2001

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

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

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

For the transition period from ____________ to _________________

Commission File No. 000-24657

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

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

600 S. Royal Lane, Suite 200
Coppell, Texas
75019
(Address of Principal Executive Offices, including Zip Code)

Registrant's Telephone Number, including Area Code: (972) 471-7400

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

As of May 4, 2001, the number of shares outstanding of the registrant's sole class of common stock, par value $0.0001 per share was 24,620,270.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	December 31, 2000	March 31, 2001
		(Unaudited)
ASSETS		
Cash and cash equivalents	$ 5,736	$ 3,806
Accounts receivable, less allowance for doubtful accounts of $58 in 2000 and 2001	692	573
Income tax receivable	2,300	2,300
Current portion of notes receivable-shareholders	187	166
Inventories	13,326	13,301
Prepaid expenses and other current assets	745	891
Deferred tax assets	1,201	1,198
Total current assets	24,187	22,235
Property and equipment, net	13,324	12,308
Notes receivable-shareholders, excluding current portion	390	268
Other assets	1,000	932
Long-term investments	1	--
Total assets	$38,902	$35,743
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of capital leases and notes payable	$ 301	$ 331
Accounts payable	4,309	1,729
Accrued expenses	12,288	12,565
Total current liabilities	16,898	14,625
Capital leases and notes payable, excluding current portion	27	21
Accrued compensation	500	250
Deferred tax liabilities	1,752	1,749
Total liabilities	19,177	16,645
Commitments and contingencies (Note 4)	--	--
Commitment to repurchase common stock	1,000	917
Shareholders' equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding	--	--
Common stock, $0.0001 par value, 99,000,000 shares authorized, 25,051,301 shares issued and 24,929,173 outstanding in 2000, 25,051,301 issued and 24,799,301 outstanding in 2001	3	3
Additional paid-in capital	17,949	17,949
Note receivable due from a shareholder	(167)	--
Retained earnings	2,798	2,488
Accumulated other comprehensive loss--foreign currency translation adjustment	(321)	(555)
	20,262	19,885
Less treasury stock, at cost, 122,128 shares in 2000 and 252,000 shares in 2001 and a commitment to repurchase common stock of $1,000 in 2000 and $917 in 2001	(1,537)	(1,704)
Total shareholders' equity	18,725	18,181
Total liabilities, commitment to repurchase common stock and shareholders' equity	$38,902	$35,743

See accompanying notes to consolidated financial statements.

MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2000 AND 2001
(in thousands, except per share amounts)

	2000	2001
Net sales	$39,695	$34,195
Cost of sales	6,920	5,726
Commissions	16,499	13,805
	23,419	19,531
Gross profit	16,276	14,664
Operating expenses:		
Selling and administrative expenses	9,947	9,034
Other operating costs	7,433	6,124
Total operating expenses	17,380	15,158
Loss from operations	(1,104)	(494)
Interest income	243	(97)
Interest expense	(24)	(9)
Other expense, net	(112)	(115)
Loss before income taxes and cumulative effect of accounting change	(997)	(521)
Income tax benefit	357	212
Loss before cumulative effect of accounting change	(640)	(309)
Cumulative effect of accounting change, net of tax of $126 in 2000	(210)	--
Net loss	$ (850)	$ (309)
Earnings (loss) per common shares -- Basic:		
Before cumulative effect of accounting change	$ (0.02)	$ (0.01)
Cumulative effect of accounting change	(0.01)	--
Net	$ (0.03)	$ (0.01)
Earnings (loss) per common share -- Diluted:		
Before cumulative effect of accounting change	$ (0.02)	$ (0.01)
Cumulative effect of accounting change	(0.01)	--
Net	$ (0.03)	$ (0.01)
Weighted-average common shares outstanding:		
Basic	24,781	24,799
Diluted	24,781	24,799
Dividends declared per common share.	$ --	$ --

See accompanying notes to consolidated financial statements.

MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2000 AND 2001
(in thousands)

	2000	2001
Cash flows from operating activities:		
Net loss	$ (850)	$ (309)
Adjustments to reconcile the net loss to net cash used in operating activities:		
Depreciation and amortization	834	991
Gain on disposal of assets	--	(12)
Tax benefit from exercise of stock options	195	--
Cumulative effect of accounting change, net of tax	210	--
Deferred income tax expense	18	--
Changes in operating assets and liabilities:		
Accounts receivable	38	72
Income tax receivable	(86)	--
Inventories	(1,075)	(118)
Prepaid expenses and other current assets	(375)	21
Other assets	62	69
Accounts payable	(77)	(1,169)
Accrued expenses	(815)	55
Net cash used in operating activities	(1,921)	(400)
Cash flows from investing activities:		
Acquisition of property and equipment	(1,504)	(73)
Cash proceeds from sale of property and equipment	--	2
Repayment by shareholders/related parties	101	143
Maturities of investments	636	1
Net cash provided by (used in) investing activities	(767)	73
Cash flows from financing activities:		
Payment of cash overdrafts	--	(1,352)
Proceeds from stock options exercised	243	--
Repayment of capital lease obligations	(133)	(146)
Purchase of common stock from shareholder	--	(83)
Payment of notes payable	(46)	(16)
Net cash provided by (used in) financing activities	64	(1,597)
Effect of exchange rate changes on cash and cash equivalents	--	(6)
Net decrease in cash and cash equivalents	(2,624)	(1,930)
Cash and cash equivalents:		
Beginning of the period	11,576	5,736
End of the period	$ 8,952	$ 3,806
Supplemental disclosure of cash flow information:		
Interest paid	$ 24	$ 9
Summary of non-cash investing and financing activities follows:		
Assets acquired through a note payable	$ --	$ 187
Treasury shares received for the payment of a note receivable due from a shareholder	$ --	$ 167

See accompanying notes to consolidated financial statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Wholly-owned subsidiary name	Date incorporated	Location of subsidiary	Date operations began
Mannatech Australia Pty Limited	April 22, 1998	St. Leonards, Australia	October 1, 1998
Mannatech Limited	December 1, 1998	Republic of Ireland	No operations
Mannatech Ltd.	November 18, 1998	Aldermaston, Berkshire U.K.	November 15, 1999
Mannatech Payment Services Incorporated	April 11, 2000	Coppell, Texas	June 26, 2000
Mannatech Foreign Sales Corporation	May 1, 1999	Barbados	May 1, 1999
Internet Health Group, Inc. (ceased operations as of December 29, 2000)	May 7, 1999	Coppell, Texas	December 20, 1999
Mannatech Japan, Inc.	January 21, 2000	Tokyo, Japan	June 26, 2000
Mannatech Limited	February 14, 2000	New Zealand	No operations
Mannatech Products Company, Inc.	April 14, 2001	Coppell, Texas	No operations

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Company's management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial information as of and for the periods presented. The consolidated results of operations of any interim period are not necessarily indicative of the consolidated results of operations to be expected for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 2000.

Principles of Consolidation

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

Revenue Recognition

The Company's revenues consist of sales from products sold, sales from starter and renewal packs sold and shipping fees charged. Substantially all product sales are made to Associates at a published wholesale price. Net sales also include product returns and any related refunds. The Company records a reserve for product returns based on its historical experience. The Company adopted Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB 101") in the fourth quarter of 2000. Under SAB 101, the Company recognizes revenue for product sales upon the receipt of the products by the consumers. As a result of adopting SAB 101, the Company has restated all of the 2000 quarterly financial information, previously reported to reflect the recording of a one-time charge of $210,000, net of tax of $126,000 for the cumulative effect of this change at January 1, 2000. Beginning in 2000, the Company began deferring all of its revenues until the consumer receives the shipment.

The Company also defers revenue received from sales of the starter and renewal packs, which are in excess of the average wholesale value of the individual items included in such packs and amortizes such deferrals over a twelve-month period. Total deferred revenue was $691,000 and $866,000 at December 31, 2000 and March 31, 2001, respectively.

Shipping and Handling Cost

In accordance with the Emerging Issue Task Force No. 00-10 "Accounting for Shipping and Handling Fees and Costs," the Company records freight and shipping revenues, collected from the Associate, as revenue. The Company records in-bound freight and shipping costs as a part of cost of sales and the Company records shipping and handling costs associated with shipping products to its Associate as selling and administrative expenses. Total shipping and handling costs included in the selling and administrative expense was approximately $1.6 million and $2.1 million for the three months ended March 31, 2001 and 2000, respectively.

Earnings Per Share

The Company calculates earnings (loss) per share pursuant to Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("FAS 128"). FAS 128 requires dual presentation of basic and diluted earnings (loss) per share ("EPS") on the face of the consolidated statement of operations for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS calculations are based on the weighted-average number of common shares outstanding during the period, while diluted EPS calculations are calculated using the weighted-average number of common shares and dilutive common share equivalents outstanding during each period. At March 31, 2000, all of the 2,074,000 common stock options were excluded from the diluted EPS calculation and at March 31, 2001, all of the 3,228,685 common stock options and warrants were excluded from the diluted EPS calculation, as their effect was antidilutive.

The following data shows the amounts used in computing earnings (loss) per share and their effect on the weighted-average number of shares of dilutive common share equivalents for the three months ended March 31, 2000 and 2001. The amounts are rounded to the nearest thousand except for per share amounts.

	2000			2001		
	Loss (Numerator)	Shares (Denominator)	Per share amount	Loss (Numerator)	Shares (Denominator)	Per share amount
Basic EPS:						
Net loss available to to common shareholders	$ (850)	24,781	$0.03	$ (309)	24,799	($0.01)
Effect of dilutive securities:						
Stock options	--	--		--	--	
Diluted EPS:						
Net loss available to common shareholders plus assumed conversions	$ (850)	24,781	$0.03	$ (309)	24,799	($0.01)

NOTE 2 INVENTORIES

At December 31, 2000 and March 31, 2001 inventory, rounded to the nearest thousands, consists of the following:

	2000	2001
Raw materials	$ 6,587	$ 6,578
Finished goods	6,739	6,723
	$13,326	$13,301

NOTE 3 COMPREHENSIVE LOSS

Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources and includes all changes in equity during a period. Comprehensive loss for the three months ended March 31, 2000 and 2001 is as follows, in thousands:

	2000	2001
Net loss	($850)	($309)
Foreign currency translation adjustment	-	(234)
Comprehensive loss	($850)	($543)

NOTE 4 COMMITMENTS AND CONTINGENCIES

On May 2, 2001, Ms. Deanne Varner informed the Board of Directors of her intent to resign as Senior Vice President and General Counsel, effective May 10, 2001. As a result, on May 2, 2001, the Company's Board of Directors entered into a separation agreement with Ms. Varner. Under the terms of the agreement, Ms. Varner is bound by certain non-compete and confidentiality clauses and the Company agreed to pay Ms. Varner $400,000 on May 10, 2001, $250,000 on April 30, 2002 and $250,000 on April 30, 2003. The Company also agreed to pay Ms. Varner an additional $50,000 related to her accrued vacation, salary and benefits up to the time of her resignation and continue to pay the lease payments for her car until the title of the car is transferred to her on or before June 30, 2001. Furthermore, the Company agreed to grant Ms. Varner a total of 163,333 stock options on May 10, 2001 at exercise prices ranging from $1.75 to $4.00, which vest on May 10, 2001 and are exercisable for seven years.

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

The following discussion is intended to assist in the understanding of Mannatech's financial position and its results of operations for the three months ended March 31, 2001 compared to the same period in 2000. The Consolidated Financial Statements and related Notes should be referred to in conjunction with this discussion. Unless stated otherwise, all financial information presented below, throughout this report and in the Consolidated Financial Statements and related Notes includes Mannatech and all of its subsidiaries on a consolidated basis.

Overview

Mannatech develops and sells proprietary nutritional supplements and topical products in the United States, Canada, Australia, the United Kingdom and Japan, through a worldwide network marketing system of approximately 237,000 active associates as of April 20, 2001, compared to approximately 269,000 active associates as of March 9, 2000.

Mannatech's diluted earnings (loss) per share was ($0.01) for the three months ended March 31, 2001 compared to ($0.03) per share in 2000. The net loss for 2000 primarily related to the decrease in consolidated net sales and incurring additional expenses related to international expansion into the United Kingdom and Japan. The net loss for 2001 primarily related to a decrease in consolidated net sales of $5.5 million partially offset by the curtailment of certain operating expenses. However, in spite of the decrease in consolidated net sales, income from operations for its North American operations remained the same as compared to the comparable period in 2000.

Beginning in February 2001, Mannatech increased its shipping fees charged to its associates and in March increased some of the sale prices of its products. In spite of the recent sales price increases, Mannatech believes the negative trend in its net sales will continue into the first half of 2001. In the future, Mannatech expects its international operations to account for an increasing percentage of its consolidated net sales. The net sales by country as a percentage of consolidated net sales are as follows:

Three months ended March 31,	U.S.	Canada	Australia	U.K.	Japan	Total
2001	78.4%	13.7%	3.3%	0.9%	3.7%	100.0%
2000	77.3%	13.6%	7.7%	1.4%	--%	100.0%

In the aggregate, net sales continue to decrease as compared to the same period in 2000. Mannatech believes this decrease in net sales is due to a number of factors including the following:

- its associates focusing on understanding the recent changes in the global compensation plans and how the changes may affect them;

- some of its associates exploring new competitive networking companies as another way to supplement their income;

- associates' concern about recent management changes; and

- concerns about the decline of Mannatech's stock price that, in part, may have resulted from unanticipated selling pressure.

In its ongoing quest to provide products to consumers that help meet the current demand for optimal health and wellness, Mannatech introduced a new product, in October 2000 called ImmunoStart(TM), which helps trigger immune responses. In March 2001, Mannatech introduced a chewable multi-vitamin for children called Glyco-Bears(TM). Mannatech intends to introduce other new products during 2001, which it hopes will further complement its current products, help boost net sales and help satisfy the demand for optimal health and wellness.

Mannatech's revenues are primarily derived from sales of its products and starter and renewal packs, which include some combination of its products and promotional materials. The purchase of a starter or renewal pack allows the associate to purchase products at wholesale prices and earn commissions. Beginning May 26, 2001, Mannatech will introduce another program to help increase its product sales. Under this new program, a consumer can submit a member application rather than becoming an associate. A member does not receive any commissions; however, a member is allowed to purchase Mannatech products at 95% of the suggested retail price or 86% of the suggested retail price for an automatic order. To become a member, the consumer pays a one-time membership fee of $10.00, which will be waived if the member places a product order at the time they submit their application. Mannatech tries to offer comparable starter packs in each country in which it does business; however, due to different regulatory guidelines in each country not all of Mannatech's packs are offered in all countries.

Mannatech adopted Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB 101") in the fourth quarter of 2000. Under SAB 101, Mannatech is required to defer the recognition of revenues until the consumer receives the products shipped. The adoption of SAB 101 resulted in a one-time cumulative effect of accounting change of approximately $210,000, net of tax of $126,000.

On average, the wholesale value of the nutritional and topical products contained in each of Mannatech's starter and renewal packs is between 60% and 70% of the total wholesale value of the packs and the remainder of the total wholesale value consists of various promotional materials and products. Mannatech defers revenue received from the sale of its promotional packs to the extent that the sales price is greater than the wholesale value of the individual items included in such packs. The deferred revenue is amortized over a twelve-month period. Total deferred revenue was approximately $691,000 at December 31, 2000 and $866,000 at March 31, 2001.

Mannatech compensates its associates by paying them commissions and incentives, which are its most significant expense. The commission structure, excluding some of the bonus programs, is designed not to materially exceed 42% of commissionable net sales. In March 2001, Mannatech announced two new incentive bonus programs for its associates. The Power Plan incentive bonus pays associates for enrolling six All-Star associates and the Team incentive bonus pays associates for meeting and maintaining certain purchasing levels in their organizations. Mannatech plans to announce other changes to its worldwide compensation plans for the 2002 fiscal year and continues to revise its training programs for its associates. Mannatech believes the changes in the compensation program will ultimately pay more commission incentives to the entry-level associates faster. Changes to the compensation plan are not expected to change the total commission paid as a percentage of commissionable net sales. Commissions and incentives paid to associates are based on the following:

- associates' placement and position within the compensation plan;

- volume of their direct commissionable net sales;

- number of new enrolled associates; and

- achievement of certain levels to qualify for various incentive programs.

In 2001, Mannatech believes its United States federal statutory tax rate will remain at 34%. Mannatech expects to pay taxes in Australia at a statutory tax rate of approximately 36% and in the United Kingdom at a statutory tax rate of approximately 31%. Mannatech expects to pay taxes in Japan at a statutory tax rate ranging between 42% and 48%. Mannatech also pays taxes in various state jurisdictions at an approximate average effective tax rate of 3%. Due to its international operations, a portion of Mannatech's income will be subject to taxation in the countries in which it operates; however, it may receive foreign tax credits that would reduce the amount of United States taxes owed. Mannatech may not be able to use all of such foreign tax credits in the United States. Mannatech may also incur net operating losses that may not be fully realizable.

Results of Operations

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

	Three months ended March 31, 2000	Three months ended March 31, 2001
Net sales	100.0%	100.0%
Cost of sales	17.4	16.8
Commissions	41.6	40.4
Gross profit	41.0	42.8
Operating expenses:		
Selling and administrative expenses	25.0	26.4
Other operating costs	18.8	17.9
Loss from operations	(2.8)	(1.5)
Interest income	0.6	0.3
Interest expense	(0.0)	0.0
Other expense, net	(0.3)	(0.3)
Loss before income taxes and cumulative effect of accounting change	(2.5)	(1.5)
Income tax benefit	0.9	0.6
Loss before cumulative effect of accounting change	(1.6)	(0.9)
Cumulative effect of accounting change	(0.5)	--
Net loss	(2.1)%	(0.9)%
Number of starter packs sold	32,438	16,582
Number of renewal packs sold	18,337	13,986
Total number of packs sold	50,775	30,568
Total associates canceling associate status	2,496	1,217

Three months ended March 31, 2001 compared with the three months ended March 31, 2000

Net Sales. Net sales decreased (13.9%) to $34.2 million for the three months ended March 31, 2001 from $39.7 million for the comparable period in 2000. This decrease was primarily composed of the following:

- A $1.2 million increase from the sale of several new products introduced during the first three months of 2001 and the last nine months of 2000, including ImmunoStart(TM), Optimal Health Pack(TM) and GlycoBears(TM).

- A ($5.6) million decrease in existing product sales and other sales related items resulting from a decrease in the volume of products sold.

- A decrease of ($1.1) million from associate pack sales. Of this ($1.1) million decrease, approximately ($1.5) million resulted from an overall decrease in the number and dollars of associates packs sold to new associates. The decrease was partially offset by an increase of $0.4 million of associate renewal packs sold; however, the number of associate renewal packs sold decreased compared to 2000. The decrease in the number of renewal packs sold was the result of the increase in the demand for the higher dollar packs. Mannatech continues to explore ways and strategies to increase associate pack and renewal pack sales.

Cost of Sales. Cost of sales decreased 17.4% to $5.7 million for the three months ended March 31, 2001 from $6.9 million for the comparable period in 2000. As a percentage of net sales, cost of sales decreased to 16.8% for the three months ended March 31, 2001 from 17.4% for the comparable period in 2000. The decrease in cost of sales as a percentage of net sales was primarily due to a change in the product mix of finished goods sold and the 7% price increase for our products, implemented in March 2001. The dollar amount decrease was primarily due to a decrease in the volume of finished goods sold.

Commissions. Commissions consist of payments to associates for sales activity and downline growth. Commissions decreased (16.4%) to $13.8 million for the three months ended March 31, 2001 from $16.5 million for the comparable period in 2000. As a percentage of net sales, commissions decreased to 40.4% for the three months ended March 31, 2001 from 41.6% for the comparable period in 2000. The dollar decrease was the direct result of a decrease in commissionable net sales and a decrease in the number of active associates.

Gross Profit. Gross profit decreased (9.8%) to $14.7 million for the three months ended March 31, 2001 from $16.3 million for the comparable period in 2000. As a percentage of net sales, gross profit increased to 42.8% for the three months ended March 31, 2001 from 41.0% for the comparable period in 2000. These changes were primarily attributable to the factors described above.

Selling and Administrative Expenses. Selling and administrative expenses are a mixture of both fixed and variable expenses and include wages, bonuses, shipping and freight and marketing expenses. Selling and administrative expenses decreased (9.1%) to $9.0 million for the three months ended March 31, 2001 from $9.9 million for the comparable period in 2000. As a percentage of net sales, selling and administrative expenses increased to 26.4% for the three months ended March 31, 2001 from 25.0% for the comparable period in 2000, which was the result of the inability to reduce some of its fixed and semi-variable expenses. The dollar decrease was primarily due to the following:

- a ($290,000) decrease in advertising, which was a result of not incurring various advertising expense in 2001 related to our subsidiary-Internet Health Group, Inc., which ceased operations on December 29, 2000;

- a decrease in freight cost of ($177,000); and

- a ($390,000) decrease in marketing expense, which was the result of Mannatech not continuing to expand into other countries in 2001.

Other Operating Costs. Other operating costs include utilities, depreciation, travel, office supplies and printing expenses. Other operating costs decreased (17.6%) to $6.1 million for the three months ended March 31, 2001 from $7.4 million for the comparable period in 2000. As a percentage of net sales, other operating costs decreased to 17.9% for the three months ended March 31, 2001 from 18.8% for the comparable period in 2000. The dollar decrease was primarily due to the following:

- a decrease of ($841,000) related to variable expenses associated with a decline in net sales and the curtailment of certain operating expenses;

- a decrease of ($409,000) relating to a reduction in travel, accounting, legal and consulting fees partially offset by the increase in depreciation expense, which all related to Mannatech's recent expansion into various international counties; and

- a decrease of ($100,000) related to the reduction in certain nonessential research and development activities and a result of reorganizing the research and development department in the first quarter of 2001.

