valuer as aforesaid within twenty-one (21) days after the Lessor has by notice in writing to the Lessee advised the Lessee of the name of the valuer appointed by the Lessor, the current market rent shall be determined by the Lessor's valuer alone.
- (g) If the two valuers appointed as aforesaid do not within fourteen (14) days of their being called upon by either party to do so, appoint a third valuer as required under sub-clause (e) of this Clause 2, the Lessor may request the President or other the principal officer for the time being of the Institute (or such other body or association as aforesaid) to appoint such third valuer similarly qualified to determine the current market rent.

- (h) Should the third valuer (whether appointed under sub-clause (e) of this Clause 2) fail to determine the said current market rent within thirty (30) days of his appointment, the Lessor may request the President or other principal officer as aforesaid to appoint another valuer similarly qualified in lieu of the third valuer previously appointed.
- (i) Should the amount of the reviewed Annual Rent as aforesaid not be ascertained before the review date the Lessee shall pending ascertainment thereof continue to pay the Annual Rent at the rate then applicable but subject to the review thereof together with seventy five percent (75%) of the amount by which the Lessor's nomination of the current market rent specified in the notice given under sub-clause (b) hereof exceeds the annual rental applicable at the review date and upon the reviewed Annual Rent being ascertained any necessary adjustment of rent calculated from the review date shall be paid forthwith by the Lessee to the Lessor, or by the Lessor to the Lessee, as the case may be. The Lessee shall in addition pay interest on the amount (if any) by which the reviewed Annual Rent exceeds the Annual Rent applicable at the review date ("the excess amount") for the period from the review date to the date of payment of the excess amount ("the relevant period"), such of the relevant period at the current Westpac Banking Corporation Indicator Lending Rate.
- (j) Notwithstanding the foregoing no determination of the annual rent as aforesaid shall operate to reduce the annual rent payable by the Lessee below that payable immediately prior to such determination.
- (k) All costs incurred in the engagement and use of any valuer other than the valuers respectively engaged by the lessor and the Lessee pursuant to sub-clause (d) hereof, shall be borne in equal shares by the Lessor and the Lessee.
- (l) Any valuers appointed in accordance with the foregoing provisions shall act in all respects in the capacity of experts and not as arbitrators. The decision of the third valuer appointed pursuant to subclause (e) or sub-clause (g) of this Clause 2 shall be final and binding in all respects.
- (m) Time in sub-clause (c), (e), (f), (g) and (h) shall be of the essence in all respects.

3. OUTGOINGS

LESSEE'S PROPORTIONS

- (a) The Lessee will during the term of this Lease pay on demand to the Lessor in Sydney and without any deduction whatsoever the proportion set out in Item 3 in the Reference Schedule (hereinafter called "the Lessee's proportion") of all the rates and taxes and other outgoings of the Building in the manner hereinafter set out PROVIDED THAT should the Lessor during the term of this Lease or during the period of any holding over thereunder complete the erection upon the Land of a building or buildings in addition to those erected

thereon or shall extend the existing buildings, the Lessor shall be entitled to recalculate the said proportion on the same basis on which the original proportion was calculated but taking into account the increased lettable area.

RATES AND TAXES

(b) For the purpose of this Clause:

- (i) "rates and taxes" shall mean and include all rates, taxes (exclusive of any income tax payable by the Lessor in respect of the Lessor's income), charges, assessments, duties and fees of any public, municipal, government or semi-government body, authority or department levied, assessed or charged in respect of the Building and/or the Land (irrespective of the ownership thereof);
- (ii) all rates and taxes irrespective of the period for which they are levied, assessed or charged shall be deemed to accrue from day to day and shall be apportioned in respect of time accordingly;

OTHER OUTGOINGS OF THE BUILDING

(c) For the purposes of this Clause:

- (i) "other outgoings of the Building" means all costs, charges, expenses, fees and other outgoings paid or payable by the Lessor in managing, supervising, maintaining and keeping secure the Building and the curtilages thereof provided that notwithstanding any other provision herein the Lessee shall not be obliged to contribute to items of a capital or structural nature or commission on the leasing of premises and in particular, but without limiting the generality of the foregoing, includes:-
 - (aa) all premiums payable by the Lessor in respect of insurances relating to the Building and fixtures, fittings and appliances therein including, but without limiting the generality of the foregoing, public risk insurance, workers compensation insurance and loss of rent insurance;
 - (bb) the cost of all services supplied to the Building including, but without limiting the generality of the foregoing, all charges for electricity, gas, water, oil, telephone, sewerage and garbage services, save and except where such costs is the responsibility of a particular occupier of the Building;
 - (cc) the cost of all services provided by the Lessor for occupants of the Building and visitors to the Building, including but without limiting the generality of the foregoing, the cost of operating, maintaining and repairing the air conditioning plant, lifts and escalators and other services in the Building and Common Areas and except where the Lessee is liable to pay a cleaning charge

pursuant to Clause 8.1 of this Lease the costs of cleaning of the Common Areas;