Interest Income. Interest income decreased (60.1%) to $97,000 for the three months ended March 31, 2001 from $243,000 for the comparable period in 2000. As a percentage of net sales, interest income decreased to 0.3% for the three months ended March 31, 2001 from 0.6% for the comparable period in 2000. The dollar decrease was primarily due to using investments to fund its recent international expansion.

Interest Expense. Interest expense decreased (62.5%) to $9,000 for the three months ended March 31, 2001 from $24,000 for the comparable period in 2000. As a percentage of net sales, interest expense remained the same at 0.0% for both the three months ended March 31, 2001 and the comparable period in 2000. The dollar decrease was primarily due to the repayment of existing leases.

Other Expense, Net. Other expense consists of foreign currency translation adjustments and miscellaneous non-operating items. Other expense increased 2.7% to $115,000 for the three months ended March 31, 2001 from $112,000 for the comparable period in 2000. As a percentage of net sales, other expense remained the same at 0.3% for both the three months ended March 31, 2001 and for the comparable period in 2000. For the three months ended March 31, 2001, other expense consisted primarily of currency exchange losses due to translation fluctuations. For the three months ended March 31, 2000, other expense consisted of approximately $36,000 in certain tax penalties and approximately $63,000 in currency exchange losses due to translation fluctuations.

Income Tax Benefit. Income tax benefit was $212,000 for the three months ended March 31, 2001 and $357,000 for the comparable period in 2000. Mannatech's effective tax rate increased to 40.6% for the three months ended March 31, 2001 from 35.8% for the comparable period in 2000. Mannatech's effective tax rate increased primarily as a result of the effect of various nondeductible expenses in the three months ended March 31, 2001 as compared to the comparable period in 2000.

Cumulative Effect of Accounting Change. In the fourth quarter of 2000, Mannatech adopted Staff Accounting Bulletin No. 101 " Revenue Recognition in Financial Statements" ("SAB 101"), which resulted in a one-time charge of $210,000, net of tax of $126,000 for the cumulative effect of the accounting change. SAB 101 required Mannatech to defer the recognition of revenues until the consumers receive the products shipped.

Net Loss. Net loss decreased (66.9%) to ($309,000) for the three months ended March 31, 2001 from ($850,000) for the comparable period in 2000. As a percentage of net sales, net loss decreased to (0.9%) for the three months ended March 31, 2001 from (2.1%) for the comparable period in 2000. The dollar decrease was due to net sales decreasing by (13.9%), offset by the curtailment of various operating expenses, no longer incurring expenses related to its Internet subsidiary and international expansion.

Liquidity and Capital Resources

Mannatech's primary capital requirement is to fund working capital that historically has been financed through its operations. Mannatech's working capital increased to $7.6 million as of March 31, 2001 from $7.3 million at December 31, 2000. In 2000, Mannatech invested approximately $4.4 million in its expansion into Japan and $4.1 million to fund operations for Internet Health Group, Inc. In 2001, Mannatech funded the payments of the various severance packages for some of its executive officers and reported a decrease in net sales of 13.9%. Mannatech plans to continue to fund its 2001 working capital through its operations.

In March and August 1998, Mannatech entered into two capital leases with principal amounts of $631,000 and $841,000, respectively. These capital leases bear interest at 9.3%, are collateralized by the leased assets and are payable in thirty-six monthly installments. In July 1998, Mannatech entered into an unsecured note payable with a finance company to finance its three-year product liability insurance premium. The initial principal amount of this note was $435,670, the interest rate was 8.0% and monthly installments were due through December 2000. In March 2001, Mannatech entered into an eight month, unsecured note payable with a finance company to finance its one-year directors and officers liability insurance premium. The initial principal amount of this note was $186,750, bears interest at a rate of 9.15% and is due in monthly installments through December 2001.

Net cash used in operating activities was $1.9 million for the three months ended March 31, 2000 compared to $400,000 for the three months ended March 31, 2001. For the first three months ended March 31, 2000, operating activities included a net loss and an increase in inventory and prepaid expenses and a decrease in payables and accrued expenses. For the first three months ended March 31, 2001, operating activities included a net loss combined with a decrease in payables.

Net cash provided by (used in) investing activities was ($767,000) for the three months ended March 31, 2000 compared to $73,000 for the three months ended March 31, 2001. For the first three months ended March 31, 2000, investing activities consisted of $1.5 million related to purchases of computer hardware and software and the build out of the Japan facility offset by $636,000 maturing of investments. For the first three months ended 2001, investing activities consisted of $73,000 for purchases of property and equipment offset by the repayment of notes receivable due from shareholders of $143,000.

Net cash provided by (used in) financing activities was $64,000 for the three months ended March 31, 2000 compared to ($1.6) million for the three months ended March 31, 2001. For the first three months ended March 31, 2000, financing activities consisted of receiving $243,000 related to the exercise of 175,000 stock options at prices per share ranging from $1.35 to $2.00 offset by the repayment of capital leases and notes payable of $179,000. For the first three months ended March 31, 2001, financing activities consisted of the payment of cash overdrafts of $1.4 million and purchasing 76,963 shares of common stock from Mr. Charles Fioretti totaling $83,333 related to the lock-up and repurchase agreement with him. Under the terms of this agreement, Mannatech is also required through February 3, 2002, to purchase $83,333.33 worth of his common stock each month valued at 90% of the fair market price. In exchange for the repurchase of his stock, Mr. Charles Fioretti will be prohibited from trading his shares of Mannatech's common stock though March 2, 2002, unless prior approval is obtained from the Board of Directors.

Mannatech believes its existing capital resources, bank borrowings and suspension of dividend payments to shareholders, should be adequate to fund its operations for at least the next twelve months. Mannatech has no present commitments or agreements with respect to any acquisitions or purchases of manufacturing facilities or new technologies. However, as a result of the recent resignation of Mr. Anthony Canale and Ms. Deanne Varner, Mannatech is required to pay them in the future an aggregate amount of $500,000, per year through 2003, respectively. In addition, in August 2000, the Board of Directors approved a one-year plan to repurchase up to one-million dollars worth of Mannatech's common stock, on the open market, to help stabilize the price of the stock due in part to significant selling of the stock in the open market. Any future changes in Mannatech's operations could consume available capital resources faster than anticipated. Mannatech's capital requirements depend on numerous factors, including:

- the introduction of new products;
- change in the number of associates and the retention of the current associate base; and
- research and development efforts.

If existing capital resources are insufficient to meet Mannatech's capital requirements, Mannatech would be required to raise additional funds, which it cannot assure will be available on favorable terms, if at all.

Recent Financial Accounting Standards Board Statements

In June 1998, the Financial Accounting Standards Board issued Financial Accounting Standard No. 133, "Accounting for Derivative, Instruments and Hedging Activities" ("FAS 133"). This statement establishes accounting and reporting standards for hedging activities and derivative financial instruments, including certain derivative financial instruments embedded in other contracts. In June 1999, the Financial Accounting Standards Board issued Financial Accounting Standard No. 137, which defers the effective date of FAS 133 to fiscal years beginning after June 15, 2000. In June 2000, the Financial Accounting Standards Board issued Financial Accounting Standard No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which addressed certain issues causing implementation difficulties. The adoption of this statement did not have nor is expected to have any future material impact on Mannatech's consolidated financial position, results of operations or cash flows.

Forward-Looking Statements

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

- management's plans, objectives and budgets for its future operations and future economic performance;
- capital budget and future capital requirements;
- meeting future capital needs;
- the level of future expenditures;
- impact of foreign currency translations;
- impact of recent accounting pronouncements;
- the outcome of regulatory and litigation matters; and
- the assumptions described in this report underlying such forward-looking statements.

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

- those described in the context of such forward-looking statements;
- future product development and manufacturing costs;
- recent and future changes in Mannatech's global incentive plans;
- timely development and acceptance of new products;
- the markets for Mannatech's domestic and international operations;
- the impact of competitive products and pricing;
- the political, social and economic climate in which Mannatech conducts its operations; and
- the risk factors described in other documents and reports filed with the Securities and Exchange Commission.

In some cases, forward-looking statements are identified by terminology such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "approximates," "predicts," "potential" or "continue" or the negative of such terms and other comparable terminology. Readers are cautioned when considering these forward-looking statements, to keep in mind these risk factors and or any other cautionary statements in this report as all of the forward-looking statements contained herein speak only as of the date of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Mannatech is exposed to certain other market risks, including changes in currency exchange rates as measured against the United States dollar. The value of the United States dollar may affect Mannatech's financial results. Changes in exchange rates may positively or negatively affect its financial results, as expressed in United States dollars. When the United States dollar increases against currencies in which products are sold or a weakening exchange rate against currencies in which Mannatech incurs costs, net sales or costs may be adversely affected. Mannatech has established policies, procedures and internal processes governing the management of its market risks and the use of any financial instruments to manage its exposure to such risks. The sensitivity of earnings and cash flows to variability in currency exchange rate is assessed by applying an appropriate range of potential rate fluctuations to Mannatech's assets, obligations and projected transactions denominated in foreign currency. Based upon its overall currency rate exposure at March 31, 2001, Mannatech does not believe that its exposure to currency exchange rate fluctuations will have a material impact on its consolidated financial position, results of operations or cash flows. The foreign currencies in which Mannatech has exposure to foreign currency exchange rate risk include Australia, the United Kingdom and Japan. The high and low exchange rates to the United States dollar, for each of these countries, for the three months ended March 31, 2001 are as follows:

Country/Currency	High	Low
Australia/Dollar.................	$0.57220	$0.48450
United Kingdom/British Pound.....	$1.51030	$1.41480
Japan/Yen........................	$0.00880	$0.00791

Given the uncertainty of the exchange rate fluctuation against the United States dollar, Mannatech cannot determine the dollar effect, if any, of the fluctuation on future business, product pricing, and results of operations or financial condition. All statements other than historical information incorporated in this Item 3 are considered forward-looking statements. The actual impact of future market changes may differ materially due to, among other things, factors discussed in this report.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes in, or additions to, the legal proceedings previously reported in Mannatech's Annual Report on Form 10-K (File No. 000-24657) for 2000 as filed with the Commission on April 2, 2001.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

None.

Item 5. Other Information

On May 2, 2001, Ms. Deanne Varner informed the Board of Directors of her intent to resign as Senior Vice President and General Counsel, effective May 10, 2001. As a result, on May 2, 2001, the Company's Board of Directors entered into a separation agreement with Ms. Varner. Under the terms of the agreement, Ms. Varner is bound by certain non-compete and confidentiality clauses and the Company agreed to pay Ms. Varner $400,000 on May 10, 2001, $250,000 on April 30, 2002 and $250,000 on April 30, 2003. The Company also agreed to pay Ms. Varner an additional $50,000 related to her accrued vacation, salary and benefits up to the time of her resignation and continue to pay the lease payments for her car until the title of the car is transferred to her on or before June 30, 2001. Furthermore, the Company agreed to grant Ms. Varner a total of 163,333 stock options on May 10, 2001 at exercise prices ranging from $1.75 to $4.00, which vest on May 10, 2001 and are exercisable for seven years.

Item 6. Exhibits and Reports on Form 8-K

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

3.1 Amended and Restated Articles of Incorporation of Mannatech dated May 19, 1998, incorporated herein by reference to Exhibit 3.1 to Mannatech's Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.

3.2 Amended and Restated Bylaws of Mannatech dated April 27, 1999, incorporated herein by reference to Exhibit 4.3 to Mannatech's Form S-1 (File No. 333-77227) filed with the Commission on April 28, 1999.

3.3 First Amendment to the Bylaws of Mannatech dated October 20,1999, incorporated herein by reference to Exhibit 3.4 to Mannatech's Form 10-Q (File No. 000-24657) filed with the Commission on August 14, 2000.

3.4 Second Amendment to the Bylaws of Mannatech dated February 22, 2000, incorporated herein by reference to Exhibit 10.29 to Mannatech's Form 10-K (File No. 000-24657) filed with the Commission on April 2, 2001.

3.5 Third Amendment to the Bylaws of Mannatech dated March 6, 2000, incorporated herein by reference to Exhibit 10.29 to Mannatech's Form 10-K (File No. 000-24657) filed with the Commission on April 2, 2001.

3.6 Fourth Amendment to the Bylaws of Mannatech dated November 17, 2000, incorporated herein by reference to Exhibit 10.29 to Mannatech's Form 10-K (File No. 000-24657) filed with the Commission on April 2, 2001.

4.1 Specimen Certificate representing Mannatech's common stock, par value $0.0001 per share, incorporated herein by reference to Exhibit 4.1 to Mannatech's Amendment No. 1 to Form S-1 (File No. 333-63133) filed with the Commission on October 28, 1998.

10.1 License Agreement effective October 12, 2000 between Lactoferrin Products Company and Mannatech.*

10.2 Fulfillment Services Agreement effective July 22, 2000 between Marcus B. Gohlke and Mannatech.*

10.3 Summary of Management Bonus Plan for fiscal years beginning January 1, 2001.*

10.4 Employment Agreement dated February 19, 2001, entered into between Mannatech and Mr. C. Armando Contreras.*

10.5 Separation Agreement dated May 2, 2001 between Mannatech and Ms. Deanne Varner.*

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* Filed herewith.

(b) Reports on Form 8-K.

None.

SIGNATURES

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

MANNATECH, INCORPORATED

May 15, 2001	/S/ ROBERT M. HENRY Robert M. Henry Chief Executive Officer and Director (principal executive officer)
May 15, 2001	/S/ STEPHEN D. FENSTERMACHER Stephen D. Fenstermacher Senior Vice President and Chief Financial Officer (principal financial officer)

INDEX TO EXHIBITS

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* Filed herewith.

EXHIBIT 10.1

LICENSE AGREEMENT

This License (this "Agreement"), effective October 17, 2000, is between Lactoferrin Products Company ("Lactoferrin"), Mannatech Incorporated ("Mannatech"), and Marcus B. Gohlke ("Gohlke"). All three parties agree as follows.

1. GENERAL DEFINITIONS

1.1 Advance Payment: The "Advance Payment" is defined in Section 5.1.1.

1.2 BE Agreement: The "BE Agreement" means the July 22, 2000 agreement between Lactoferrin Products Company and Biopolymer Engineering, Inc. attached as EXHIBIT B.

1.3 Book: The "Book" means the book entitled "Immune System Control" by Beth M. Ley PhD.

1.4 Contract Year: The twelve months beginning on the first day of the calendar month of the Effective Date is the first Contract Year. Successive Contract Years follow accordingly.

1.5 Dietary Supplement: "Dietary Supplement" means a dietary supplement as understood in the United States and as may be understood or requested in other countries as a food, drug, etc.

1.6 Effective Date: The "Effective Date" is identified in the first paragraph of this Agreement.

1.7 Glucan Improvement: The "Glucan Improvement" is defined in Section 8.2.

1.8 Improvements: "Improvements" means improvements, developments, and modifications to the inventions of the Licensed Patents or to any part of the Licensed Technology, Licensed Business Information, whether or not patentable, made, conceived or acquired during the Term by either party or to which either party obtains rights which it can provide to the other without obligation to third parties, including changes made for the purpose of improving the operation, efficiency or manufacturability of the Licensed Product or processes relating thereto.

1.9 Licensed Business Information: The "Licensed Business Information" means Lactoferrin trade secrets related to business relationships with raw material suppliers, manufacturers and distributors concerning the manufacture or sale of the Licensed Product.

1.10 Licensed Patents: "Licensed Patents" means: (1) the patents licensed under the BE Agreement; (2) any patents that issue from US patent application 09/370,654, filed 08/06/99 or Canadian patent application 2,279,791, filed 08/06/99; and (3) any other patents that, during the term of this Agreement, Lactoferrin can sublicense to Mannatech that cover the Licensed Product or any process relating to the manufacture or use of the Licensed Product.

1.11 Licensed Product: A "Licensed Product" means a solid dietary supplement (1) having the formulation identified in EXHIBIT A, or (2) otherwise covered by a Licensed Patent, or (3) made using the Licensed Technology provided by Lactoferrin for the Licensed Products of clause (1) or (2).

1.12 Licensed Technology: The "Licensed Technology" means formulations, designs, drawings, diagrams, photographs, graphs, charts, calculations, specifications, manuals, reports, and other data, know-how and experience describing the configuration, manufacture, testing, maintenance and use of the Licensed Product (clause (1) or (2) of the definition of "License Product"), whether patented or held as trade secret that Lactoferrin has the right during the term of this Agreement to disclose to Mannatech.

1.13 Minimum Royalty: The "Minimum Royalty" is defined in Section 5.1.3.

1.14 Parties: The "parties" and a "party" means Lactoferrin and Mannatech, and excludes Gohlke, unless otherwise expressly indicated.

1.15 Per Unit Royalty: The "Per Unit Royalty" is defined in Section 5.1.2.

1.16 Raw Material: The "Raw Material" is colostrum powder and beta 1,3/1,6 glucan.

1.17 Royalty Due: The "Royalty Due" is defined in Section 5.1.

1.18 Royalty Unit: A "Royalty Unit" is an amount of Licensed Product equal to a one month supply based on the daily suggested use or an equivalent amount. An example of a Royalty Unit is a sixty (60) count bottle or blister pack where two (2) counts are suggested for daily use.

2. LICENSE GRANTS

2.1 Licensed Products: Subject to the terms of this Agreement, Lactoferrin grants to Mannatech an exclusive, worldwide license (with no right to sublicense) to make, have made, use, sell, offer, import, and export Licensed Products under (1) the Licensed Patents, (2) the Licensed Technology, and (3) Lactoferrin's rights under the BE Agreement. Mannatech acknowledges that exclusivity under the BE Agreement requires certain conditions be met. Lactoferrin and Mannatech shall execute the sublicense required by the BE Agreement, but nothing in that sublicense shall expand or modify Mannatech's rights as granted under this Agreement. Subject to the terms of this Agreement, Lactoferrin grants to Mannatech an exclusive, worldwide license to use the Licensed Business Information to make and sell the Licensed Product. Lactoferrin shall not assert any Licensed Patent against any activities permitted by the licenses granted in this section.

2.2 Advertising Materials: Conditioned upon Lactoferrin's prior written approval of any use (which approval shall not be unreasonably withheld or delayed), Lactoferrin grants to Mannatech an exclusive, worldwide license to reproduce, prepare derivative works, distribute, perform and display: (1) Lactoferrin's written and video advertising materials for the Licensed Product; and (2) Lactoferrin's audio scripts related to colostrum/lactoferrin product and synergy with Ambrotose(R).

2.3 Asia Exception: Notwithstanding any provision of this Agreement, Lactoferrin may continue its sales of dietary supplements (a combination of colostrum and lactoferrin and not containing beta glucan) to Genesis Trading Limited of Hong Kong and Grand Stone Corporation of Orange County, California for resale in Asia but not in Japan, and except that the dietary supplements may not be sold for resale to a multi-level marketer. However, one year after the earlier of: (1) written notice by Mannatech of its intent to enter the Asia market with the Licensed Product or (2) Mannatech's notice of actual entry in the Asia market with the Licensed Product, Lactoferrin shall cease selling into Asia the dietary supplement (a combination of colostrum and lactoferrin) currently sold in Asia. No sales of its dietary supplements (a combination of colostrum and lactoferrin) may be made by Lactoferrin in Japan or for ultimate delivery or sale to Japan.

2.4 Retained Rights: Lactoferrin retains all rights necessary to make, have made, use, sell, offer for sale, import and export, worldwide, dietary supplements, whether solid, liquid or any form, (A) comprising no more two of the following: (1) colostrum; (2) lactoferrin; (3) modified citrus pectin; and (4) beta glucan, but (B) not including the combination of colostrum and lactoferrin or the combination of colostrum and beta 1,3/1,6 glucan.

2.5 License Limitations

2.5.1 Prohibited Countries: The licenses granted in this Agreement shall not include any country where such grants, or exportation of the Licensed Technology, is prohibited by US law or the law of such country.

2.5.2 Prior Agreements: All licenses are subject to any prior agreements between Lactoferrin and others entered before the Effective Date. Lactoferrin represents it has disclosed all such agreements and that none would materially affect the value of this Agreement or rights conferred hereunder.

3. MANNATECH OBLIGATIONS

3.1 Best Efforts to Market: Mannatech shall use its reasonable best efforts to market Licensed Product.

3.2 Formula Requirement: Mannatech may use any of the four ingredients set forth in EXHIBIT A to make, have made, use, sell, offer, import, and export Licensed Product. Any departures from the ranges of ingredients set forth in EXHIBIT A must be approved in writing by Lactoferrin.

3.3 Use Prohibitions: Mannatech shall not use the Licensed Technology, the Licensed Business Information, or the advertising materials except as expressly permitted in this Agreement.

3.4 Trademarks: Mannatech shall mark or label the Licensed Product with the trademark "Beta Right" for any Licensed Product manufactured with beta 1,3/1,6 glucan from Biopolymer Engineering Incorporated as indicated in EXHIBIT B. Mannatech shall mark or label the Licensed Product with the trademark "Prime Colostrum" for any Licensed Product manufactured with colostrum from Immuno-Dynamics, Inc. Nothing herein shall grant any right to Mannatech to use any Lactoferrin trademark or tradename, and Mannatech shall not use any Lactoferrin trademark or tradename.

3.5 Patent Notice: Mannatech shall mark all Licensed Product packaging and advertising comprising beta 1,3/1,6 glucan:

"Protected by US patents 5,576,015; 5,519,009; 5,397,773; 5,705,184; and 5,702,719. Other US and Canadian patents pending."

("the Glucan Patents") or otherwise as Lactoferrin may direct by written notice. Mannatech shall mark all Licensed Product packaging and advertising not comprising beta 1,3/1,6 glucan:

"US and Canadian patents pending."

or otherwise as Lactoferrin may direct by written notice. In making such notice, Mannatech relies upon representations of Lactoferrin that the beta 1,3/1,6 glucan used in the Dietary Supplements is covered by the Glucan Patents. If Lactoferrin becomes aware that a product marketed by Mannatech containing colostrum and lactoferrin does not fall within the scope of any Licensed Patent, Lactoferrin will provide notice to Mannatech.

3.6 Packaging of the Licensed Product: Mannatech may package the Licensed Product in any package, size or quantity at Mannatech's option.

3.7 Confidentiality: Except as expressly permitted, Mannatech shall not use or disclose, or permit others to use or disclose any Improvements, Licensed Technology, or Licensed Business Information, and shall protect all such information in confidence. Mannatech shall disclose Improvements, Licensed Technology, or Licensed Business Information only to employees, vendors and manufacturers who have a need to know. Mannatech shall have no obligation to maintain as confidential information which is in or becomes in the public domain or becomes known to the public through no fault of Mannatech. The obligations of this section shall survive after the termination of this Agreement.

3.8 Sublicenses: Mannatech shall not sublicense any rights granted under this Agreement without the express written consent of Lactoferrin.

3.9 Raw Material Purchase: Mannatech shall purchase Raw Material from raw material suppliers identified in Paragraph 4.2 of this Agreement.

4. LACTOFERRIN OBLIGATIONS

4.1 Disclosures: Lactoferrin, through Marcus B. Gohlke, shall make the Licensed Technology and Licensed Business Information available to Mannatech commencing on the Effective Date of this Agreement. Upon reasonable request with advance notice by Mannatech, Marcus B. Gohlke shall make himself available to make the disclosure and cooperate with Mannatech in connection with the development of its products. If Mannatech requests with advance notice for Marcus B. Gohlke to travel to a location more than fifty (50) miles from Marcus B. Gohlke's residence, Mannatech shall pay all reasonable, requested travel, meals and lodging expenses. Lactoferrin shall authorize and instruct Lactoferrin's patent counsel to provide to Mannatech's patent counsel a copy of US patent application 09/370,654, filed 08/06/99 or Canadian patent application 2,279,791, filed 08/06/99 within a reasonable time from the effective date of this Agreement.

4.2 Raw Materials

4.2.1 Colostrum Powder: Lactoferrin shall deliver to Mannatech colostrum powder at Lactoferrin's cost, not to exceed $120 per kilogram for the first three Contract Years. The parties may negotiate a different, lower price based on the volume of colostrum powder purchased. Lactoferrin will use Immuno-Dynamics, Inc., having a place of business at Intersection Highway 141 and 169, Perry, Iowa, as a source for the colostrum powder. Based on present knowledge, Lactoferrin represents $120 per kilogram is the lowest cost negotiated for colostrum power from Immuno-Dynamics, Inc.

4.2.2 Glucan: Lactoferrin shall deliver to Mannatech beta 1,3/1,6 glucan at Lactoferrin's cost not to exceed $500 per kilogram according to the terms of the BE Agreement. Lactoferrin will use Biopolymer Engineering Incorporated, having a place of business at 445 Etna Street, Suite 58, St. Paul, Minnesota as a source for the beta 1,3/1,6 glucan. Based on present knowledge, Lactoferrin represents $500 per kilogram is the lowest cost negotiated for beta 1,3/1,6 glucan from Biopolymer Engineering Incorporated. Mannatech acknowledges that Lactoferrin has entered into the BE Agreement. Mannatech agrees to execute the Sublicense Agreement (Attachment A) of the BE Agreement. Lactoferrin shall provide confirmation of Biopolymer Engineering Incorporated's approval of Mannatech as sublicensee.

4.2.3 Orders and Supply: Mannatech shall pay for the Raw Materials FOB the raw material supplier and shall pay Lactoferrin 30 days net. If Mannatech is current on all payments due under this Agreement, Lactoferrin will accept purchase orders from Mannatech for Raw Material.

4.2.4 Substitutions: Lactoferrin shall make no substitutions in the suppliers of the Raw Materials unless agreed in writing by Lactoferrin and Mannatech. If either of the raw material suppliers noted in paragraphs 4.2.1 and 4.2.2 fail to supply satisfactory Raw Material and Lactoferrin cannot substitute a reasonable raw material supplier within 30 days with goods substantially similar to those provided pursuant to paragraphs 4.2.1 and 4.2.2, Mannatech may terminate this Agreement upon notice as provided in paragraphs 10.4 and 11.6.

4.3 The Book: Upon request by Mannatech, and to the extent Lactoferrin can purchase copies of the Book, Lactoferrin shall sell copies of the Book to Mannatech upon payment by Mannatech of $2.95 per copy, plus shipping and handling.

5. ROYALTIES AND PAYMENTS

5.1 Product Royalty: The Licensed Product Royalty shall be calculated and paid on a monthly basis for receipt by Lactoferrin on or before the last day of each month. The Royalty Due means the greater of (1) the Per Unit Royalty or (2) the Minimum Royalty, as the case may be. Whenever a Contract Years Minimum Royalty has been paid, there will be no further Minimum Royalty for that year. After the Minimum Royalty has been paid for such Contract Year, Mannatech shall only pay for sale of any Licensed Product or Products as per the terms above and at the rate of the Per Unit Royalty below.

5.1.1 Advance Payments: Mannatech shall pay Advance Payments against Royalty to Lactoferrin in the amount of $72,000 as follows:

$36,000 On the Effective Date
$36,000 90 days after the Effective Date

5.1.2 Per Unit Royalty: The Per Unit Royalty means the royalty for the Royalty Units of Licensed Product shipped by Mannatech each month:

Number Royalty Units	Royalty
1 - 540,000	$1.00 per Royalty Unit
540,001 - 1,540,000	$0.90 per Royalty Unit
over 1,540,000	$0.80 per Royalty Unit

5.1.3 Minimum Royalty: The Minimum Royalty shall be calculated as follows:

Contract Year 1	$12,000 per month less one-twelfth of the advance royalty but in any event not less than $6,000/month. Contract Year 1 Minimum Royalty shall be deemed paid in full when $144,000 total royalty for the contract year has been paid.

Contract Year 2	The greater of $8,000/month or (an amount equal to a Per Unit Royalty for 110% of the average monthly number of Royalty Units shipped in Year 1)/month. Contract Year 2 Minimum Royalty shall be deemed paid in full when $96,000 total royalty for the contract year has been paid.
Contract Year 3	(an amount equal to a Per Unit Royalty for 110% of the average monthly number of Royalty Units shipped in Year 2)/month or annually as the case may be.
Any Renewal Year	(an amount equal to a Per Unit Royalty for 5,000 Royalty Units shipped)/month.

Upon renewal for any renewal year, the parties may negotiate a different Minimum Royalty not less than an amount equal to a Per Unit Royalty for 5,000 Royalty Units shipped in a month.

5.2 Advertising Royalty: Mannatech shall pay to Lactoferrin Advertising Royalties as follows:

5.2.1 For written advertising materials: The parties shall agree upon a payment for advertising materials shipped by Mannatech and developed in conjunction with Lactoferrin, provided that all property and copyright rights to such works shall belong to Mannatech, solely. Anything developed by or for Mannatech, independent of Lactoferrin, concerning the Licensed Product will not require a payment. Listing the Licensed Product in the Mannatech products catalog will not require a payment.

5.2.2 For audios and videos: For audios and videos and any written scripts for audios or videos, developed by Lactoferrin or jointly by Mannatech and Lactoferrin and shipped by Mannatech, Mannatech shall pay Lactoferrin 5% of the total sales price of the item when the same is shipped.

On or before the last day of each month, Mannatech shall pay and deliver to Lactoferrin the Advertising Royalty due for the preceding month.

5.3 Payment Procedures: All payments under this Agreement shall be made in United States currency. Late payments shall bear interest at the lesser of 10% per annum or the maximum legal rate.

5.4 Taxes and Similar Charges: Mannatech shall pay all taxes, customs duties, import and export fees, currency conversion charges, and other charges that may be required to enable Mannatech to comply with any and all government regulations regarding the performance of this Agreement.

5.5 Royalty Calculations: All royalties shall be calculated on the gross number of items shipped. A Royalty Unit shall be considered shipped when Mannatech ships to a customer of Mannatech the Royalty Unit. Returns for which a customer is given credit or reimbursement, and complementary/promotional products shall be subtracted from the number of products shipped for purposes of calculating the Product Royalty. For any Licensed Product not covered by any of the patents licensed under the BE Agreement (by itself or by method of manufacture), the Per Unit Royalty shall be reduced by 10%. If no patent issues from US patent application 09/370,654, filed 08/06/99 or Canadian patent application 2,279,791, filed 08/06/99, or a continuation application of either, the Per Unit Royalty shall be reduced by 10%.

6. REPORTS, RECORDS, AUDITS

6.1 Written Reports: On or before the last day of the month, Mannatech shall submit to Lactoferrin a written report showing all royalty payments paid or otherwise due from Mannatech for the previous month, and the detailed calculation of each. Without limitation, the report shall include for the month:

6.1.1 A check with remittance advice showing as to each product: the number of units shipped, the Minimum Monthly Royalty, the Product Royalty, the Excess Royalty, the actual royalty paid, the standing inventory, the shrinkage (including promotional items) and returns for credit to customers.

6.1.2 For items governed by paragraph 5.3, a check with remittance advice reflecting as to each such item: number of units shipped, Advertising Royalty, actual royalty paid, standing inventory, shrinkage (including promotional items) and returns for credit to customers; and

6.1.3 Any deficiency, and any interest due.

Mannatech's issuance of a signed check with remittance advice shall be considered a representation by Mannatech that the information in the remittance advice is true, correct, and prepared in accordance with generally accepted accounting principles consistently applied from applicable period to period.

6.2 Records: Mannatech shall keep accurate written records (as well as invoices and shipping and payment records) sufficient to show Mannatech's performance of all obligations under this Agreement in accordance with generally accepted accounting principles. Mannatech shall record all sales of the Licensed Product, by product. Mannatech shall keep all such records regarding Licensed Product for five years after the end of the Contract Year pertaining to the records.

6.3 Audit: Upon five days written notice, Mannatech shall permit Lactoferrin or its designee to audit, inspect and copy the books and records of Mannatech with respect to Licensed Product, including but not limited to shipments, promotions, and returns of Licensed Product. Mannatech shall cooperate with Lactoferrin or its designee in providing Lactoferrin reasonable access to Mannatech's books and records during normal business hours for this purpose. If Mannatech withholds any records, Mannatech shall pay all of Lactoferrin's court costs, legal fees, and related costs to obtain Mannatech's compliance with this section. If the results of any inspection or audit shows that Mannatech owed five percent 5% or more than actually paid, then Mannatech shall immediately pay (1) the amounts shown due (including interest) and (2) all reasonable out of pocket costs and expenses of the audit. If the results of any inspection or audit shows that Mannatech owed less than five percent 5% of the amount actually paid, then Mannatech shall immediately pay (1) the amounts shown due (including interest) and Lactoferrin shall pay all reasonable out of pocket costs and expenses of the audit. Lactoferrin shall only audit the records after Contract Year 1 of this Agreement and shall perform audits in a manner calculated not to disrupt the ongoing business of Mannatech.

7. PATENT ENFORCEMENT AND INFRINGEMENT

7.1 Claims against third parties: If Mannatech believes that any person is infringing a Licensed Patent, Mannatech shall provide written notice to Lactoferrin that shall include evidence of the infringement. If Lactoferrin files suit against the person of the accused activity, then:

7.1.1 If required by law, Mannatech will join as a nominal plaintiff and Mannatech shall cooperate as a witness to assist in the prosecution of Lactoferrin's claims if requested by Lactoferrin, and Mannatech may at its own discretion and expense be represented by independent counsel;

7.1.2 Lactoferrin shall bear all expenses of the suit, except expenses related to independent counsel of Mannatech; and

7.1.3 Lactoferrin shall retain all recoveries (by judgment, settlement, or otherwise).

If Lactoferrin does not file suit against the person of the accused activity within six (6) months after Mannatech's notice, then Mannatech may but shall not have the obligation to file suit against the accused infringer, and:

7.1.4 If required by law, Lactoferrin will join as a nominal plaintiff and Lactoferrin shall cooperate as a witness to assist in the prosecution of Mannatech's claims if requested by Mannatech, and Lactoferrin may at its own discretion and expense be represented by independent counsel, and Lactoferrin will assign its rights and interests in its claims to Mannatech;

7.1.5 Mannatech shall bear all expenses of the suit, except expenses related to independent counsel of Lactoferrin; and

7.1.6 Mannatech shall retain all recoveries (by judgment, settlement, or otherwise).

Nothing herein shall prevent the Parties from entering into an agreement to jointly file suit, jointly bear the expenses and jointly retain recoveries, should they so agree in writing in the future. Nothing herein shall require Lactoferrin or Mannatech to file or prosecute any actions for infringement.

7.2 Claims by Third Parties: If the use of Licensed Patents, Licensed Technology, or Licensed Products results in a claim for infringement against Mannatech, Mannatech shall pay its own expenses for defense and damages, unless the same be in reliance on any representation in paragraph 9.2.7.

7.3 Notice of Third Party Claims: Mannatech shall provide Gohlke and Lactoferrin prompt notice of and reasonable opportunity to participate in the defense of any action against Mannatech relating to the licensing, sale or other disposition of Licensed Product, Licensed Technology, or Licensed Products. Lactoferrin and Gohlke shall have no obligation to participate in any such defense.

8. IMPROVEMENTS

8.1 Improvements: Inventions or Improvements conceived or reduced to practice solely by a party during the term of and in connection with this Agreement shall be owned exclusively by such party.

8.2 Glucan Improvement: The "Glucan Improvement" means a dietary supplement containing: (1) colostrum; (2) lactoferrin; (3) modified citrus pectin; and (4) beta 1,3/1,6 glucan. The parties acknowledge that the Glucan Improvement is an Improvement under this Agreement and that the Glucan Improvement is owned by Mannatech.

8.3 Improvement Patents: Each Party, at its own discretion, may prepare, file and prosecute patent applications on its own behalf in the United States and foreign countries for Improvements. Each Party shall bear all costs and fees associated with any application filed by the party.

9. REPRESENTATIONS AND INDEMNITIES

9.1 Rights in Licensed Technology: Lactoferrin hereby represents and warrants only that it is the exclusive licensing agent for the Licensed Technology. Relative to the patents licensed under the BE Agreement, Lactoferrin hereby represents of its current actual knowledge and gives warranty limited by its current actual knowledge that it is the exclusive licensee of Biopolymer Engineering, Inc. for dietary and nutritional supplements incorporating beta 1,3/1,6 glucan, and/or beta 1,3 glucan, and/or derivative(s) of these glucans and using an oral cavity delivery system (for example, chewables) or formulation, excluding capsules, tablets or any system which delivers outside the oral cavity according to the terms of the BE agreement and as confirmed by the Acknowledgment by Biopolymer Engineering, Inc. attached as EXHIBIT C. Relative to Licensed Business Information, Licensed Technology and any patents that issue from US patent application

09/370,654, filed 08/06/99 or Canadian patent application 2,279,791, filed 08/06/99, Lactoferrin hereby represents of its current actual knowledge and warrants that it is the owner of the rights to the technology according to assignments from the inventors wherein a copy of the assignment is attached as EXHIBIT D. Lactoferrin makes no other representation, guarantee or warranty, including without limitation the completeness, validity, accuracy or noninfringing character of the Licensed Technology furnished under this Agreement; and no such warranty or guarantee shall be implied by interpretation of any term of this Agreement or by any course of dealing between the parties hereto. Lactoferrin's obligations with respect to the Licensed Technology are strictly limited to any Warranty provision herein, and Mannatech agrees to always act in accordance therewith. Lactoferrin makes no other representation or warranty respecting the technical information furnished under this Agreement.

9.2 Representations by Lactoferrin and Gohlke: Lactoferrin and Gohlke represent of their current actual knowledge:

9.2.1 the Licensed Product is an exclusive formulation, not previously produced, marketed or sold;

9.2.2 there are no similar products derived from the formulation of the Licensed Product;

9.2.3 that Gohlke, his partners or business associates, and/or Lactoferrin have US patent application 09/370,654, filed 08/06/99 and Canadian patent application 2,279,791, filed 08/06/99 pending for a dietary supplement containing lactoferrin, colostrum and modified citrus pectin, and he/they reasonably believe such patents will be granted, and further that the USPTO has issued a first office action in which the examiner indicated that no prior art was found which anticipates the invention as claimed in many of the claims filed in US patent application 09/370,654;

9.2.4 there are no legal actions or proceedings pending against Lactoferrin or Gohlke;

9.2.5 that no prior art exists which is a basis for a court to render any Licensed Patent invalid;

9.2.6 that no prior art exists which is a basis for a court to render any Licensed Patent unenforceable;

9.2.7 that no patents of third parties exist which would be infringed by the Licensed Technology or any Licensed Product.

9.3 Representations by Lactoferrin: Lactoferrin represents of its current actual knowledge:

9.3.1 Lactoferrin is a corporation duly organized and in good standing under the laws of its state of incorporation;

9.3.2 all necessary business governance issues have been authorized to enter the agreement;
9.3.3 no other consent is required to enter the agreement;
9.3.4 Lactoferrin has other agreements with third parties which have been disclosed to Mannatech, but entering this Agreement will not cause Lactoferrin to breach any other agreement of which it is a party pertaining to the subject matter of this Agreement;
9.3.5 all taxes are current;
9.3.6 the relationship between Lactoferrin and its suppliers and customers is generally good; and
9.3.7 Lactoferrin is solvent.

9.4 Representations by Mannatech: Mannatech represents of its current actual knowledge:
9.4.1 Mannatech is solvent;
9.4.2 No other consent is required to enter the agreement, other than the Board of Directors;
9.4.3 Mannatech is not in bankruptcy;
9.4.4 Mannatech is not aware that it is in material breach of any other agreement which with notice and opportunity to cure would render an adverse effect on this Agreement;
9.4.5 Mannatech is a corporation duly organized and in good standing under the laws of its state of incorporation;

9.5 Exclusion of Warranties: Lactoferrin makes no other representation concerning the Licensed Product, the Licensed Patents, the Licensed Technology, or the Licensed Business Information. Mannatech waives any claim against Lactoferrin for any failure of the Licensed Product, the Licensed Patents, the Licensed Technology, the Licensed Business Information, or parts, components or ingredients thereof to perform fully. LACTOFERRIN EXCLUDES ANY WARRANTY: (1) AS TO THE VALIDITY, ENFORCEABILITY, OR SCOPE OF ANY LICENSED PATENT; AND (2) AS TO THE COMPLETENESS OR ACCURACY OF THE VALIDITY, ENFORCEABILITY, OR NONINFRINGING CHARACTER OF THE LICENSED PATENTS AND THE LICENSED TECHNOLOGY. NO SUCH WARRANTIES SHALL BE IMPLIED BY INTERPRETATION OF ANY TERM OR BY ANY COURSE OF DEALING, EXCEPT AS PROVIDED HEREIN.

9.6 Notice Concerning Patent: Lactoferrin shall provide notice to Mannatech, if Lactoferrin comes to know or be aware that:
9.6.1 prior art exists which is a basis for a court to render any Licensed Patent invalid;
9.6.2 prior art or evidence exists which is a basis for a court to render any Licensed Patent unenforceable;

9.6.3 any Licensed Product infringes a patent of a third party, and

9.6.4 any Licensed Product is outside the scope of all Licensed Patents.

Any failure of Lactoferrin to provide notice under this paragraph shall not affect Mannatech's obligations under this Agreement except to the extent of any claim by Mannatech for actual damages.

9.7 Indemnity by Mannatech: Mannatech shall indemnify, defend, and hold Lactoferrin and Gohlke harmless from any damages (including consequential and special damages), expenses, and costs (including reasonable attorneys' fees) relating to intentional acts or gross negligence of Mannatech, a Mannatech employee, or an officer of Mannatech, acting within the course of business of Mannatech and, if an officer, within the scope of such officer's authority.

9.8 Indemnitees' Obligations: Gohlke and/or Lactoferrin shall promptly notify Mannatech of any claim or action subject to indemnity. Gohlke and/or Lactoferrin shall provide Mannatech complete information and cooperation in the defense or settlement of the claim and shall not settle or pay any claim without Mannatech's prior written approval. Failure to perform any obligation in this section shall not affect Mannatech's indemnity obligations except to the extent of any claim by Mannatech for actual damages.

9.9 Insurance: Mannatech shall maintain product liability insurance in the United States and Canada during the term of this Agreement.