- (dd) all costs for or in connection with maintenance, renovation and upkeep of the Building including the painting and repair of the Common areas but excluding the cost of any structural work and the cost of any work payment for which is the responsibility of a particular occupier of the Building; and
- (ee) all costs in connection with the management, control and security of the Building including, but without limiting the generality of the foregoing, salaries, wages, superannuation and payroll tax.
- (ii) "year" shall be deemed to mean and relate to any year or part of a year ending on the date set out in Item 7 in the Reference Schedule or on such other date as the Lessor shall notify the Lessee in writing or at the expiration or sooner determination of this Lease (as the case may require) and in respect of all periods of less than one (1) year all items of an annual or other periodic nature comprising other outgoings of the Building shall be apportioned in respect of time as necessary;

STATEMENT FROM LESSOR

- (d) As soon as practicable after the date set out in Item 7 or in the Reference Schedule or such other date as aforesaid in each year the Lessor will furnish to the Lessee a statement giving reasonable details of other outgoings of the Building and indicating the amount of the Lessee's proportion thereof. Except in the case of manifest error notified by either party to the other within thirty (30) days of the service of such statement on the Lessee such statement shall be conclusive evidence as to the matters stated therein. Within thirty (30) days after service of such statement on the Lessee, the Lessee will pay to the Lessor the Lessee's proportion.

ESTIMATES BY LESSOR

- (e) Notwithstanding the provisions of the foregoing sub-clauses the Lessor may:
 - (i) where any rate or tax assessment has not issued for the rating or taxing period current at the date of expiration or sooner determination of this Lease notify the Lessee of the Lessor's reasonable estimate of the Lessee's proportion of such rate or tax for the period from the date of commencement of the rating or taxing period to the said date of expiration or sooner determination of the Lease whereupon the Lessee will forthwith pay to the Lessor such estimated proportion provided always that upon the issue of the relevant assessment any necessary adjustment between the estimated and actual proportion of the Lessee shall be made and any refund to or further payment by the Lessee shall be allowed or made by or to the Lessor accordingly;

- (ii) from time to time notify the Lessee of the Lessor's reasonable estimate of the Lessee's proportion of the other outgoings of the Building and for any period not exceeding one (1) year in advance of the estimate whereupon the Lessee will pay to the Lessor during such period such estimated proportion by equal monthly instalments in advance on the days fixed for payment or rent under this Lease provided always that upon computation of such other outgoings of the Building at the end of the then current year as aforesaid any necessary adjustment between the estimated and actual proportion of the Lessee shall be made and any refund to or further payment by the Lessee shall be allowed or made by or to the Lessor accordingly.

4. CLEANING CHARGE

- (a) The Lessee will (subject as hereinafter provided) during the term pay to the Lessor in Sydney without demand from the Lessor and without any deduction whatsoever the basic cleaning charge (if applicable) set out in Item 5 in the Reference Schedule which charge relates to the cost of the cleaning of the Premises and the Lessee's proportion of the costs of the cleaning of Common Areas, such cleaning charge to be paid by equal monthly instalments in advance on the days fixed for the payment of rent under this Lease.
- (b) The Lessor shall from time to time be entitled to increase the basic cleaning charge only if there be an increase in the costs to the Lessor of cleaning the Demised Premises and the Common Areas. The Lessor must decrease the basic cleaning charge if there is a decrease in the cost to the Lessor of cleaning the Demised Premises and the Common Areas by that amount which is fair and reasonable in the circumstances.
- (c) The Lessor shall notify the Lessee in writing of the amount of any increase or decrease in the basic cleaning charge and the date from which such increase shall be operative and the first payment by the Lessee to the Lessor upon such notice being given shall be made at the date next following the service of such notice on which the next monthly instalment of rent is due under this Lease.