10. TERM, TERMINATION AND EXPIRATION

10.1 Term: The term of this Agreement shall be the Initial Term, and any Renewal Term, unless earlier noticed for termination. The Initial Term begins on the Effective Date and continues to the end of the Third Contract Year. All Renewal Terms shall have a duration of three (3) years (the first Renewal Term shall continue to the end of the Sixth Contract Year, the second Renewal Term shall continue to the end of the Ninth Contract Year, the third Renewal Term shall continue to the end of the Twelfth Contract Year, etc.). This Agreement shall automatically renew for a Renewal Term at the end of any term, unless Mannatech provides to Lactoferrin written notice under paragraph 10.2

10.2 Termination by Mannatech: Provided Mannatech is not in breach of this Agreement, Mannatech may terminate this Agreement by written notice to Lactoferrin at least sixty days before the then-scheduled end of a term (but no more than 120 days before that date).

10.3 Immediate Termination by Lactoferrin: Lactoferrin may terminate this Agreement by written notice to Mannatech after notice and 60 days opportunity to cure:

10.3.1 If Mannatech modifies or alters the formula of a Licensed Product beyond the ranges provided in EXHIBIT A without Lactoferrin's written consent;

10.3.2 If Mannatech purchases or obtains Raw Materials from a source without Lactoferrin's written consent;

10.3.3 If Mannatech dissolves, ceases active business operations, liquidates substantially all of its assets; or becomes insolvent;

10.3.4 If Mannatech becomes bankrupt; or

10.3.5 If Lactoferrin is sued by a third party for patent infringement for Lactoferrin's activities under this Agreement.

10.4 Immediate Termination by Mannatech: Mannatech may terminate this Agreement by written notice to Lactoferrin after notice and 60 days opportunity to cure:

10.4.1 If Lactoferrin supplies Raw Materials from a source other than those identified in paragraphs 4.2.1 and 4.2.2 without Mannatech's written consent.

10.4.2 If Mannatech has a good faith opinion upon written advice of patent counsel that Mannatech's activities under this Agreement constitutes patent infringement of a third party patent.

10.5 Termination by Law: This agreement shall terminate if it becomes illegal in the United States to sell or offer for sale Dietary Supplements containing any of the following ingredients: beta glucan, colostrum, or lactoferrin.

10.6 Termination Procedures: Upon any termination of this Agreement, Mannatech shall immediately cease all use of the Licensed Technology, the Licensed Patents, and the Improvements and shall immediately return or deliver to Lactoferrin all documents containing any information relating thereto.

10.7 Survival: Sections 3.7 and 9.7, any amounts accrued and owing, and any claims for breach shall survive expiration or termination of this Agreement.

11. GENERAL PROVISIONS

11.1 Assignment by Mannatech: The rights and licenses granted by Lactoferrin in this Agreement are personal to Mannatech and may not be assigned or otherwise transferred without the written consent of Lactoferrin. Any attempted assignment or transfer without such consent shall be void and shall automatically terminate all rights and licenses of Mannatech under this Agreement.

11.2 Assignment by Lactoferrin: The licenses granted in this Agreement shall be binding upon any successor of Lactoferrin in ownership or control of the Licensed Technology, and the obligations of Mannatech, including but not limited to the obligation to make reports and pay royalties, shall run in favor of any such successor and of any assignee of Lactoferrin's benefits under this Agreement. Any Assignment by Lactoferrin shall also be binding upon Marcus B. Gohlke.

11.3 Force Majeure: None of the three parties shall be liable for failure to perform any obligation when occasioned by contingencies beyond its control, such as strikes or other work stoppages, lock outs, riots, wars, delay of carriers, etc., and acts of God, such as fire, floods, storms, earthquakes, and acts or failures to act of government or governmental agencies or instrumentalities. A party shall notify the other parties immediately should any such contingency occur. No party shall be excused from its obligations for a period of longer than 30 days, without written approval of the other party.

11.4 Choice of Law: This Agreement and the relationship between all three parties shall be governed in all respects by the laws of the State of Texas, except that questions affecting the construction and effect of any patent shall be determined by the law of the country in which the patent has been granted.

11.5 Severability: If it shall at any time appear that any right or obligation provided by this Agreement is contrary to any law, treaty, or regulation, such right or obligation shall be deemed annulled, or shall be modified to the extent required to comply with such law, treaty or regulation, unless Lactoferrin, in its sole discretion, objects to the annulment or modification of any such right or obligation, in which event the Agreement will be terminable forthwith by Lactoferrin, except as provided in paragraph 10.5 hereof.

11.6 Notice. Any notice given by either party to the other party shall be in the English language and shall be sent by courier, mail, electronic mail or electronic transmission (facsimile) confirmed by certified mail to the other party's signatory at the address set forth below, or to such other address as a party may indicate by notice in accordance with this section. Notices shall be deemed delivered on confirmed receipt.

If to Mannatech:

Mannatech Incorporated
600 S. Royal Lane, Suite 200
Coppell, Texas 75019
Attn: Terry Persinger with confirmation to Deanne Varner
Phone: 972 471 7387
Fax: 972-471-7264
Email: tpersinger@mail.mannatech-inc.com

If to Lactoferrin: Lactoferrin Products Company
12302 Astoria Boulevard
Houston, Texas
Attn: Marcus B. Gohlke
Phone: 281 464 0709
Fax: 281 464 0805
Email: altmed@altmedinfo.com

If to Gohlke: Marcus B. Gohlke
12302 Astoria Boulevard
Houston, Texas
Phone: 281 464 9716
Fax: 281 464 0805
Email: mbg@altmedinfo.com

11.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Texas, United States of America, as applicable to contracts made and to be performed within such state without giving effect to its conflict of law provisions, and all disputes had by one party against the other shall be brought in a court of competent jurisdiction in Harris County, State of Texas.

11.8 Entire Agreement: This Agreement contains the entire and only Agreement between the three parties and supersedes all preexisting Agreements between them respecting its subject matter. Any representation, promise, or condition in connection with such subject matter which is not incorporated in this Agreement shall not be binding upon either party. No modification, renewal, extension, waiver, and (except as may be provided herein) no termination of this Agreement or any of its provisions shall be binding upon the party against whom enforcement of such modification, renewal, extension, waiver, or termination is sought, unless made in writing and signed on behalf of such party by one of its executive officers. As used herein, the word "termination" includes any and all means of bringing to an end prior to its expiration by its own terms this Agreement, or any provision thereof, whether by release, discharge, abandonment, or otherwise.

MANNATECH INCORPORATED

/s/ Terry Persinger

Name: Terry Persinger
Title: President and Chief Operating Officer Domestic
Date: 10/12/00

LACTOFERRIN PRODUCTS COMPANY

/s/ MARCUS B. GOHLKE	
Name: Marcus B. Gohlke	Name: Richard H. Cockrum
Title: President	Title: Member of Board of Directors
Date: 10/4/2000	Date:

/s/ MARCUS B. GOHLKE

Name: Marcus B. Gohlke, individually
Date: 10/4/2000

EXHIBIT A - FORMULATION

Formulation for a chewable wherein the suggested use is two chewables per day:

Component	Amount
Prime Colostrum(R)	125.0 - 250.0 mg.
BetaRight(R) Beta 1,3/1,6 Glucan	20.0 - 75.0 mg.
Lactoferrin	10.0 - 25.0 mg.
Modified Citrus Pectin	5.0 - 15.0 mg.

EXHIBIT B - BE Agreement

LICENSE AGREEMENT

THIS LICENSE AGREEMENT is made and is effective as of the 22/nd/ day of July, 2000 by and between Biopolymer Engineering, Inc. and its parent, related or affiliated corporations (together called "BEI") of 445 Etna Street, Suite 58, St. Paul, Minnesota 55106 USA, and Lactoferrin Products Company and its parent, related or affiliated corporations (together called "Lactoferrin") of 12302 Astoria Boulevard, Houston, TX 77089.

WHEREAS, BEI is a manufacturer and distributor of beta 1,3/1,6 glucan and/or beta 1,3 glucan.

WHEREAS, Lactoferrin is a manufacturer and distributor of nutritional and dietary supplements which use an oral cavity delivery system (for example, lozenges) or formulation, excluding capsules, tablets or any system which delivers outside the oral cavity.

WHEREAS, the Parties wish to manufacture and distribute a nutritional and dietary supplement comprising beta 1,3/1,6 glucan and/or beta 1,3 glucan which uses an oral cavity delivery system or formulation.

NOW WITNESS THEREFORE that in consideration of the premises and the provisions, stipulations and matters herein set out, the Parties hereto hereby agree as follows:

1. Definitions: When used in this Agreement, the terms set forth below shall have the meanings indicated:

EFFECTIVE DATE of this Agreement shall be the date first above indicated.

IMPROVEMENTS shall mean improvements to the formulation or method of making the LICENSED PRODUCT within the LICENSED FIELD.

LICENSED FIELD shall mean the field of dietary and nutritional supplements incorporating beta 1,3/1,6 glucan, and/or beta 1,3 and/or derivative(s) of these glucans and using an oral cavity delivery system (for example, lozenges) or formulation, excluding capsules, tablets or any system which delivers outside the oral cavity.

LICENSED PRODUCT means any and all products that employ, are produced by the practice of, or used in accordance with inventions claimed in the LICENSED PATENTS or other patents related to the LICENSED FIELD.

LICENSED PATENTS shall means United States Patents issued numbers: 5,576,015; 5,519,009; 5,397,773; 5,705,184; and 5,702,719 and patents which relate to inventions in or applicable to the LICENSED PRODUCT and which are owned or controlled by BEI during the term of this Agreement, or in respect to which BEI has or may acquire during the term of this Agreement the right to grant licenses of the scope to be granted in this Agreement.

TRADEMARK shall mean the term "Beta Right" and any rights established by United States trademark application Serial Number 75/912,109.

2. Technology License: BEI grants to Lactoferrin an exclusive license to make, have made, use, sell, offer for sale, and import the LICENSED PRODUCT embodying, made, or used in accordance with the LICENSED PATENTS for use in the LICENSED FIELD. In addition to all third parties, this license is exclusive of BEI.

3. Technology Use: For all products which Lactoferrin shall make, have made, use, sell, offer for sale, and import under the license of Paragraph 2, the products shall contain an effective amount of beta 1,3/1,6 glucan, and/or beta 1,3 glucan, and/or derivative(s) of these glucans, wherein an "effective amount" is defined as a recommended dose of 40 mg/day.

4. Trademark License: BEI grants to Lactoferrin a nonexclusive license to use the TRADEMARK in association with LICENSED PRODUCT in the LICENSED FIELD.

5. Trademark Use and Control: Lactoferrin shall use the TRADEMARK on all packaging and labels associated with products containing beta 1,3/1,6 glucan and/or beta 1,3 glucan purchased from BEI. Approximately once every six months and at BEI's written request, Lactoferrin shall provide a sample of LICENSED PRODUCT to BEI.

6. Supply: BEI agrees to supply to Lactoferrin beta 1,3/1,6 glucan and/or beta 1,3 glucan at a rate of five hundred dollars per kilogram ($500.00/kg) or less. BEI agrees that it shall not supply beta 1,3/1,6 glucan and/or beta 1,3 glucan to any third party at a rate which is lower than the rate paid by Lactoferrin for the same product, unless such lower rate is also offered to Lactoferrin for such product.

7. Purchase: Lactorferrin shall purchase beta 1,3/1,6 glucan and/or beta 1,3 glucan exclusively from BEI.

8. Initial Purchase: Lactoferrin shall purchase five kilograms (5 kg) of beta 1,3/1,6 glucan and/or beta 1,3 glucan from BEI at a price of five hundred dollars per kilogram ($500.00/kg) on or before the effective date of this Agreement.

9. Minimum Purchase: This Agreement shall remain in effect for so long as Lactoferrin purchases quantities of beta 1,3/1,6 glucan and/or beta 1,3 glucan from BEI according to the following schedule:

year 2000	25 kilogram minimum purchase
year 2001	125 kilogram minimum purchase
year 2002	250 kilogram minimum purchase

For year 2003 and beyond, Lactoferrin must purchase 250 kilograms of beta 1,3/1,6 glucan and/or beta 1,3 glucan per year to keep this Agreement effective. If Lactoferrin fails to purchase the required quantity of beta 1,3/1,6 glucan and/or beta 1,3 glucan, as required by this Paragraph 5, this Agreement shall terminate with no obligations imposed on either Party.

10. Marketing: BEI shall direct marketing and publicity efforts to geographic regions in which Lactoferrin sells and/or promotes LICENSED PRODUCT. BEI shall feature LICENSED PRODUCT as part of its exclusive sponsorship of the Debra Ray & Dr. Carrow nationally syndicated health radio talk show "Here's To Your Health".

11. Distribution: Lactoferrin shall be responsible for all sales, marketing, advertising and distribution of LICENSED PRODUCT into its network of retailers that currently carry the Alt Med brand as well as other markets that may become available.

12. Sublicense: Lactoferrin shall have the right to sublicense all rights granted under this Agreement, qualified only in that Lactoferrin shall require each sublicensee to execute Sublicense Agreement as attached hereto in Attachment A. Upon execution by each sublicensee, Lactoferrin shall provide a copy of the executed Sublicense Agreement to BEI.

13. Patent Enforcement: While and as long as its license under this Agreement remains exclusive, Lactoferrin is empowered:

(a) to bring suit in its own name or, if required by law, jointly with BEI, at its own expense and on its own behalf, for infringement of the LICENSED PATENTS in the LICENSED FIELD;

(b) in any such suit, to enjoin infringement and to collect for its use, damages, profits, and awards of whatever nature recoverable for such infringement; and

(c) to settle any claim or suit for infringement of the LICENSED PATENTS in the LICENSED FIELD by granting the infringing party a sublicense under the provisions of Paragraph 12 of this Agreement.

14. Improvements: Inventions or IMPROVEMENTS conceived or reduced to practice solely by a party during the term of and in connection with this Agreement shall be owned exclusively by such party.

15. Patent Validity: Nothing in this Agreement precludes Lactoferrin from contesting the validity of an LICENSED PATENT.

16. Entire Agreement: This Agreement constitutes the entire understanding and agreement between the Parties, reflects all the agreements, understandings, representations, conditions and warranties by and between the parties, and any prior understanding or representation of any kind preceding the Effective Date shall not be binding upon either party unless expressly stated herein in writing or clearly and expressly incorporated by reference herein in writing. The execution of this Agreement has not been induced by, nor do any of the parties hereto rely upon or regard as material, any representations or promises whatever except to the extent expressly stated herein in writing or clearly and expressly incorporated by reference herein in writing. No party shall be liable for any representation made or omitted unless it is expressly set forth in this Agreement.

17. Warranty of Authority: Any such execution is a representation and warranty to the other party that the party so signing has full authority in all requisite capacities to do so. In the event of any loss or damage suffered by a party due to this representation or warranty being untrue, whether innocent or otherwise, then the party causing the harm shall indemnify the other party in respect of all loss or damage, and reasonable costs and expenses connected therewith.

18. Inurement: This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, representatives, successors and assigns.

19. Counterparts and Fax Copies: This Agreement may be executed in counterparts and may be delivered by fax copies thereof and when the whole is so executed and delivered it shall

constitute a valid and binding agreement among the parties so executing and delivering the agreement effective as of the Effective Date. Fax Signatures shall be deemed to be accepted as original.

20. Severability: If one or more or any part of the individual provisions in this Agreement should be deemed contrary to law, then such provisions or parts thereof shall be null and void and shall be deemed separable from the remaining provisions or parts thereof and shall in no way affect the validity or enforceability of any remaining provision of this Agreement.

21. Law and Jurisdiction: This Agreement shall be subject to the Laws of the State of Minnesota. All parties shall be subject to jurisdiction in the States of Texas and Minnesota.

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

BIOPOLYMER ENGINEERING, INC.

Date: July 22, 2000 Per: /s/ DANIEL K. CONNERS

Daniel K. Conners

LACTOFERRIN PRODUCTS COMPANY

Date: 7/22/2000 Per: /s/ MARCUS GOHLKE, PRES

Marcus Gohlke, President

SUBLICENSE AGREEMENT
(ATTACHMENT A)

THIS SUBLICENSE AGREEMENT is made and is effective as of _____________________ (date) by and between Lactoferrin Products Company and its parent, related or affiliated corporations (together called "Sublicensor") of 12302 Astoria Boulevard, Houston, TX 77089 and ____ (name) having a place of business at ____ (address) (herein called "Sublicensee").

WHEREAS, Sublicensor is the exclusive licensee of Biopolymer Engineering Inc. (herein called "BEI") of nutritional and dietary supplements incorporating beta 1,3/1,6 glucan, and/or beta 1,3 glucan, and/or derivative(s) of these glucans and which use an oral cavity delivery system (for example, losenges) or formulation, excluding capsules, tablets or any system which delivers outside the oral cavity.

NOW WITNESS THEREFORE that in consideration of the premises and the provisions, stipulations and matters herein set out, the Parties hereto hereby agree as follows:

1. Definitions: When used in this Agreement, the terms set forth below shall have the meanings indicated:

EFFECTIVE DATE of this Agreement shall be the date first above indicated.

IMPROVEMENTS shall mean improvements to the formulation or method of making the LICENSED PRODUCT within the LICENSED FIELD.

LICENSED FIELD shall mean the field of dietary and nutritional supplements incorporating beta 1,3/1,6 glucan, and/or beta 1,3 glucan, and/or derivative(s) of these glucans and using an oral cavity delivery system (for example, losenges) or formulation, excluding capsules, tablets or any system which delivers outside the oral cavity.

LICENSED PRODUCT means any and all products that employ, are produced by the practice of, or used in accordance with inventions claimed in the LICENSED PATENTS or other patents related to the LICENSED FIELD.

LICENSED PATENTS shall means United States Patents issued numbers: 5,576,015; 5,519,009; 5,397,773; 5,705,184; and 5,702,719 and patents which relate to inventions in or applicable to the LICENSED PRODUCT and which are owned or controlled by BEI during the term of this Agreement, or in respect to which BEI has or may acquire during the term of this Agreement the right to grant licenses of the scope to be granted in this Agreement.

TRADEMARK shall mean the term "Beta Right" and any rights established by United States trademark application Serial Number 75/912,109.

2. Technology Sublicense: Sublicensor grants to Sublicensee a nonexclusive license to make, have made, use, sell, offer for sale, and import the LICENSED PRODUCT embodying, made, or used in accordance with the LICENSED PATENTS for use in the LICENSED FIELD.

3. Technology Use: For all products which Sublicensee shall make, have made, use, sell, offer for sale, and import under the license of Paragraph 2, the products shall contain an effective amount of beta 1,3/1,6 glucan, and/or beta 1,3 glucan, and/or derivative(s) of these glucans, wherein an "effective amount" is defined as a recommended dose of 40 mg/day.

4. Trademark License: Sublicensor grants to Sublicensee a nonexclusive license to use the TRADEMARK in association with LICENSED PRODUCT in the LICENSED FIELD.

5. Trademark Use and Control: Sublicensee shall use the TRADEMARK on all packaging and labels associated with products containing LICENSED PRODUCT.

Approximately once every six months and at Sublicensor's written request, Sublicensee shall provide a sample of LICENSED PRODUCT to Sublicensor.

6. Purchase: Sublicensee shall purchase beta 1,3/1,6 glucan and/or beta 1,3 glucan exclusively from BEI: Sublicensor.

7. Consideration: Good and valuable consideration is hereby given in support of this agreement, receipt of which is hereby acknowledged.

8. Sub-sublicense: Sublicensee shall have no right to sub-sublicense rights granted under this Agreement.

9. Improvements: Inventions or IMPROVEMENTS conceived or reduced to practice by either party during the time of and in connection with this Agreement shall be owned exclusively by Sublicensor.

10. Entire Agreement: This Agreement constitutes the entire understanding and agreement between the Parties, represents all the agreements, understandings, representations, conditions and warranties by and between the parties, and any prior understanding or representation of any kind preceding the Effective Date shall not be binding upon either party unless expressly stated herein in writing or clearly and expressly incorporated by reference herein in writing. The execution of this Agreement has not been induced by, nor do any of the parties hereto rely upon or regard as material, any representations or promises whatever except to the extent expressly stated herein in writing or clearly and expressly incorporated by reference herein in writing. No party shall be liable for any representation made or omitted unless it is expressly set forth in this Agreement.

11. Warranty of Authority: Any such execution is a representation and warranty to the other party that the party signing has full authority in all requisite capacities to do so. In the event of any loss or damage suffered by a party due to this representation or warranty being

untrue, whether innocent or otherwise, then the party causing the harm shall indemnify the other party in respect of all loss or damage, and reasonable costs and expenses connected therewith.

12. Inurement: This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, representatives, successors and assigns.

13. Counterparts and Fax Copies: This Agreement may be executed in counterparts and may be delivered by fax copies thereof and when the whole is so executed and delivered it shall constitute a valid and binding agreement among the parties so executing and delivering the agreement effective as of the Effective Date. Fax Signatures shall be deemed to be accepted as original.

14. Severability: If one or more or any part of the individual provisions in this Agreement should be deemed contrary to law, then such provisions or parts thereof shall be null and void and shall be deemed separable from the remaining provisions or parts thereof and shall in no way affect the validity or enforceability of any remaining provision of this Agreement.

15. Law and Jurisdiction: This Agreement shall be subject to the Laws of the State of Minnesota. All parties shall be subject to jurisdiction in the States of Texas and Minnesota.

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

SUBLICENSEE

Date: ------------------ Per: ------------------------------

Title: -----------------------------

SUBLICENSOR

Date: ------------------ Per: ------------------------------

Title: -----------------------------

EXHIBIT C - ACKNOWLEDGMENT BY BIOPOLYMER ENGINEERING, INC.

Acknowledgement by Biopolymer Engineering, Inc.

1. Biopolymer Engineering, Inc. is the holder of all rights under United States Patent Numbers: 5,519,009; 5,397,773; 5,576,015; 5,705,184; and 5,702,719.

2. Biopolymer Engineering, Inc. confirms it has licensed some of its rights under United States Patent Numbers: 5,519,009; 5,397,773; 5,576,015; 5,705,184; and 5,702,719 to Lactoferrin Products Company according to the terms of a license agreement effective the 22nd day of July, 2000 ("BIOPOLYMER-LACTOFERRIN AGREEMENT"). A true and correct copy of the BIOPOLYMER-LACTOFERRIN AGREEMENT is attached hereto as ATTACHMENT C1.

3. Biopolymer Engineering, Inc. consents and agrees to a license of rights under United States Patent Numbers: 5,519,009; 5,397,773; 5,576,015; 5,705,184; and 5,702,719 according to the terms of an agreement between Lactoferrin Products Company, Marcus B. Gohlke and Mannatech Incorporated ("LACTOFERRIN-MANNATECH AGREEMENT"). A redacted copy of the LACTOFERRIN-MANNATECH AGREEMENT is attached hereto as ATTACHMENT C2.

4. Biopolymer Engineering, Inc. represents that the BIOPOLYMER-LACTOFERRIN AGREEMENT is in full force and effect, that there is no default existing or event known, which upon due notice without cure, would cause a default in said BIOPOLYMER-LACTOFERRIN AGREEMENT ("Event of Default"). Biopolymer Engineering, Inc. further agrees to notify Mannatech should a default or Event of Default occur under the BIOPOLYMER-LACTOFERRIN AGREEMENT with notification sent by courier, mail, electronic mail or electronic transmission (facsimile) confirmed by certified mail to Mannatech at the address set forth below:

Mannatech Incorporated
600 S. Royal Lane, Suite 200
Coppell, Texas 75019
Attn: Terry Persinger with confirmation to Deanne Varner
Phone: 972 471 7387
Email: tpersinger@mail.mannatech-inc.com

5. Biopolymer Engineering, Inc. is aware that Mannatech is relying upon the foregoing statements and undertaking set forth above, in entering into the LACTOFERRIN-MANNATECH AGREEMENT.

- ------------------------------ ------------------------------
Daniel K. Conners Date
President
Biopolymer Engineering, Inc.

EXHIBIT D - ASSIGNMENT TO LACTOFERRIN

[LETTERHEAD OF DEPARTMENT OF COMMERCE]

FEBRUARY 15, 2000

PTAS [BAR CODE]

FROHWITTER
R. WILLIAM BEARD, JR.
THREE RIVERWAY, SUITE 500
HOUSTON, TEXAS 77056

[RECEIVED DATE STAMP]

UNITED STATES PATENT AND TRADEMARK OFFICE
NOTICE OF RECORDATION OF ASSIGNMENT DOCUMENT

THE ENCLOSED DOCUMENT HAS BEEN RECORDED BY THE ASSIGNMENT DIVISION OF THE U.S. PATENT AND TRADEMARK OFFICE. A COMPLETE MICROFILM COPY IS AVAILABLE AT THE ASSIGNMENT SEARCH ROOM ON THE REEL AND FRAME NUMBER REFERENCED BELOW.

PLEASE REVIEW ALL INFORMATION CONTAINED ON THIS NOTICE. THE INFORMATION CONTAINED ON THIS RECORDATION NOTICE REFLECTS THE DATA PRESENT IN THE PATENT AND TRADEMARK ASSIGNMENT SYSTEM. IF YOU SHOULD FIND ANY ERRORS OR HAVE QUESTIONS CONCERNING THIS NOTICE, YOU MAY CONTACT THE EMPLOYEE WHOSE NAME APPEARS ON THIS NOTICE AT 703-308-9723. PLEASE SEND REQUEST FOR CORRECTION TO: U.S. PATENT AND TRADEMARK OFFICE, ASSIGNMENT DIVISION, BOX ASSIGNMENTS, CG-4, 1213 JEFFERSON DAVIS HWY, SUITE 320, WASHINGTON, D.C. 20231.

RECORDATION DATE: 11/12/1999 REEL/FRAME: 010379/0796
NUMBER OF PAGES: 3

BRIEF: ASSIGNMENT OF ASSIGNOR'S INTEREST (SEE DOCUMENT FOR DETAILS).

ASSIGNOR:
GOHLKE, MARCUS B. DOC DATE: 10/25/1999

ASSIGNOR:
COCKRUM, RICHARD H. DOC DATE: 10/27/1999

ASSIGNEE:
LACTOFERRIN PRODUCTS COMPANY
12302 ASTORIA BOULEVARD
HOUSTON, TEXAS 77089-6403

SERIAL NUMBER: 09370654 FILING DATE: 08/06/1999
PATENT NUMBER: ISSUE DATE:

SONYA JOHNSON, EXAMINER
ASSIGNMENT DIVISION
OFFICE OF PUBLIC RECORDS

ORIGINAL ASSIGNMENT

For valuable consideration, I (we) the below signed inventor(s) of record, hereby assign to

LactoFerrin Products Company

having a place of business at:

12302 Astoria Boulevard
Houston, Texas 77089-6403

and its successors and assigns (collectively hereinafter called "the Assignee"), the entire right, title and interest throughout the world in the inventions and improvements which are the subject of United States Provisional Application Serial Number 06/096,697, filed August 13, 1998, Atty Docket No. L71299US, and which are the subject of an application to be filed under 37 CFR (S) 1.53(b), Atty Docket No. L71803US, both applications entitled:

"Dietary Supplement Combining Colostrum and Lactoferrin in a Mucosal Delivery Format"

this assignment including said application, any and all United States and foreign patents, utility models, design registrations, inventor's certificates and other similar rights granted for any of said inventions or improvements, and the right to claim priority based on the filing date of said application under the International Convention for the Protection of Industrial Property, the Patent Cooperation Treaty, the European Patent Convention, and all other treaties of like purposes; and I authorize the Assignee to apply in all countries in my name, or in its own name, for patents, utility models, design registrations and like rights of exclusion and for inventors' certificates for said inventions and improvements; and I agree for myself and my heirs, legal representatives and assigns, without further compensation to perform such lawful acts and to sign such further applications, assignments, Preliminary Statements and other lawful documents as the Assignee may reasonably request to effectuate fully this assignment.

IN WITNESS WHEREOF, I hereby set my hand, date of signature and place of signature as indicated below.

Full Name of Sole or First Joint (if other names listed below) Inventor: Marcus B. Gohlke

Residence: 12302 Astoria Boulevard, Houston, Texas 77089

Citizenship: United States of America

Post Office Address: 12302 Astoria Boulevard, Houston, Texas 77089

/s/ MARCUS B. GOHLKE	10/25/99	HOUSTON, USA
Signature of Sole or First Inventor	Date of Signature	Place of Signature (City, Country)

Full Name of Second Joint Inventor: Richard H. Cockrum

Residence: Intersection Highway 141 and 169, Perry, Iowa 50220

Citizenship: United States of America

Post Office Address: Intersection Highway 141 and 169, Perry, Iowa 50220

/s/ RICHARD H. COCKRUM	10-27-99	PERRY IOWA USA
Signature of Second-Inventor	Date of Signature	Place of Signature (City, Country)

Term Sheet

Parties: Lactoferrin Products Company, Marcus Gohlke and Mannatech/TM/, Incorporated

Type: Licensing & Fulfillment Agreement

Term: Three Years ("Initial Term") beginning on the date of effective date with three year renewal terms:

(a) First Renewal Term
Continuing for three (3) years, concluding at the end of the sixth (6) year;

(b) Secondary Renewal Term
Continuing for three (3) years, concluding at the end of the ninth (9) year; and

(c) Third Renewal Term
Continuing for three (3) years, concluding at the end of the twelfth (12) year.

Termination: Lactoferrin may immediately terminate (with notice and 60 days opportunity to cure):

(a) In the event Mannatech alters the Licensed Product beyond that previously approved by Lactoferrin;
(b) If Mannatech purchases or obtains Raw Materials from a source without Lactoferrin's prior consent;
(c) If Mannatech dissolves, becomes bankrupt or if Lactoferrin is sued for patent infringement.

Mannatech may immediately terminate (with notice and 60 days opportunity to cure):

(a) If Lactoferrin supplies Raw Materials from any source not previously agreed to between the parties; and/or
(b) If Mannatech is advised by counsel that Mannatech's activities constitute patent infringement

Termination by law in the event it becomes illegal to market dietary supplements containing beta glucan, colostrum or lactoferrin.

Licensed Product: Mannatech will receive a worldwide license to market a solid dietary supplement with a formulation containing: Prime Colostrum, Beta 1,3/1,6 Glucan, Lactoferrin and modified citrus pectin.

Exclusivity: Worldwide rights to the Licensed Product. Lactoferrin Retains rights to its products containing any of the following combinations colostrum, lactoferrin, modified citrus pectin and beta glucan, but not the combination of the above and beta 1,3/1,6 Glucan.

Asia Exception - Lactoferrin can continue to sell a product containing a lactoferrin and colostrum mixture under a pre-existing contract. Lactoferrin will cease sales upon one (1) year notice by Mannatech of its intent to enter market with Licensed Product or (2) Mannatech's actual entry into market.

Japan - in no event will Lactoferrin market products for sale or eventual sale in Japan.

Improvements: Any improvements made to the Licensed Product will be owned by Mannatech.

Each party may file for patents on its own behalf and bear all costs/fees associated with filing.

Compensation:

(1) Raw Materials:

Lactoferrin will deliver Colostrum powder (bulk) to Mannatech at a cost not to exceed $120 per KG for the Initial Term.

Glucan 1,3/1,6 powder (bulk) will be delivered to Mannatech at a cost not to exceed $500 per KG for the Initial Term.

All prices may be negotiated lower depending upon the amount purchased by Mannatech.

(2) Product Royalty:

Contract Year 1: $144,000 annually (minimum)
Contract Year 2: Greater of: $8,000/month or 110% of the average monthly number of units shipped in Year 1/month.

Contract Year 3: 110% of the average number of Royalty Units shipped in Year 2.

Renewal Terms: Negotiable, but not less than $5,000 per month.

In the event the monthly amount exceeds the minimum, then Mannatech will pay a royalty on a per Royalty Unit basis. The cost will be adjusted down as follows:

1-540,000 Units =	$1.00 per Royalty Unit
540,001 - 1,540,000 =	.90 per Royalty Unit
Over 1,540,000 =	.80 per Royalty Unit

(3) Advertising Royalty:

(a) Written Materials:
Developed with Lactoferrin assistance: (negotiable)

Developed by or for Mannatech by 3/rd/ party: No Royalty paid.

(b) Audio/Video:
Developed with Lactoferrin assistance: 5% of sales price.

(c) Lactoferrin agrees to sell the book entitled, Immune System Control to Mannatech for sale to its Associates at a cost of $2.95 plus s/h. No Royalties will be paid to Lactoferrin upon sale of the book.

(4) Travel Costs:

Mannatech will reimburse Gohlke in the event his presence is requested at a location more than fifty (50) miles from his residence. Inclusive of travel, meals, and lodging expenses.

Assurances: Lactoferrin and/or Gohlke represents and warrants that:

(1) The Licensed Product sold to Mannatech is an exclusive formulation, not previously produced, marketed or sold;
(2) There are no similar products derived from the formulation of the Product;
(3) That it and/or its partners/business associates have patents pending for the Licensed Product and he/they reasonably believe such patents will be granted;
(4) Lactoferrin is a corporation duly organized and in good standing under the laws of its state of incorporation;
(5) All necessary business governance issues have be authorized to enter the agreement;
(6) No other consent is required to enter the agreement;
(7) Entering this Agreement will not cause Lactoferrin to breach any other agreement of which it is a party pertaining to the subject matter of this agreement;
(8) All taxes are current;
(9) Lactoferrin is solvent; and
(10) Relationship between Lactoferrin and its suppliers and customers is generally good.

Specific Mannatech Obligations:

(1) Will label product packaging in accordance with (S)(S) 3.4., 3.5 and 3.6, pertaining to trademarks, patent notices and packaging, respectively;
(2) Mannatech will use its best efforts to market the Licensed Product;
(3) Mannatech cannot deviate from the ingredient ranges set forth in the agreement;
(4) Mannatech will purchase the raw materials from suppliers as specified in the agreement.

Standard Provisions:

(1) Confidentiality;
(2) Trade Marks, Intellectual Property and Trade Secrets belong to the respective parties;
(3) Cooperation with patent filing; and
(4) Indemnification;
(5) Choice of Law: Texas (Harris County)

EXHIBIT 10.2

FULFILLMENT SERVICES AGREEMENT

This Agreement made and entered into this 22 day of July, 2000 by and between Mannatech/TM/, Incorporated ("Mannatech") with its principle place of business at 600 S. Royal Lane, Suite 200, Coppell, Texas 75019 and Marcus B. Gohlke, President of ALT*MED/TM/ Lactoferrin Products Company ("ALT*MED") with its principle place of business located at 12302 Astoria Boulevard, Houston, TX 77089 hereinafter collectively referred to as the "Parties".

RECITALS

WHEREAS, Mannatech develops and sells proprietary nutritional supplements and topical products ("Products") through a network marketing system throughout the United States, Canada, Australia, the United Kingdom and Japan by distributors referred to as Independent Associates ("Associates");

WHEREAS, ALT*MED proposes to supply an edible product containing the patented ingredients Colostrum, Lactoferrin and Beta 1316 and other raw materials in a lozenge form ("ALT*MED Product") intended for human consumption of which Mannatech intends to add to its product line;

WHEREAS, Mannatech is desirous of securing and exclusive licensing and fulfillment agreement for the ALT*MED Product and ALT*MED is willing to supply Mannatech with all the ALT*MED Products (lozenges) required;

NOW THEREFORE, promises considered, and in consideration of the covenants, releases, and obligations of the Parties herein, the Parties agree as follows:

1. Term.

   1.1 Primary Term. Unless terminated by either Party as outlined herein, this Agreement shall be effective for a period of twelve (12) months ("Initial Term") unless earlier terminated in accordance with Paragraph 10 commencing on the date of this Agreement. After the Initial Term, this Agreement may extend for five successive twelve (12) month terms, upon mutual written agreement of the Parties, provided ALT*MED has performed all of the covenants and undertakings as required hereunder. The Parties agree that at the conclusion of the Initial Term, Mannatech shall conduct a review of the sales of the ALT*MED Product to determine whether such sales warrant continuing the Agreement into the Secondary Term under which royalties shall be paid as contemplated in paragraph 3 hereunder. Either Party may terminate this Agreement in the event that regulatory requirements, including but not limited to quality assurance, good manufacturing practices and legality for sale are not met regarding product and manufacturing, such determination at its sole discretion.

1.2 Secondary Term. If at the end of the Primary Term, Mannatech determines continued ordering of the ALT*MED Product is warranted. The Parties may enter into five (5) successive series of twelve month ("Individual Term"), hereinafter, collectively the Secondary Term ("Secondary Term"). Mannatech shall have the option to review ALT*MED Product sales as contemplated in paragraph 1.1 within thirty (30) days of the conclusion of each Individual Term. Mannatech may choose to terminate this Agreement at its discretion without further obligation to ALT*MED.

2. Duties.

(a) ALT*MED shall at all times be considered an independent contractor ("Independent Contractor") of Mannatech as to the duties and responsibilities contemplated hereunder. As such, ALT*MED agrees that during the term of this agreement, ALT*MED will remit and pay all required amounts attributed to any compensation paid to ALT*MED as required herein to any and all taxing authorities as required by law. ALT*MED agrees that during the course of this Agreement on behalf of Mannatech, ALT*MED shall not engage in any conflicting activities, including operating a Mannatech Associate position or hold a downline position nor shall any of its principals or affiliates.

(b) ALT*MED shall develop a Product exclusively for Mannatech (hereinafter defined as "Product Development") containing a combination of the patented ingredients Colostrum, Lactoferrin and Beta 1316. The Parties acknowledge that ALT*MED has or may have previously marketed a product containing Colostrum and Lactoferrin, but such products have not contained Beta 1316. For the purposes of this paragraph, "new" shall be defined as a proprietary formulation not previously produced, or marketed by ALT*MED or any of its subsidiaries.

(c) Contemporaneously with such Product Development, ALT*MED shall provide to Mannatech all required scientific data, efficacy studies necessary to substantiate any and all purported Product Development claims. ALT*MED and Mannatech shall further ensure all aspects of the Product Development as contemplated hereunder comports with regulatory guidelines in place by the Food and Drug Administration ("FDA") during the term of this agreement.

(d) ALT*MED in cooperation with Mannatech shall bear all responsibility for product and quality control for all ALT*MED Product as contemplated hereunder. Mannatech shall determine the appropriate criteria associated with shipment of ALT*MED Product and shall instruct ALT*MED accordingly.

(e) The Parties agree that any idea, technology, know-how, process, patent, formula, product, composition, publication, tape, iteration, use, information, or other intellectual property ("Intellectual Property") which shall come to ALT*MED and/or be researched and developed related to the ALT*MED Product shall be the sole and exclusive property of Mannatech, and any compensation therefore shall be embraced within the compensation stated in paragraph 3 herein. ALT*MED specially represents and warrants that any of the Intellectual Property that is researched and developed for Mannatech is of independent, and novel origin, and does not rely in any aspect on other technologies and ideas that ALT*MED has, in the past, conceived, researched and/or developed for ALT*MED or others. Further ALT*MED hereby represents and warrants as follows:

- That none of the Intellectual Property of which ALT*MED conceives, researches or develops, and ultimately conveys to the Corporation shall violate or infringe any patent, copyright, right of privacy, nor constitute the misuse of misappropriation of any trade secret or confidential information which is the subject of an agreement or legal requirement involving a third-party;

- That ALT*MED 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 Mannatech (or if not reasonably obtainable, identified to Mannatech 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 Mannatech.

- ALT*MED agrees 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 Mannatech. The obligation to acknowledge ownership of the Intellectual Property in Mannatech and to participate in the execution of documents to obtain, evidence and secure rights pertaining to the same, shall survive this agreement, and shall bind ALT*MED and its successors, and if applicable, assigns. Accordingly, ALT*MED affirm that any rights which might vest in it with regard to any Intellectual Property which shall come to ALT*MED and/or be researched and developed during the term of this Agreement for 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 Mannatech, to it, as its sole property, with no rights, except to the right of compensation, set forth herein, remaining within your ownership.

(f) Mannatech has the right to inspect and test all ALT*MED Product as contemplated herein, to the extent practicable, at all places and times, including the period of manufacture, and in any event prior to acceptance thereof. Mannatech shall perform inspections and tests for quality assurance in a manner that will not unduly delay the production of the ALT*MED Product. Mannatech may require repair, reformulation or replacement of nonconforming ALT*MED Product, those constituting, without limitation of the foregoing, unacceptable formulation(s), scientific validation, safety, efficacy, shelf life and nonconformity with FDA regulations. Mannatech reserves the right to run adequate tests to determine whether the ALT*MED Product conform to the specifications as contemplated hereby. Use of a portion of the ALT*MED Product shall not constitute acceptance thereof.

(g) All books and records maintained by ALT*MED with respect to the ALT*MED Product shall be available at all reasonable times for inspection and verification by Mannatech or any of its designated agents or representatives. Mannatech reserves the right, at any time, to examine ALT*MED's books and records related to the ALT*MED Product at Mannatech's expense, and ALT*MED shall cooperate with any person making such examination on behalf of Mannatech.

(h) Mannatech may, from time to time request Marcus Gohlke's appearance for promotional purposes at

Mannatech-sponsored events ("Events"). Such appearances and compensation thereof shall be embraced within the terms of this Agreement. Mannatech agrees to reimburse ALT*MED for reasonable out of pocket unanticipated expenses ("Expenses") incurred as a result of attendance at such Events at Mannatech's request. Such Expenses shall be subject to approval solely by Mannatech such approval may be withheld at any time.

3. Compensation.

As compensation for the licensing of the ALT*MED Product and compensation for fulfillment of Mannatech product orders as outlined herein and provided all terms and conditions are met hereunder, Mannatech shall pay ALT*MED according to the payment schedules as evidenced and attached hereto as Exhibit "A" - "ALT*MED Product Payment Schedules". Compensation shall encompass all costs related to product manufacture, quality control, shipping, import and export taxes and royalty payments. All funds payable in U.S. dollars. ALT*MED shall be responsible for the payment of any and all taxes including calculation and remittance of backup withholding related to the payment schedules as outlined in this Agreement.

4. Exclusivity.

The Parties agree that as an inducement to Mannatech to enter into this Agreement, ALT*MED agrees that it will not develop, market, distribute and sell any other similar products for one (1) year after initiation of product sales by Mannatech. ALT*MED agrees to grant Mannatech the exclusive right to the product formulations and marketing rights as contemplated herein.

Mannatech acknowledges that ALT*MED may have agreements in place with other companies at the time this Agreement is executed. The Parties hereto stipulate that Mannatech and the Agreement contemplated hereby, shall not henceforth have any impact, influence, or determination as to whether or not ALT*MED chooses to continue such other agreements as in place at this time.

The Parties further agree that as an inducement for Mannatech to enter this agreement and pay the funds hereunder, it shall have worldwide marketing rights to the ALT*MED Product as Mannatech expands into other countries, whether through the expansion within the normal course of marketing through its Associates or through a Personal Consumption Program, whatever the case may be. ALT*MED agrees that Mannatech shall always have the sole right to sell the ALT*MED product, and as such, ALT*MED will structure any other licensing agreements with third-parties to reflect Mannatech's right to exclusively market the ALT*MED Product. In the event Mannatech commences sales within a specified country, ALT*MED will take all legal action necessary to ensure the third-party discontinues sales of the ALT*MED product.