SECOND APPENDIX

RULES AND REGULATIONS OF THE BUILDING

1. The Lessee shall not in any way obstruct or permit the obstruction of the pavement entry arcade vestibules corridors passages halls elevators stairways fire doors and escape doors relating to the Building or use them or any of them for any other purpose than for ingress and egress.
2. The Lessee shall not cover or obstruct the floors skylights glazed panels ventilators and windows that reflect or admit light or air into passageways or into any part of the Building.
3. The Lessee shall not inscribe paint display or affix any sign advertisement name flagpole flag or notice on any part of the outside or inside of the Building except with the consent in writing of the Lessor and then only of such colour size and style and in such place or places as shall be first approved by the Lessor. The costs of affixing the Lessee's name and description on directory boards in main foyer and on the Lessee's floor shall be paid for by the Lessee.
4. No window blinds window screens or awnings shall be erected without the approval of the Lessor.
5. Except with the consent in writing of the Lessor no musical instruments shall be played in or about the Building, but this Rule shall not prohibit the Lessee from playing background recorded music provided that the volume is kept at a level which does not cause a nuisance or annoyance to other Lessees or users of the Building.
6. The Lessee shall not throw anything out of the windows or doors or down the elevator shafts passages or skylights or into any light areas of the Building or deposit waste paper or rubbish anywhere except in proper receptacles or place upon any sill ledge or other like part of the Demised Premises or Common Areas any article or substance.
7. The Lessee shall not use any method of lighting cooling or heating other than as prescribed and fixed by the Lessor and under special agreement made with the Lessor for the purpose and shall not cook within the Demised Premises except within a designated kitchen area.
8. The Lessee will use or permit to be used for the receipt delivery of other movement of any goods wares or merchandise or articles of bulk or quantity only such parts of the Demised Premises and the Common Area and at such times as the Lessor may from time to time permit and the Lessee will generally comply with all reasonable requirements of the Lessor in regard to such matter.
9. The Lessee shall not leave any doors or windows unlocked or unfastened when the Demised Premises are left unoccupied and the Lessor reserved the right

for the Lessors caretaker or other duly authorised person to enter the Demised Premises and fasten the same if left insecurely fastened.

10. The Lessor will at the expense of the Lessee provide keys for locks on doors or other openings of the Demised Premises and security cards or keys and the Lessee will return to the Lessor on the determination of the Lease all such keys and security cards or keys whether the same have been supplied by the Lessor or otherwise acquired by the Lessee and shall not permit the same at any time to come into the possession of any person other than the Lessee. The Lessee shall not alter the combination of any locks of the Demised Premises.
11. The Lessee shall not use or permit to be used the Common Areas or any parking area or any part thereof for any business or commercial purpose for the display or advertisement of any goods or services nor generally for any purposes other than a purpose for which the same was intended or provided.
12. No nails, screws or hooks shall be driven into any parts of the Building or the partitions therein without the Lessor's prior written consent nor shall any explosive power driven method of fixing articles to ceilings, walls or floors be used.
13. The Lessor shall be entitled to close the front doors of and any other entrances to the Building and keep the same closed and locked after the hour of 6.00 p.m. on weekdays and before the hour of 8.00 a.m. on weekdays except on Saturdays, Sundays and public holidays when the Lessor may keep such doors and entrances closed all day provided that the Lessor upon request by the Lessee shall make arrangements for the Lessee to have access to the Building at any time outside these hours. If such access is provided the Lessee shall adhere to all reasonable security precautions set down by the Lessor from time to time.
14. The Lessor shall provide air-conditioning pursuant to its obligations under the Lease between the hours of 8.00 a.m. and 6.00 p.m. Should the Lessee request the provision of air-conditioning outside those hours the Lessor may at its discretion supply the same and all reasonable costs and expenses incurred in supplying the same shall be met by the Lessee.

REFERENCE SCHEDULE

- ITEM 1 ANNUAL RENT
\$222,066.00 per annum.
- ITEM 2 RENT REVIEW DATES
1 September 2000
1 September 2002
- ITEM 3 LESSEE'S PROPORTION OF OUTGOINGS
15.7%
- ITEM 4 PERMITTED USE OF PREMISES
Commercial office accommodation, training and meeting facilities and product showroom.
- ITEM 5 CLEANING
(a) The Lessor will provide cleaning.
(b) Basic cleaning charge at commencement of term: \$11,428.00.
- ITEM 6 COVENANTOR
Nil whilst ever the lessee is Mannatech Australia Pty Limited.
- ITEM 7 DATE OF EXPIRY OF OUTGOINGS YEAR
31 December.
- ITEM 8 BANK GUARANTEE
(a) Initial Sum: \$141,020.00.
(b) Number of Months Rent: 6 months.
- ITEM 9 OPTION FOR RENEWAL
Five years.

September 9, 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 September 9, 1998, and are in agreement with the statements contained therein.

Yours very truly,

BELEW AVERITT LLP

Dallas, Texas

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 PricewaterhouseCoopers LLP has not prepared or certified such "Selected Financial Data."

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Dallas, Texas
September __, 1998

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

September 9, 1998