5. Trademarks and Tradenames.

(a.) The Parties recognize that the name and/or respective marks of the other are valuable and that all goodwill associated with use of such names and marks shall inure to the benefit of the other. Mannatech shall have the right to terminate this Agreement immediately in the event that ALT*MED acts in a manner which would negatively impact the reputation of Mannatech and/or of its name or marks ("Mannatech Marks") and/or would infringe or dilute the value of Mannatech's marks or which is not in compliance with applicable law in the United States or any other country in which Mannatech conducts business as the case may be.

(b.) Mannatech shall be the sole owner and shall have perpetual use and control of all Promotional Materials produced for Mannatech bearing its trade name and/or Mannatech Marks related to the ALT*MED Product. Mannatech shall be free to dispose of and treat in any way all Promotional Materials under this Agreement, including but not limited to selling, advertising, distributing, and permitting their use in other mediums, whether for profit or otherwise. ALT*MED has no right or license to use any of the trademarks or tradenames owned by, licensed to or associated with the Mannatech Marks during the term of this Agreement without prior approval and express permission from Mannatech, such approval and permission is within the sole discretion of Mannatech and may be withheld at any time.

6. Confidential Information.

The Parties recognize and acknowledge that their respective tradename(s), trademarks, copyrights, marketing plans, identity and related information regarding Associates, product formulations and other proprietary product information contemplated hereby and any information of either relating to the management/operations of the other or designated by the other as confidential and/or proprietary (as to each, "Confidential Information") is the sole property and trade secret of the party to whom it belongs. Each party agrees that the Confidential Information of the other shall not be used, sold, disclosed or assigned by such party for any purpose, except to the extent necessary to the performance of this Agreement. Upon termination of this Agreement, each party agrees to return to the other party all written materials, software, customer/member/representative lists and other information that contain Confidential Information of such other party and further agrees not to use such Confidential Information. In the event of breach or threatened breach of this Section by either Party, the non-breaching party will be entitled to an injunction restraining the other party from disclosing, in whole or in part, any Confidential Information to any person, firm, corporation, association or other entity to whom the non-breaching party's Confidential Information, in whole or in part, has been disclosed or threatened to be disclosed. Nothing contained herein will be construed as limiting the non-breaching party from, or prohibiting the non-breaching party from, pursuing any other remedies available to it for such breach, or threatened breach, including recovery of damages from the breaching party. This section shall survive the termination of this Agreement.

7. Indemnification by Mannatech and ALT*MED.

(a) ALT*MED hereby agrees to indemnify and save Mannatech and hold Mannatech harmless in respect of all causes of action, liabilities, costs, charges and expenses, loss and damage (including consequential loss) suffered or incurred by Mannatech (including legal fees) arising from any willful or grossly negligent act or omission of ALT*MED or its employees, servants and agents and arising from contravention by ALT*MED of any of its employees, servants, and agents of any of the terms and conditions imposed on ALT*MED pursuant to this Agreement.

(b) No party shall be liable to any other party hereunder for any claim covered by insurance, except to the extent that the liability of such party exceeds the amount of such insurance coverage. Nothing in this clause (b) shall be construed to reduce insurance coverage to which any party may otherwise be entitled.

(c) ALT*MED hereby agrees to indemnify and save Mannatech and hold Mannatech harmless in respect of all causes of action liabilities, costs, charges and expenses, loss and damage (including consequential loss) suffered or incurred by Mannatech (including legal fees) arising from the infringement of other marks and affects of using marks and contents without prior review as required herein.

8. Representations and Warranties of ALT*MED.

The following representations and warranties are made by ALT*MED and are true and correct and shall remain true and correct during the term of this Agreement and have been made to induce Mannatech to enter into this Agreement.

(a) Organization. ALT*MED is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation as to the United States and as to the region in which it does business and has full power and authority to carry on its business as now being conducted.

(b) Authorization and Agreement. The execution, delivery and performance of this Agreement by ALT*MED has been authorized by all necessary corporate action on its part. The consummation of the transactions contemplated by this Agreement will not result in the breach of, or constitute a default under, any indenture, mortgage, note, agreement or other financing agreement to which ALT*MED is a party or to which it or its properties or rights are subject and will not be in violation of the rights of any other party.

(c) No Consent. No consent of any party and no consent, license, approval or authorization of, or exemption by, or registration or declaration with, any governmental authority, bureau or agency is required in connection with the execution, delivery, validity or enforceability of this Agreement with respect to ALT*MED and the consummation of the transactions contemplated hereby.

(d) Insurance. Exhibit "B" - "Insurance" attached hereto provides a complete list and brief description (specifying the insurer, the policy number or covering note number with respect to binders, and describing each pending claim thereunder) of all policies or binders of product liability insurance held by or on behalf of each of ALT*MED or in which it is listed as a co-insured or loss payee respecting the ALT*MED Product or any constituent component of any such ALT*MED Product. Such policies and binder shall be and shall continue in full force and effect, unless Mannatech shall be notified as to their cancellation at least thirty (30) days prior to the same. ALT*MED shall cause Mannatech to be listed as loss payee or co-insured on each such policy set forth on Exhibit "C" upon the development of the ALT*MED Product, and to continue on such policy in such capacity during the term of this Agreement.

(e.) Validity and Enforceability. This Agreement is valid and enforceable against ALT*MED in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency or other laws affecting the rights of creditors generally. The execution, delivery and performance of this Agreement by ALT*MED does not violate any law or rule or regulation or give rise to a cause of action in favor of any person which will result in any liability to any of the Parties.

(f.) No Breach. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (i.) violate any provision of the Articles of Incorporation or By-Laws of ALT*MED (ii.) violate, conflict with or result in the breach or termination of, or otherwise give any other contracting party the right to terminate or constitute a default (by way of substitution, novation or otherwise) under the terms of any mortgage, lease, bond, indenture, agreement, franchise or other instrument or obligation to which ALT*MED is a party or by which it may be bound or by which any of the property or assets of ALT*MED may be bound or materially affected, (iii.) result in the creation of any lien, charge or encumbrance upon the assets or properties of ALT*MED as it relates to its business or the pending business of Mannatech to the terms of any such mortgage, bond, indenture, agreement, franchise or other instrument or obligation, (iv.) violate any judgement, order, injunction, decree or award of any court, arbitrator, administrative agency or governmental body against, or binding upon ALT*MED or upon the property, assets or business of ALT*MED or (v.) constitute a violation by ALT*MED of any law or regulation of any jurisdiction as such law or regulation relates to it or to the property or business of ALT*MED.

(g.) Tax Matters. ALT*MED has filed all income tax, excise tax, sales tax, use tax, gross receipts tax, franchise tax, employment, payroll and withholding tax, real and personal property tax, and all other tax returns which ALT*MED is required to file, and has paid or provided for all taxes shown on such returns and all deficiencies or other assessments of tax, interest or penalties which have been served on or delivered to ALT*MED. No penalties or other charges are, or will become due with respect to the late filing of any such return. Reserves for current and deferred taxes of ALT*MED are sufficient to cover the payment of all Federal, local, county, foreign and other taxes and all employment, payroll and withholding taxes, including any penalties or interest thereon, whether or not measured in whole or in part by net income and whether or not assessed or disputed, which are hereafter found to be, or to have been, due with respect to the conduct of they business of ALT*MED. There are no claims pending with respect to Federal, state, local, county, foreign or other taxes against ALT*MED. The Federal income tax returns of ALT*MED have never been audited by the Internal Revenue Service. No unassessed tax deficiency has been proposed or threatened against ALT*MED. There are not in force any extensions of time with respect to the dates on which any tax return was or is due to be filed by ALT*MED any waivers or agreements by ALT*MED for an extension of time for the assessment of payment of any tax.

(h.) Compliance with Laws. The business and operations of ALT*MED and any of its other affiliates and subsidiaries, if any have not been, and are not, conducted in violation of any applicable judgement, order, injunction, award, tariff or decree. ALT*MED has not received notice of, nor does ALT*MED have any knowledge of or any reasonable grounds to know after due inquiry that the business and its operations have not been and are not, conducted in violation of any Federal, state or local law, ordinance, regulations, or any other requirement of any governmental body, court or arbitrator applicable to ALT*MED or pursuant to which they conduct their business and operations. ALT*MED has all permits, licenses, orders, authorizations or approvals of any Federal, state, local or foreign governmental or regulatory body to carry on its business in the places and in the manner now and heretofore conducted, and all such licenses, authorizations and permits are in full force and effect. ALT*MED has neither received notice of nor have any knowledge of or any reasonable grounds to know after due inquiry that the business and operations of ALT*MED have not and are not, conducted in material violation of any such licenses, authorizations and permits, and no proceeding is pending or threatened to revoke or limit any such license, authorizations or permits.

(i.) Contracts and Benefits. Except as disclosed on Exhibit "C," "Contracts and Benefits" attached hereto, ALT*MED is not party to any agreement which is similar in scope or content with any third-party, it being the intent of the Parties that this agreement be exclusive as to Mannatech with respect to the product formulations of the ALT*MED Product.

(j.) Actions and Proceedings. Except as listed on Exhibit "D" - "Actions and Proceedings", there are no actions, suits claims or legal, administrative, regulatory or arbitration proceedings or investigations (whether or not the defense thereof or liabilities in respect thereof are covered by policies of insurance) pending or, to the knowledge of ALT*MED, against, involving or affecting ALT*MED, their officers or directors, or any of them or any of their property or assets of ALT*MED, which, individually or in the aggregate, might have a material adverse affect on the assets, property, operations, business or financial condition of ALT*MED, and there are no outstanding orders, writs, injunctions or decrees of any court, governmental agency or arbitration tribunal against, involving or affecting ALT*MED as to the conduct of its development of products, sales and distribution for other entities. None of the actions, suits, claims, proceedings or investigations listed on Exhibit "E", individually or together with any other, will have a material adverse effect on the operations, business or financial condition of ALT*MED. There is no litigation pending or threatened which would give rise to any right of indemnification from ALT*MED or any director, officer or shareholder of ALT*MED, or partner or joint venturer of any of the same, or his heirs, executors or administrators. No suit, action or other proceeding or investigation is threatened or pending before any court or governmental agency to restrain or prohibit, or to obtain damages, a discover order or other relief in connection with, this Agreement or the consummation of the transactions contemplated hereby or of any similar nature. This representation and warrant shall specifically survive the execution, performance and termination of this agreement and ALT*MED shall notify Mannatech in the event that such governmental or legal action is threatened or undertaken.

(k.) Suppliers and Customers. The relationships of ALT*MED with its
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suppliers and customers is generally good. No material customer or supplier has cancelled or otherwise terminated, or threatened to cancel or otherwise terminate its relationship with ALT*MED or has actually notified that it will decrease its services or supplies to ALT*MED.

(1.) Accurate Disclosure. All documents and the Schedules delivered or to
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be delivered by or on behalf of ALT*MED to Mannatech in connection with this Agreement and the transactions contemplated hereby are true and complete, and all such documents are authentic, valid, and binding on ALT*MED in accordance with their terms. The information required to be furnished by or on behalf of ALT*MED pursuant to this Agreement and in connection with the transactions contemplated hereby does not contain any untrue statement of a material fact required to be stated therein or necessary to make the statements contained therein not false of misleading.

(m.) Experience. ALT*MED hereby represents and warrants that it has
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substantial, successful, favorable experience in providing services such as the Duties set forth in Paragraph 2 hereof with respect to product development, sales and distribution for other companies.

(n.) Exhibits. ALT*MED have caused Exhibits "B" - "D" to be attached and
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incorporated into this Agreement. All statements of fact set forth in such Exhibits shall be deemed additional representations and warranties of ALT*MED as to the veracity of content and as to the existence of the subject matter of the same.

9. Default.

In the event any Party to this Agreement shall fail to timely perform or keep any undertaking to which it has agreed herein, then the other party may, upon ten (10) days notice in writing, during which period the party against whom such default is contended may cure such contended default without affecting any other provision of this Agreement, after which, if such default has not been cured, such party may, should it so elect, cancel this Agreement and sue for damages.

10. Termination

Either party may terminate this agreement at any time upon written notice ("Notice") delivered to the other thirty (30) days in advance of the date noticed for termination.

Mannatech shall require the immediate cessation of production of ALT*MED Product in its notification to ALT*MED, in which case ALT*MED shall immediately cease production to be rendered under this Agreement and return all materials and Confidential Information to Mannatech.

11. Notice.

Any notice or other communications between the Parties hereto shall be sufficiently given if sent by Federal Express or by telecopy, if to Mannatech addressed to it at 600 South Royal Lane, Suite 200 Coppell, Texas 75019, or if to ALT*MED addressed to it at 12302 Astoria Boulevard, Houston, Texas 77089 or to other such addresses hereafter designated in writing by one party to the other. Such notice or other communications shall, if sent by telecopy, be deemed to be given upon receipt of the confirmation of its proper transmission and if outside the hours of 9:00 a.m. to 5:00 p.m. on any business day in the jurisdiction of the addressee, shall be deemed to be given at 9:00 a.m. on the next business day. Notices sent by Federal Express shall be deemed to be received (3) days after the date of forwarding the same. For the purposes of this Agreement, "business day" shall refer to a day in which trading banks are open for business.

12. Attorney's Fees.

In the event any party hereto shall institute an action, including arbitration pursuant to Section 15 of this Agreement, to enforce any rights hereunder, the prevailing party in such action shall be entitled, in addition to any other relief granted, to reasonable attorneys' fees and costs.

13. Severability.

Any portion of this Agreement which may be prohibited or unenforceable in any applicable jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, but shall not invalidate the remaining portions of such provisions or the other provisions hereof or affect any such provisions or portion thereof in any other jurisdiction.

14. Modification.

This Agreement and the Exhibits attached hereto may be revised from time to time and can be modified by mutual written agreement of the Parties.

15. Waivers.

Any failure by any of the Parties to comply with any of the obligations, agreements or conditions set forth in this Agreement may be waived by the other party, but any such waiver will not be deemed a waiver of any other obligations, agreement or conditions contained herein.

16. Counterparts.

This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same document.

17. Compliance.

Each party will comply with all laws relating to the performance of this Agreement including federal, state and Japanese laws, rules and regulations and represents and warrants that execution of this Agreement and performance of its obligations under this Agreement does not and will not breach any other agreement to which it is or will be a party, including but not limited to any agreements with its customers.

18. Arbitration.

Any controversy between the parties to this Agreement or the breach thereof, shall be adjudicated by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association in Dallas County, Texas, and judgment on the award rendered by the arbitrator(s) may be entered in any court having competent jurisdiction thereof.

19. No Agency.

Neither party shall purport or shall be deemed an agent, employee, partner, or joint venture with the other party.

21. Governing Law.

The Parties hereto agree that this Agreement shall be enforced and governed by the laws of the State of Texas without regard to the conflicts of law principals. Each party consents to personal jurisdiction in Dallas County, Texas, for any action to enforce arbitration including any further rules provided for emergency or extraordinary relief, as to this Agreement.

22. Authority.

The Parties represent that they have full capacity and authority to grant all rights and assume all obligations they have granted and assumed under this Agreement.

23. Assignment.

This Agreement and the rights hereunder may not be assigned by any party (except by operation of law) without prior written consent of the other party, but, subject to the foregoing limitation, this Agreement shall be binding and inure to the benefit of the respective successors, assigns, and legal representatives of the Parties.

24. Force Majeure.

In the event that any party shall be prevented from performing any of its obligations due under the terms of this agreement by an act of God, by acts of war, riot, or civil commotion, by an act of the State, by strikes, fire, flood, or by the occurrence of any other event beyond the control of the Parties hereto, that party shall be excused from any further performance of the obligations and undertakings set forth under the terms of this Agreement.

25. Captions.

The headings of the sections in this Agreement are intended solely for convenience of reference and are not intended and shall not be deemed for any purpose whatsoever to modify or explain or place constriction upon any of the provisions of this Agreement.

26. Entire Agreement.

This Agreement constitutes the entire agreement between the Parties hereto pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements and understanding of the Parties, and there are no representations, warranties, or other agreements between the Parties in connection with the subject matter hereof except as specifically set forth herein. No supplement, modification, amendment, waiver or termination of this Agreement shall be binding unless executed in writing by the Parties hereto.

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

Mannatech/TM/ Incorporated

By:

Robert M. Henry
Its: Chief Executive Officer

ALT*MED Lactoferrin Products Company

By:

Marcus B. Gohlke, CPA

Its: President

EXHIBIT "A" - ALT*MED PRODUCT PAYMENT SCHEDULES

All Amounts in U.S. Dollars

1. Initial Term.

Mannatech agrees to pay ALT*MED the sum of $____________ ("Payment") per month, beginning September 1, 2000 for the exclusive licensing and fulfillment of the ALT*MED Product until the end of the Primary Term. In consideration of this Payment, ALT*MED agrees to ship to Mannatech or its designated manufacturer the equivalent of _________ of the ALT*MED Product per month, beginning October 1, 2000. For the purposes of this Agreement, one (1) product shall be the equivalent of 60 ALT*MED lozenges.

Mannatech agrees to submit purchase orders ("Orders") to ALT*MED, on a monthly basis the actual number of ALT*MED Products required. In the event Mannatech requires more than ___________ ALT*MED Products per month, ALT*MED shall be compensated an addition $______ for each ALT*MED product ordered.

2. Secondary Term.

In the event the Parties agree to enter into the Secondary Term of this Agreement, Mannatech agrees to pay ALT*MED a royalty of $________ ("Royalty") for each ALT*MED Product sold by Mannatech. Such payment shall be tendered to ALT*MED only for those Products sold by Mannatech to consumers and/or Independent Associates ("Associates") or others who may from time to time purchase the Products for use, collectively "Purchasers".

For purposes of this Agreement, a Product shall be deemed sold only if Mannatech has received payment for the Product from the respective Purchasers. ALT*MED shall not be entitled to receive Compensation for any ALT*MED Product donated by Mannatech, distributed gratuitously by Mannatech in an effort to promote sales or for those ALT*MED Products reserved for internal purposes or use.

In during the course of this Agreement, Mannatech exceeds five million ALT*MED Product orders from ALT*MED, ALT*MED agrees to an adjusted royalty of .80 per ALT*MED Product. In the event Mannatech exceeds ten million ALT*MED Product orders from ALT*MED, ALT*MED agrees to an adjusted royalty of .60 per ALT*MED Product. For purposes of computation, all ALT*MED products purchased by Mannatech during the Primary Term shall be included in this accounting.

On the fifteenth (15/th/) of each month, Mannatech shall compute the total number of ALT*MED Products sold during the prior month and, on making that determination, shall remit promptly the Royalty and a copy of the compensation statement ("Statement") fifteen (15) days after the computation date and on a monthly basis, on the same date each month throughout the term of this Secondary Term to ALT*MED or its appointed agent. If ALT*MED, for any reason, objects to any Statement submitted by Mannatech, ALT*MED shall set forth the objection with specificity in writing and submit it to Mannatech within thirty (30) days from the date of the Statement. Any objection ALT*MED may have to any Statement shall be deemed waived unless it is transmitted in accordance with the terms of this paragraph.

Exhibit "B" - Insurance

Exhibit "C" - Contracts and Benefits

Exhibit "D" - "Actions and Proceedings"

EXHIBIT 10.3

[MANNATECH LETTERHEAD]

PERSONAL AND CONFIDENTIAL

March 15, 2001

Mannatech, Incorporated
600 South Royal Lane, Suite #200
Coppell, Texas 75019

Dear

The year 2000 was a particularly difficult one for the Mannatech business. While 2001 will also present challenges, I believe that we have many initiatives and programs in place that can make it a successful one. However, this is only possible with the diligent attention to business that executives like you bring to the table. In order for us to achieve our budgetary targets, much creativity, innovation and attention to detail is required.

I am pleased to inform you that the Board of Directors has approved your participation in the 2001 Executive Bonus Plan. Only a select few have been selected to participate in this program, so confidentiality is absolutely essential!!

The plan works like this. In order for any of us to participate in the plan, the corporation must achieve a pre-tax income target (the profit target) of $500,000. If we achieve this target, a sliding scale bonus program takes effect that can award you up to a maximum of 50% of your base salary as a bonus.

- If we hit the $500K profit target, then you have earned a 10% bonus.
- If we earn $1 million as our profit target, then you will earn an additional 5% for a total of 15% of your base salary.
- For each additional $1 million of profit target achieved thereafter, you can earn an additional 5% of your base salary up to a maximum of 50% of your base salary (a personalized schedule with additional detail is attached).

Again, this reward can only be achieved if we all pull together as a team to achieve our goal, so let's pull together and go for it!!

Sincerely,

/s/ Robert M. Henry

Robert M. Henry
Chief Executive Officer

RMH/cds

Attachment

PERSONALIZED SCHEDULE

This is a schedule based on your personal base salary of

Pre-Tax Income Level Achieved	% of Bonus Entitlement	=	Amount Earned At Each Level	=	Your Bonus
$ 500,000	10%				
1,000,000	5%				
2,000,000	5%				
3,000,000	5%				
4,000,000	5%				
5,000,000	5%				
6,000,000	5%				
7,000,000	5%				
8,000,000	5%				
MAXED OUT AT	50%				

- - Please note: The percentage only kicks in after you hit the next "step target." No additional percentages awarded for partially exceeding target levels.

- - Payments will be made in March of the following year after year-end results are audited and certified.

- - You must be an employee at time of certification to receive the bonus!!!

EXHIBIT 10.4

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into by and between Mannatech Incorporated (the "Company"), and Armando Contreras (the "Employee"). The Company desires to employ the Employee, and the Employee desires to be employed by the Company. Therefore, in consideration of the mutual promises and agreements contained herein, the parties hereby agree as follows:

SECTION 1.
EMPLOYMENT

1.1 Employment. The Company hereby employs the Employee and the Employee hereby accepts employment by the Company for the period and upon the terms and conditions contained in this Agreement.

1.2 Office and Duties. The Employee shall serve the Company as President of the International Division, with the authority, duties and responsibilities customarily incident to such office. The Employee shall perform such other services commensurate with his position as may from time to time be assigned to the Employee by the Chief Executive Officer (the "CEO") of the Company. Further, the Employee's actions shall at all times be subject to the direction of the CEO of the Company.

1.3 Performance. During the Term of employment under this Agreement, the Employee shall devote on a full-time basis all of his time, energy, skill and best efforts to the performance of his duties hereunder in a manner that will faithfully and diligently further the business and interests of the Company. The Employee shall comply with the employee policies or written manuals of the Company as they exist from time to time as applicable generally to the Company's employees. The Employee shall not work either on a part-time or independent contractor basis for any other business or enterprise during the Term of employment under this Agreement.

1.4 Place of Work. The Employee shall perform services under this Agreement at the Company's principal office in Coppell, Texas, and at such other place or places as the Employee and the Company shall mutually agree. In addition, the Employee understands and agrees that he may be required to travel extensively in connection with the performance of his duties.

SECTION 2.
TERM AND SEVERANCE

2.1 Term. Employment will commence on February 19, 2001. There is no specific term of employment under this Agreement. The Employee is employed at-will, which means that either the Company or the Employee can end the employment relationship at any time, with or without reason or notice.

2.2 Severance. If the Company terminates the employment relationship without cause on or before February 18, 2002, the Employee will receive salary continuation through August 18, 2002. If the Company terminates the employment relationship without cause on or after February 19, 2002, the Employee will be eligible to receive a severance payment of six months salary. Any severance amounts paid will be based upon Employee's current salary at the time employment ends and will be paid in equal installments and in accordance with the normal payroll policies of the Company, less applicable taxes. For purposes of severance payments only, "cause" shall mean the Employee's (1) conviction of, or a plea of no contest to, or deferred adjudication for any felony or misdemeanor that causes harm or embarrassment to the Company, in the reasonable judgment of the Board of Directors; (2) substance abuse or use of illegal drugs that impairs that Employee's performance or that causes harm or embarrassment to the Company; (3) habitual absenteeism, tardiness or failure to meet performance standards set by the CEO or the Board of Directors for job performance and results of operation; (4) commission of any act of fraud, dishonesty, illegality or theft in the course of employment; or (5) breach of Sections 4, 5, 6 or 8 of this Agreement or any fiduciary duty of an officer as a fiduciary in respect of his duties for the Company as principal.

SECTION 3.
COMPENSATION FOR EMPLOYMENT

3.1 Base Salary and One-Time Bonus. The base annual compensation of the Employee for all of his employment services to the Company under this Agreement shall be $160,000, which the Company shall pay to the Employee in equal installments and in accordance with the normal payroll policies of the Company. The base annual compensation may be increased at the sole discretion of the Board of Directors of the Company. If the Employee does not receive the maximum Annual Bonus (as defined in paragraph 3.2) for fiscal year 2001, he will be paid a one-time bonus of $25,000, or that amount which is greater under 3.2 under the Annual Bonus Plan, less applicable taxes, in first quarter of the fiscal year 2002 so long as he remains employed by the Company at the time the bonus is paid.

3.2 Annual Bonus. Each year during the Term, the Employee shall be eligible to receive an annual bonus of up to 50% of his Base Salary, as determined by the CEO of the Company in his sole discretion and/or in accordance with any criteria established by the Board of Directors, and subject to the approval and consent of its Compensation Committee, The Employee acknowledges that any annual bonus is discretionary, with the sole discretion whether to pay a bonus and, if so, in what amount, resting with the Board of Directors of the Company, and subject to the approval of its Compensation Committee. Further, the Employee must remain employed by the Company at the time the bonus is paid, in order to be eligible to receive the annual bonus.

3.3 Award of Options. Employee shall be awarded stock options under the Company's 2000 Stock Option Plan of 50,000 at fair market value to be awarded as of the first date of service of the Employee, subject to the approval of the Option Committee of the Board of Directors.

3.4 Payment and Reimbursement of Expenses. During the Term, the Company shall pay or reimburse the Employee for all reasonable travel and other expenses incurred by the Employee in performing his obligations under this Agreement in accordance with the policies and procedures of the Company, provided that the Employee properly accounts for such expenses in accordance with the regular policies of the Company.

3.5 Other Benefits. During the Term, the Employee shall be entitled to participate in or receive benefits under any plan or arrangement made available by the Company to its employees (including any medical, dental, short-term and long-term disability, life insurance and 401(k) programs), subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements. Any such plan or arrangement shall be revocable and subject to termination or amendment at any time. You will also be eligible for a vehicle with a lease value of up to $1100 per month and insurance coverage paid by the Company.

3.6 Vacation. During each year of the Term and in accordance with the regular policies of the Company, the Employee shall be entitled to three (3) weeks of vacation, during which his compensation hereunder shall be paid in full. Such vacation shall be taken at times consistent with the effective discharge of the Employee's duties.

3.7 Relocation Expenses. The Company agrees to relocate the Employee and his immediate family from Orem, UT to the Dallas/Fort Worth, TX area ("DFW area") and to reimburse the Employee for reasonable covered costs. Reasonable covered costs include: (1) coach air fare, lodging, meals and local transportation incurred during up to two trips by Employee and Employee's spouse to the DFW area to search for housing; (2) a licensed real estate broker's commission and closing costs on Employee's current residence in Utah; (3) movement of household effects including up to two vehicles; (4) temporary lodging for up to three months while searching for or preparing the DFW area residence; and (5) coach air fare for trips to UT until Employee's spouse is able to relocate to the DFW area. All reimbursement of expenses shall be within the sole discretion of the CEO, who may withhold such approval without further explanation. Other costs, if any, may be approved by the CEO upon written request by the Employee. The Company shall gross up Employee's compensation to cover relocation expense that exceeds limits imposed by the Internal Revenue Service.

SECTION 4.
CONFIDENTIAL INFORMATION

4.1 Confidential Information. Employee specifically agrees that Employee will not at any time, during or after Employee's employment by Company, in any manner, either directly or indirectly, use, divulge, disclose, or communicate to any person, firm, or corporation, any confidential information of any kind, nature, or description concerning any matters affecting or relating to the business of Company (hereinafter referred to as "Confidential Information").

4.2 Confidential Information includes but is not limited to: Company genealogies (being the information held by Company related to its Associates, including without limitation its relationship with each of its Associates, the sponsoring of each Associate, the Associate's upline and downline, charts, data reports and other materials, historical purchasing information for each

Associate), proprietary product information which may from time-to-time made known to Employee, the names, buying habits, or practices of any of Company's customers or Associates; Company's marketing methods and related data; the names of Company's vendors or suppliers; costs of materials; costs of its Products generally, the prices Company obtains or has obtained or at which it sells or has sold its Products or services; manufacturing and sales costs; lists or other written records used in Company's business; compensation paid to it Associates and Employees and other terms of employment thereof; manufacturing processes; scientific studies or analyses other than those published for use by the Company for the benefit of its Associates, details of training methods, new products or new uses for old products, merchandising or sales techniques, contracts and licenses, business systems, computer programs, or any other confidential information of, about, or concerning the business of Company; its manner of operation or other confidential data of any kind, nature or description.

4.3 Employee agrees that all equipment, notebooks, documents, memoranda, reports, notes, files, sample books, correspondence, lists, other written and graphic records, and the like, affecting or relating to the business of Company, which Employee shall prepare, use, construct, possess, control or otherwise come into the Employee's possession while employed by Company concerning any process, apparatus or products manufactured, sold, used, developed, investigated or considered by Company concerning the Confidential Information or concerning any other business or activity of the Corporation shall remain at all times the property of Company and shall be delivered to Company upon termination of employment with Company for any reason or at any time upon request.

4.4 Employee agrees that, during the term of employment with Company or upon termination thereof, and if requested by Company to do so, the Employee will sign an appropriate list of any and all Confidential Information of Company of which the Employee has knowledge or about which the Employee has acquired information.

4.5 The Employee agrees to only use the Confidential Information for Company business and shall return copies of any such information to Company forthwith upon termination of Employment for whatever reason.

4.6 From time-to-time during the term of this Agreement, additional Confidential Information may be developed obtained and otherwise made known to Employee. Employee specifically agrees that all such additional Confidential Information shall be embraced within the terms of this Agreement.

4.7 The Parties agree that, as between them, all Confidential Information is important, material, trade secret, highly sensitive and valuable to Company's business and its goodwill and is transmitted to the Employee in strictest confidence. Company's legitimate business interests require the non-disclosure thereof to (among other things) Company's competitors. The Confidential Information would not be delivered or made available to Employee absent these provisions of Section 4 of this Agreement.

4.8 The Parties agree that Company shall suffer irreparable harm in the event its Confidential Information is disseminated in a manner in contravention of its interests. Company therefore reserves the right to seek injunctive relief or any other remedy available at law to protect its Confidential Information.

4.9 The Employee shall not during the term of the Agreement or for a period of one (1) year thereafter take or encourage any action the purpose or effect of which would be to circumvent, breach, interfere with or diminish the value or benefit of Company's Confidential Information and, without prejudice to the generality of the foregoing, the Employee shall not directly contract, solicit, entice, sponsor or accept any of Company's Associates into, or in any way promote to any such Associates opportunities in marketing programs of any direct sales company other than Company.

4.10 If any Confidential Information or other matter described in this Agreement is sought by legal process, Employee will promptly notify Company and will cooperate with Company in preserving its confidentiality.

SECTION 5.
OWNERSHIP OF INFORMATION, INVENTIONS AND ORIGINAL WORK

5.1 Ownership Of Information, Inventions And Original Work. Employee agrees that any creative works, discoveries, designs, software, computer programs, inventions, improvements, modifications, enhancements, know-how, formulation, concept or idea which is conceived, created or developed by Employee, either alone or with others (collectively referred to as "Work Product") is the exclusive property of the Company if either:

a. it was conceived or developed in any part on Company time;

b. any equipment, facilities, materials or Confidential Information of the Company was used in its conception or development; or

c. it either: (i) relates, at the time of conception or reduction to practice, to the Company's business or to an actual or demonstrably anticipated research or development project of the Company, or (ii) results from any work performed by Employee for the Company.

With respect to any such Work Product, Employee agrees as follows:

a. Employee shall promptly disclose the Work Product to the Company;

b. Employee agrees to assign, and hereby does assign, all proprietary rights to such Work Product to the Company without further compensation;

c. Employee agrees not to file any patent or copyright applications related to such Work Product except with the written consent of the Board;

d. Employee agrees to assist the Company in obtaining any patent or copyright on such Work Product, and to provide such documentation and assistance as is necessary to the Company to obtain such patent or copyright; and

e. Employee shall maintain adequate written records of such Work Product, in such a format as may be specified by the Company. Such records will be available to and remain the sole property of the Company at all times.

Any Work Product disclosed by Employee within one (1) year following the termination of employment from the Company shall be deemed to be owned by the Company under the terms of this Agreement, unless proved by the Employee to have been conceived after such termination.

SECTION 6.
RESTRICTIVE COVENANTS

6.1 Restrictive Covenants. Employee acknowledges that in order to effectuate the promise to hold Confidential Information in trust for the Company, it is necessary to enter into the following restrictive covenants. Without the prior written consent of the Company, Employee shall not, during employment at the Company or for a period of one (1) year following the termination of employment:

a. Solicit, induce or attempt to solicit or induce, on behalf of himself or any other person or entity, any employee of the Company to terminate their employment with the Company;

b. Solicit business from, attempt to do business with, or do business with any person or entity that was a customer/client of the Company during Employee's employment with the Company, if such business is in the scope of services or products provided by the Company. The geographic area for purposes of this restriction is the area where the customer/client is located and/or does business;

c. Engage in or performed services for a competing business. For purposes of this Agreement, "Competing Business" is one which provides the same or substantially similar products and services as those provided by the Company during Employee's employment, including but not limited to providers of nutritional supplements. The geographic area for purposes of this restriction is the area(s) within a 50 mile radius of the Company headquarters office in existence during Employee's employment with the Company; or

d. Have any indirect or direct financial interest in a Competing Business; provided, however, that the ownership by Employee of any stock listed on any national securities exchange of any corporation conducting a competing business shall not be deemed a violation of this Agreement if the aggregate amount of such stock owned by Employee does not exceed one percent (1%) of the total outstanding stock of such corporation.

6.2 The foregoing covenants not to compete shall not be held invalid or unenforceable because of the scope or the territory or actions subject thereto or restricted thereby, or the period of time within which such Agreement is operative; but award or decree in arbitration or any judgment of a court of competent jurisdiction, as the case may be, may define the maximum territory and actions subject thereto and restricted by this Article 6 and the period of time during which the Agreement is enforceable. Any alleged breach of other provisions of this Agreement asserted by the Employee shall not be a defense for the Employee to claims arising from Company's enforcement of the provisions of this paragraph. Should the Employee violate the non-competition covenants of this Article 6, then the period of time for these covenants shall automatically be extended for the period of time from which the Employee began such violation until the Employee permanently ceases such violation.

SECTION 7.
REMEDIES

7.1 Remedies. In the event of a breach of this Agreement by Employee, the Company shall be entitled to all appropriate equitable and legal relief, including, but not limited to: (a) injunction to enforce this Agreement or prevent conduct in violation of this Agreement; (b) damages incurred by the Company as a result of the breach; and (c) attorneys' fees and costs incurred by the Company in enforcing the terms of this Agreement. Additionally, any period or periods of breach of paragraph 6 of this Agreement shall not count toward the one (1) year restriction, but shall instead be added to the one (1) year restrictive period.

SECTION 8.
REPRESENTATION BY EMPLOYEE

8.1 Representation by Employee. Employee hereby represents and warrants to the Company that the execution of this Agreement by Employee and Employee's performance of his duties hereunder will not conflict with, cause a default under, or give any party a right to damages under any other agreement to which Employee is a party or is bound.

SECTION 9.
GENERAL

9.1 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Texas or, at the Company's sole option, by the laws of the state or states where this Agreement may be at issue in any litigation involving the Company. Venue of any litigation arising from this Agreement shall be in a court of competent jurisdiction in Dallas County, Texas.

9.2 Binding Effect. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit and be enforceable by the respective heirs, representatives, successors (including any successor as a result of a merger or similar reorganization) and assigns of the parties hereto, except that the duties and responsibilities of the Employee hereunder are of a personal nature and shall not be assignable in whole or in part by the Employee, and the Company may not assign its rights, duties, or responsibilities without the consent of the Employee. This Agreement is subject to the approval of the Company's Board of Directors and its Compensation and Option Committees, respectively.

9.3 Notices. All notices required to be given under this Agreement shall be in writing and shall be deemed to have been given and received when personally delivered, or when mailed by registered or certified mail, postage prepaid, return receipt requested, or when sent by overnight delivery service, addressed as follows:

If to the Employee: Armando Contreras
1763 N. Cherapple Drive
Orem, Utah 84067

If to the Employer: Robert M. Henry
Chief Executive Officer
Mannatech Incorporated
600 S. Royal Lane
Suite 200
Coppell, Texas 75019

Such addresses may be changed from time to time by written notice to the other party.

9.4 Entire Agreement; Modification. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all other agreements (oral or written) with respect to the subject matter hereof. This Agreement may not be modified or amended in any way except in writing by the parties hereto.

9.5 Duration. Notwithstanding the termination of Employee's employment by the Company, this Agreement shall continue to bind the parties for so long as any obligations remain under the terms of this Agreement.

9.6 Waiver. No waiver of any breach of this Agreement shall be construed to be a waiver as to succeeding breaches.

9.7 Severability. In the event any court of competent jurisdiction holds any provision of this Agreement to be invalid, the remaining provisions shall not be affected or invalidated and shall remain in full force and effect.

9.8 Subsidiaries. Wherever the term Company is referred to in this Agreement, it shall include all subsidiaries of the Company even where the term "subsidiaries" is not explicitly stated in connection with such reference, as such subsidiaries may exist from time to time.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have duly executed this Agreement as of the day and year first written above.

EMPLOYEE:

/s/ ARMANDO CONTRERAS

Armando Contreras

Date: Nov. 16, 2000

MANNATECH INCORPORATED

By: /s/ ROBERT M. HENRY

Robert M. Henry
Chief Executive Officer

Date: Nov. 16, 2000

EXHIBIT 10.5

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Mutual General Release ("Agreement") is made and entered into and the 2nd day of May, 2001 (the "Effective Date," which is defined as the date the Parties sign this Agreement), between Mannatech, Inc. and its affiliates (defined as any entity which owns or controls, is owned or controlled by, or is under common ownership or control with Mannatech) (collectively as "Mannatech"), and Deanne Varner ("Varner"). Varner and Mannatech are collectively referred to herein as the "Parties."

WHEREAS the Parties desire to finally, fully and completely resolve all disputes that now or may exist between them concerning Varner's hiring, employment and termination from Mannatech, and all disputes over benefits and compensation connected with such employment, and specifically, but not limited to, any disputes arising from the terms of Varner's employment as set forth in the Employment Agreements entered into between the Parties dated May 14, 1997 and September 28, 1998 ("Employment Agreements").

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Varner hereby submits her resignation from employment with Mannatech as General Counsel, Senior Vice-President and any other job or position held, and acknowledges that her employment with Mannatech ends the 8th day after the Effective

Date of this Agreement, which shall be designated as the "Separation Date." Varner also hereby resigns effective immediately from all positions (including any positions as Officer or Director) with any Mannatech subsidiary or affiliate companies. Except as expressly set forth in this Agreement, all benefits and perquisites related to Varner's employment with Mannatech shall cease as of the Separation Date. Varner agrees that from the Effective Date of this Agreement to her Separation Date, she will be on administrative leave and shall not perform any services or duties on behalf of Mannatech unless specifically directed to do so by the President, Chief Executive Officer or Chairman of the Board. During Varner's administrative leave, she shall receive her normal benefits and salary, in accordance with Mannatech's regular salary payment schedule. Except as otherwise required pursuant to this Agreement, no further salary, bonus, benefits, payments, warrants, stock or options shall be due from or paid by Mannatech to Varner, and Varner hereby waives and relinquishes all claims to further employment, compensation, benefits, stock, warrants, options, or other remuneration from Mannatech, except as specified in this Agreement. Varner agrees that any remaining warrants or options which have not previously vested, are forfeited. Varner agrees that this release is binding on her, her heirs, legal representatives and assigns.

2. Any vested interest held by Varner in Mannatech's 401(k) Plans shall be distributed in accordance with the terms of the plan (the "Plan") and applicable law. Varner shall not be a participant in the Plan after the Separation Date, and shall not be entitled to any further contribution for any period of time after the Separation Date.

Mannatech shall provide Varner under separate cover at her address for notice ("Address"), information necessary and as required by law to facilitate the transfer or rollover of her 401(k) account.

3. Except as provided in paragraph 7 of this Agreement, within five (5) days after the Effective Date, Varner shall return all equipment and property in her possession which belongs to Mannatech, including all files and programs stored electronically or otherwise, that relate or refer to Mannatech, and within fifteen (15) days after the Effective Date, she shall also return all original and copies of documents, notes, memoranda or any other written materials that relate or refer to Mannatech, including any material that constitutes "Confidential Information" as such term is currently defined in Rule 1.05 of the Texas Disciplinary Rules of Professional Conduct governing the attorney-client relationship. In addition, Varner agrees to permit Mannatech to electronically examine all computer equipment that she may have used in the course of performing her job duties. Varner agrees and reaffirms her duties to Mannatech pursuant to the Texas Disciplinary Rules of Professional Conduct governing the attorney-client relationship, and Varner shall not disclose "Confidential Information" pertaining to Mannatech except as permitted by the Texas Disciplinary Rules of Professional Conduct. Varner shall also not represent any existing or prior Associate of Mannatech, nor shall she represent any future Associate of Mannatech with regard to any matter concerning Mannatech irrespective of whether adverse to Mannatech. Varner shall not represent any other person or entity in any matter adverse to Mannatech.

4. In consideration for the release and covenants by Varner set forth in this Agreement, Mannatech agrees to pay to Varner a total of $900,000 payable as follows: (i) the first installment will be paid by Mannatech to Varner in the amount of $400,000 on the Separation Date; (ii) the second installment will be paid by Mannatech to Varner in the amount of $250,000 on April 30, 2002; and (iii) the third and final installment will be paid by Mannatech to Varner of $250,000 on April 30, 2003. Each such installment to be paid to Varner will be made in good funds via wire transfer to the account specified by Varner, hand-delivery, or certified U.S. mail at her address as instructed by Varner. (If Varner hereafter elects to change the instructions set forth, she shall provide written notice to Mannatech specifying the new instructions for delivery of the funds at least fourteen (14) days in advance of the installment due date). Until such further notice is given by Varner, the funds shall be transferred to Bank One, Texas, N.A., No. 14255, 1000 S. Beltline Road, Coppell, Texas, ABA Routing Number: 111000614, for further credit to account of Deanne Varner, Account Number 1560292896 (with Bank One, Texas, N.A. being requested to call customer at 214-521-3778 upon receipt of funds.) Varner shall have no duty to find new employment following the Separation Date. Any salary or remuneration received by Varner from a third party for the providing of personal services (whether by employment or as an independent contractor) following the Separation Date shall not reduce the obligations of Mannatech to make any payment(s) to Varner pursuant to the terms of this Agreement, including pursuant to this Paragraph 4. Varner hereby agrees that she 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. Varner hereby agrees to hold Mannatech and the Mannatech Re1easees (described in paragraph 13 of this Agreement) harmless from and against, and agrees to reimburse and indemnify Mannatech and the Releasees for any taxes, penalties, net loss, cost, damage or expense, including, without limitation, attorneys fees, incurred by Mannatech or the Releasees arising out of the tax treatment by Varner on her tax return(s) of any payments made to Varner pursuant to this Agreement, and/or arising out of Mannatech's payment of such lump sums to Varner.

5. Varner and her dependent shall have the right to choose at Mannatech's cost, extension of applicable medical insurance coverage pursuant to COBRA for a period of up to eighteen (18) months. Mannatech shall provide, under separate cover to Varner at her home address, information regarding COBRA election, and Mannatech agrees to reimburse Varner for any premiums paid by her for continuation of health coverage for Varner and her dependent under Mannatech's group health plan, if any, pursuant to its COBRA continuation of coverage provisions, for a period not to exceed 18 months, the period during which each such individual is covered under COBRA continuation of coverage provisions. The right of Varner to receive reimbursement of COBRA coverage shall cease if Varner obtains full-time employment (which she is not required to do), and becomes eligible for equivalent health insurance from her new employer. Varner agrees to immediately notify Mannatech when she obtains full-time employment and becomes eligible for equivalent health insurance.

6. As further consideration to Varner, Mannatech will provide Varner Options pursuant to the 2000 Stock Option Plan to acquire unrestricted common stock of Mannatech, for the respective number of shares and respective exercise prices as follows:

Exercise Price	Number of Shares
$1.75	42,500
$2.00	37,500
$2.25	33,333
$4.00	50,000

The provisions of this paragraph shall supercede the requirements of the Employee Agreements regarding the conversion of stock options to warrants, including those requirements of Paragraph 8.1(16) (iii) of the September 28, 1998, Employment Agreement. Except as set forth in this Agreement, including this paragraph 6, all unexercised stock options and warrants previously granted to Varner respecting stock in Mannatech and Internet Health Group, Inc., shall terminate on the Separation Date, and shall be null and void and of no further effect.

7. Mannatech agrees, on or before June 30, 2001, to transfer to Varner, free and clear title to the ownership of the Mercedes 430E owned or leased by Mannatech and currently used exclusively by Varner ("Title Transfer Date"). From the Effective Date of this Agreement to the Title Transfer Date, Mannatech will keep the lease payments current, pay for maintenance and repair, and keep the vehicle insured for its full replacement cost. In the event the vehicle is damaged between the Effective Date and Title Transfer Date, and the cost of repairs would exceed the depreciated

value of the vehicle, Mannatech shall provide Varner with a replacement vehicle equal to the depreciated value of her current vehicle. Once title is transferred, Varner shall have sole responsibility for ownership of said vehicle, including responsibility to secure insurance, licenses, taxes and maintenance. Effective as of the Separation Date, and subject to the provisions of paragraph 3 of this Agreement, Mannatech, without further action, shall also be deemed to have transferred to Varner, title to the Gateway Computer and monitor, and title to the Hewlett Packard PC, both currently owned by Mannatech and used by Varner.

8. On the Separation Date, Mannatech agrees to pay Varner an additional lump sum amount equal to one hundred and twenty-eight (128) hours of her base pay ($24,236.64), less required state and federal deductions. In addition, on the Separation date, Mannatech shall make a lump sum payment to Varner of $24,062.22, less required state and federal deductions, which is equal to the amount of accrued, unused vacation benefit time available to Varner from January 1, 2001 to April 20, 2001.

9. In the event of Varner's death this Agreement shall operate in favor of her estate ("Estate") and all payments, obligations and consideration as contemplated hereby shall continue to be performed in favor of her Estate.

10. The Parties shall issue a press release regarding Varner's resignation from Mannatech as General Counsel and Senior Vice President in the form set forth on Attachment "A" hereto ("Press Release"). Such Press Release shall not be issued prior to the Separation Date, and shall be the sole public communication by Officers and Directors of Mannatech regarding the severance of Varner.

11. After the Separation Date and through the last Installment Date of April 1, 2003 ("Installment Payment Period"), Varner shall be available upon reasonable notice to assist Mannatech at the request of the Company's Chief Financial Officer or higher-ranked Officer, in such matters, including, but not limited to, testifying (and preparing to testify) as a witness in any proceeding or otherwise providing information or reasonable assistance to Mannatech in connection with any claim or suit. Varner agrees to cooperate with Mannatech regarding any pending or subsequently-filed litigation, claims or other disputed items involving Mannatech that relate to matters within the knowledge or responsibility of Varner during her employment. Varner agrees (i) to meet with Mannatech's representatives, its counsel or other designees at mutually convenient times and places with respect to any items within the scope of this provision; (ii) to provide truthful testimony regarding same to any court, agency or other adjudicatory body; and (iii) to provide Mannatech with notice of contact by any adverse party (known to Varner to be adverse to Mannatech or its interests), and further agrees that she will not voluntarily assist any such adverse party or such adverse party's representatives. Varner shall be entitled to reimbursement from Mannatech for reasonable travel and lodging expenses, if necessary, incurred by Varner by reason of the requests of Mannatech made pursuant to this paragraph. Varner shall be available to attend, on or before August 1, 2001, two (2) days of orientation meetings with the new General Counsel of Mannatech, provided a replacement has been hired by that date. In the event a new General Counsel is not hired until after August 1, 2001, or in the event the above-referenced

orientation meetings are not held before August 1, 2001, then Varner shall only be required to be available to attend a full-day orientation meeting with the new General Counsel. The Parties agree that Varner shall be available to consult, provide information or assistance, or otherwise cooperate with Mannatech as specified in this paragraph, two (2) hours per month (at no charge) during the Installment Payment Period, as follows: two (2) hours per month shall, if unused, carry over from month to month, up to a maximum of six (6) hours in any month (at no charge to Mannatech) during the Installment Payment Period ("Allotted Time"). The Allotted Time available in any month during the Installment Payment Period may be used within that month or accrued as stated and limited above. In the event Varner is requested to perform services on behalf of Mannatech in excess of the Allotted Time in any month, she shall be compensated by Mannatech at the rate of $150 per hour in excess of six (6) hours in that particular month. Varner shall keep an accurate record of her time expended in performing services for Mannatech and shall submit monthly time records (and statements for services, if applicable) to the Chief Financial Officer of Mannatech. The Parties acknowledge that after the Separation Date, Varner may undertake other business activities which are not precluded by this Agreement which may require devotion of her full time. Therefore, the Parties agree that any request of Varner's time by Mannatech pursuant to this paragraph shall take into consideration Varner's other previously-scheduled commitments or employment (which may be full time), and both Parties shall attempt to accommodate the scheduling needs and requirements of the other (which may be at times and on days which are not ordinary business times for Mannatech) in connection with the provisions of this paragraph. Further, the Parties agree that consultations with Varner shall be by telephone whenever possible. Mannatech recognizes that such post-separation date services shall not be deemed to constitute legal services or the practice of law by Varner, unless otherwise agreed in writing by Varner, but instead shall be deemed to constitute business consulting services.

12. Varner does not release any rights to indemnity as provided under the Bylaws of Mannatech or as set forth in Paragraph 2.6 of the September 28, 1998 Employment Agreement, that Varner may have possessed in her capacity, and by reason of her service as an employee or officer of Mannatech. Mannatech shall continue to maintain Directors and Officers insurance coverage, and will not seek any exclusion for past Directors and Officers, including Varner. At the written request of Varner, Mannatech shall deliver a copy of its Directors and Officers Insurance Policy to Varner.

13. In consideration of the premises, covenants and other valuable consideration provided by Mannatech in this Agreement, and subject thereto, Varner:

a. Hereby releases Mannatech and its employees, officers, agents, directors, shareholders and affiliates, collectively referred to as "Releases," from any and all claims, causes of action, losses, obligations, liabilities, damages, judgments, costs, expenses (including attorneys fees) of any kind whatsoever, including, but not limited to, disputes or claims arising out of Varner's hiring, employment or termination of such employment with Mannatech, including, but not limited to, disputes arising under the May 14, 1997, Employment Agreement, or the September 28, 1998, Employment Agreement, between the Parties, or arising out of any act committed or omitted during or after the existence of such employment relationship, including any disputes regarding compensation, bonus, stock, warrants or options. This Release includes, but is not limited to, all claims, whether arising in contract or allegations of tort, common law or assertion of federal or state statutory rights, including, but not limited to, Title VII of the Civil Rights Act of 1964, as amended, or the Age Discrimination in Employment Act, encompassing claims of age discrimination, claims for wrongful discharge, breach of express or implied contract or implied covenant of good faith and fair dealing, as well as any expenses, costs or attorneys fees. Furthermore, Varner agrees and hereby relinquishes any right to re-employment with Mannatech. However, Varner does not release her right to enforce the terms of this Agreement.

b. Agrees not to engage or participate, directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, stockholder, officer, direct, shareholder, member, investor (except passive investments to the extent of 1/2% or less in a publicly-traded Company) or any other individual or representative capacity during the Installment Payment Period referenced in paragraph 4 of this Agreement, and for a period of one (1) year following the last such installment payment (April 2, 2003) to Varner by Mannatech, in any geographical area or market where Mannatech has conducted any business as of Varner's Separation Date or during the previous twelve (12) months:

i. in any business competitive with the business conducted by Mannatech;

ii. render advice or services to, or otherwise assist, any other person, association or entity who is engaged, directly or indirectly, in any business competitive with the business conducted by Mannatech with respect to such competitive business; [however, subject to this Agreement, Varner shall have the right to engage in the practice of law]; or

iii. induce any employee of Mannatech or any of its affiliates to terminate his or her employment with Mannatech or such affiliates, or hire or assist in the hiring of any such employee by any person, association or entity not affiliated with Mannatech [Varner's potential hiring of Vincenza Calvey within the first twelve (12) months after the Separation Date is specifically exempted from this provision].

c. Agrees to return to Mannatech all information described in paragraph 3 of this Agreement and all copies thereof.

d. Agrees that she will not, save and except as required by law or judicial process, at any time, make any disclosure of business information maintained in confidence by Mannatech, or of any trade secrets of Mannatech, or otherwise knowingly make any use thereof. As a result of Varner's employment by Mannatech, Varner may also from time to time have had access to, or knowledge of, confidential business information or trade secrets of third parties, such as customers, suppliers, partners, joint venturers, and the like, of Mannatech and Varner shall have the same obligation with regard thereto.

The Parties agree that Mannatech has a legitimate interest in protecting the business and good will of Mannatech that has developed in the areas of Mannatech's business and in the geographical areas of this covenant not-to-compete as a result of the operations of Mannatech. The Parties agree that Mannatech is entitled to protection of its interests in these areas. The Parties further agree that the limitations as to time, geographical area and scope of activity to be restrained do not impose a greater restraint upon Varner than is necessary to protect the goodwill or other business interest of Mannatech. The Parties further agree that in the event of a violation of the provisions of paragraphs 3 or 13(b) (i-iii), (c) or (d) of this Agreement by Varner, that Mannatech shall be entitled to recover damages and all consideration provided to Varner in this Agreement, terminate any and all payment then owing to Varner, and seek an injunction against Varner for the breach or violation or continued breach or violation of this covenant. Such remedies shall not be deemed the exclusive remedies for a breach of these paragraphs, but shall be in addition to all remedies available at law or in equity to Mannatech. The Parties agree that if a court of competent jurisdiction determines that the length of time or any other restriction or portion thereof set forth in this paragraph is overly restrictive and unenforceable, the court may reduce or so modify such restriction to those which it deems reasonable, appropriate and enforceable under the circumstances.

14. In the event Mannatech believes that Varner has breached any material term or provision of this Agreement (with the exception of Varner's Confidentiality, Non-Competition and/or Non-Solicitation covenants in paragraphs 3 and 13(b) (i-iii), (c) and (d)), Mannatech shall provide written notice to Varner identifying the provision that Mannatech asserts has been breached by Varner and demanding cure and performance of such term or provision by Varner. Varner shall have fifteen (15)

calendar days after receipt of such notice to cure such breach and/or to perform such term or provision, and in the event she fails to timely do so, all amounts which otherwise would be payable by Mannatech to Varner under this Agreement shall cease and Mannatech shall be excused and have no further obligation for payment of any further amounts to Varner under this Agreement or the Employment Agreements. Provided, however, that notwithstanding such cessation of Mannatech's obligations, Varner's Confidentiality, Non-Competition and Non-Solicitation covenants contained in paragraphs 3 and 13(b) (i-iii), (c) and (d) shall continue in full force and effect as specified in this Agreement. In addition to the remedies referenced above, Mannatech may bring suit in a court of competent jurisdiction to enforce any material term or provision of this Agreement, and in the event said court determines that Varner has breached and/or failed to perform any material term or provision of this Agreement, damages and injunctive relief may be issued against Varner and Varner shall be obligated to pay reasonable attorneys fees, costs and expenses incurred by Mannatech.

15. Should Mannatech default in timely payment on the due date of any payment or amount due under this Agreement, Varner shall give written notice of such default to the persons specified in or pursuant to this Agreement to receive notice on behalf of Mannatech. Mannatech shall have fifteen (15) calendar days after the receipt of such a notice of default to cure any payment default. Should Mannatech fail to cure any payment default within fifteen (15) calendar days after such a payment default notice is so received, the entire balance remaining due and payable to Varner under this Agreement shall be accelerated and all amounts remaining unpaid under

this Agreement by Mannatech to Varner shall become immediately due and payable. After the due date, whether by acceleration or otherwise, unpaid payments then due and payable by Mannatech to Varner shall accrue interest at the highest lawful rate chargeable in the State of Texas. In the event that Varner brings suit in a court of competent jurisdiction to enforce this Agreement and, after trial is deemed by the Court to be the prevailing party in such litigation, she shall be entitled to recover such payments and benefits required under this Agreement and recover as damages from Mannatech, reasonable attorneys fees, costs and expenses incurred in connection with the pursuit of such legal process and/or lawsuit.

16. Mannatech releases Varner from any and all claims, causes of action, losses, obligations, liabilities, damages, judgments, costs, expenses (including attorneys fees) which arise out of actions taken by Varner while serving Mannatech and acting in good faith, and which she had no reasonable cause to believe the conduct was unlawful or illegal, including, but not limited to, claims under federal, state or local constitution, statute, law, ordinance, or regulation. In this regard, Varner shall be deemed to have acted in good faith and/or with reasonable cause to believe her conduct was lawful and legal if she acted in reliance on the advice, counsel or opinion of outside counsel to Mannatech. However, Mannatech does not release its right to enforce the terms of this Agreement.

17. If Varner or anyone acting on her behalf brings suit against Mannatech seeking to declare any term of this Agreement void or unenforceable, and if one or more material terms of this Agreement are ruled by a court to be void or unenforceable or

subject to reduction or modification, Mannatech may choose to cancel all of the remaining terms of this Agreement and recover from Varner (or Varner's successors or assigns) the value of anything paid by Mannatech in exchange for this Agreement. If the Agreement is not canceled by Mannatech, then the remaining terms of this Agreement, including any modification or reduction by the court, shall continue in full force and effect.

18. Varner and Mannatech agree that neither Varner nor any of its officers or directors will disparage the other. In respect to any inquiries from individuals who are not employed with Mannatech concerning the termination of the employment relationship between Varner and Mannatech, the Parties will respond to the effect that "Deanne Varner resigned to pursue other business ventures."

19. The Parties acknowledge that this Agreement has been drafted, prepared, negotiated and agreed to jointly, with advice of each Party's respective counsel, and to the extent that any ambiguity should appear, now or at any time in the future, latent or apparent, such ambiguity shall not be resolved or construed against either Party.

20. This Agreement shall not in any way be construed as an admission by either Party of any acts of wrongdoing, violation of any statute, law or legal or contractual right. Rather, Mannatech and Varner are willing to enter into this Agreement described herein to definitively resolve once and forever this matter, and to avoid the cost, expense and delay of litigation.

21. Varner and Mannatech represent and agree that they have thoroughly discussed all aspects of this Agreement and the effect of same with their attorneys,

that they have had a reasonable time to review the Agreement, that they fully understand all the provisions of the Agreement and are voluntarily entering into this Separation Agreement and the Mutual General Release. Varner further represents that she has not transferred or assigned to any person or entity any claim involving Mannatech or any portion thereof or interest therein.

22. Each of the Parties agree to keep confidential the specific terms of this Agreement, and shall not disclose the terms of this Agreement to any person except the financial, tax and legal advisors of Varner and Mannatech (and the Board of Directors of Mannatech) unless required to disclose same to others by legal process, in which event the Party so ordered shall to the extent practical under the circumstances first give notice to the other Party in order that such other party may have an opportunity to seek a protective order. The Parties shall cooperate with each other, should either decide to seek a protective order with all costs and expenses being borne by the party seeking such order. Both Parties shall abide by the final order, judgment, or decree of any court of competent jurisdiction, administration or regulatory body regarding such application for protective order. This Agreement may be disclosed or appended as an exhibit to any securities filing required to be made by the Company, however, after having been so disclosed or appended, Varner shall have no further duty of confidentiality concerning this Agreement, as set forth in this paragraph. Further, Varner may at any time disclose a copy of paragraphs 3, 11 and 13(b) of this Agreement.

23. All notices and other communications hereunder will be in writing. Any notice or other communication hereunder shall be deemed duly given if it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth:

If to Varner:

Ms. Deanne Varner
4100 St. John's Drive
Dallas, Texas 75205

With copy to:

Mark Shank, Esq.
Clark West Keller, L.L.P.
4800 Renaissance Tower
Dallas, Texas 75270

If to Mannatech:

Mr. Robert M. Henry
Mannatech Incorporated
600 S. Royal Lane, Suite 200
Coppell, Texas 75019

With copy to:

Jonathan Wilson, Esq.
Haynes and Boone, LLP
901 Main Street
Suite 3100
Dallas, Texas 75202

Any party may send any notice or other communication hereunder to the intended recipient at the address set forth using any other means (including personal delivery, expedited courier, messenger services, telecopy, telex, ordinary mail or electronic mail), but no such notice or other communication shall be deemed to have been duly given unless and until it is actually received by the intended recipient. Any party may change the address to which notices and other communications hereunder are to be delivered by giving the other party notice in the manner set forth herein.

24. This Agreement may be executed in multiple counterparts, whether or not all signatories appear on these counterparts, and each counterpart shall be deemed an original for all purposes. This Agreement shall be deemed performable by all Parties in Dallas County, Texas and the construction and enforcement of this Agreement shall be governed by Texas law without regard to its conflicts of law rules.

25. Varner has been given a period of 21 days from the Effective Date to review and consider this Agreement before signing it. She may use as much of the 21-day period as she wishes before signing and she is encouraged to consult with her attorney, Mark Shank, or any other attorney of her choosing, before signing this Agreement. Varner understands that whether or not to consult with an attorney is her decision. Varner may revoke this Agreement within 7 (seven) days after signing it. Revocation is only effective if Varner delivers a written notice of revocation to Mannatech, Inc. c/o Robert Henry, Chief Executive Officer, 600 South Royal Lane, Suite 200, Coppell, Texas 75019, within seven (7) days after signing the Agreement. This agreement is subject to review and approval by the Board of Directors and its various committees.

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 REVIEW AND CONSIDER THEIR AGREEMENT FOR 21 DAYS AND TO CONSULT WITH AN ATTORNEY ABOUT IT, AND STATE THAT BEFORE SIGNING THEIR AGREEMENT, I EXERCISE THESE RIGHTS TO THE FULL EXTENT THAT I DESIRED.

AGREED TO:

/s/ DEANNE VARNER   Date: May 2, 2001

DEANNE VARNER

STATE OF Texas

COUNTY OF Dallas

This instrument was acknowledged before me on this 2nd day of May 2001, by DEANNE VARNER.

[NOTARY SEAL]   /s/ GILDA M. DANIEL

Notary Public in and for the State of TX

MANNATECH, INC.

By: /s/ ROBERT M. HENRY   Date: May 2, 2001

Title: Chief Executive Officer

STATE OF TEXAS

COUNTY OF DALLAS

Before me, a Notary Public, on this day personally appeared Robert M. Henry, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of Robert M. Henry, and that he has executed the same on behalf of said corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office this 2nd day of May, 2001.

[NOTARY SEAL]   /S/ CAROLYN D. STUART

Notary Public in and for the State of Texas

(PERSONALIZED SEAL)

Attachment "A"

GENERAL COUNSEL RESIGNS

Coppell, Texas - - Mannatech, Inc. has announced the resignation of Deanne Varner, Senior Vice President and General Counsel, effective April _______, 2001.* Ms. Varner intends to pursue and develop private ventures.

Mannatech, Inc. develops proprietary nutritional supplements and topical products, which it sells through a network marketing system through the United States and internationally.

*Reference Separation Date in paragraph 1 of this Agreement.