2001

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

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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 September 30, 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 November 1, 2001, the number of shares outstanding of the registrant's sole class of common stock, par value $0.0001 per share was 25,051,301.

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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 | September 30, 2001 (Unaudited) |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 5,736 | $ 5,797 |
| Accounts receivable, less allowance for doubtful accounts of $58 in 2000 and 2001 | 692 | 948 |
| Income tax receivable | 2,300 | 1,718 |
| Current portion of notes receivable-shareholders | 187 | 119 |
| Inventories | 13,326 | 10,302 |
| Prepaid expenses and other current assets | 745 | 1,448 |
| Deferred tax assets | 1,201 | 1,199 |
| Total current assets | 24,187 | 21,531 |
| Property and equipment, net | 13,324 | 11,294 |
| Notes receivable-shareholders, excluding current portion | 390 | 327 |
| Other assets | 1,000 | 859 |
| Long-term investments | 1 | -- |
| Total assets | $ 38,902 | $ 34,011 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current portion of capital leases and notes payable | $ 301 | $ 526 |
| Accounts payable | 4,309 | 453 |
| Accrued expenses | 11,768 | 13,164 |
| Accrued compensation to related parties (Note 4) | 520 | 1,582 |
| Total current liabilities | 16,898 | 15,725 |
| Capital leases and notes payable, excluding current portion | 27 | -- |
| Accrued compensation to related parties (Note 4) | 500 | 1,100 |
| Deferred tax liabilities | 1,752 | 917 |
| Total liabilities | 19,177 | 17,742 |
| Commitments and contingencies (Notes 4 and 5) | -- | -- |
| Commitment to repurchase common stock (Note 5) | 1,000 | -- |
| 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 outstanding in 2001 | 3 | 3 |
| Additional paid-in capital | 17,949 | 17,949 |
| Note receivable due from shareholders (Note 5) | (167) | (815) |
| Retained earnings (deficit) | 2,798 | (436) |
| Accumulated other comprehensive loss--foreign currency translation adjustment | (321) | (432) |
| | 20,262 | 16,269 |
| Less treasury stock, at cost, 122,128 shares in 2000 and 0 shares in 2001 and a commitment to repurchase common stock of $1,000 in 2000 (Note 5) | (1,537) | -- |
| Total shareholders' equity | 18,725 | 16,269 |
| Total liabilities, commitment to repurchase common stock and shareholders' equity | $ 38,902 | $ 34,011 |

See accompanying notes to consolidated financial statements.

MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE-MONTHS ENDED SEPTEMBER 30, 2000 AND 2001
AND THE NINE-MONTHS ENDED SEPTEMBER 30, 2000 AND 2001
(in thousands, except per share information)

| | Three-months ended September 30 | | Nine-months ended September 30 | |
|---|---|---|---|---|
| | 2000 | 2001 | 2000 | 2001 |
| Net Sales | $ 37,364 | $ 30,307 | $ 116,096 | $ 97,017 |
| Cost of Sales | 6,776 | 5,590 | 20,469 | 17,130 |
| Commissions | 15,294 | 12,171 | 47,346 | 38,465 |
| | 22,070 | 17,761 | 67,815 | 55,595 |
| Gross profit | 15,294 | 2,546 | 48,281 | 41,422 |
| Operating Expenses: | | | | |
| Selling and administrative expenses | 8,054 | 7,180 | 26,988 | 23,784 |
| Other operating costs | 8,549 | 5,503 | 23,922 | 17,153 |
| Severance expenses related to former executives | 125 | -- | 125 | 3,420 |
| Write-off of fixed asset | -- | -- | 870 | -- |
| Total operating expenses | 16,728 | 12,683 | 51,905 | 44,357 |
| Loss from operations | (1,434) | (137) | (3,624) | (2,935) |
| Interest income | 139 | 53 | 561 | 208 |
| Interest expense | (15) | (9) | (58) | (24) |
| Other expense, net | (250) | (30) | (383) | (132) |
| Loss before income taxes and cumulative effect of accounting change | (1,560) | (123) | (3,504) | (2,883) |
| Income tax (expense) benefit | 357 | (182) | 984 | 194 |
| Loss before cumulative effect of accounting change | (1,203) | (305) | (2,520) | (2,689) |
| Cumulative effect of accounting change, net of tax of $126 | -- | -- | (210) | -- |
| Net loss | $ (1,203) | $ (305) | $ (2,730) | $ (2,689) |
| Earnings (loss) per common share - Basic: | | | | |
| Before cumulative effect of accounting change | $ (0.05) | $ (0.01) | $ (0.10) | $ (0.11) |
| Cumulative effect of accounting change | -- | -- | (0.01) | -- |
| Net | $ (0.05) | $ (0.01) | $ (0.11) | $ (0.11) |
| Earnings (loss) per common share - Diluted: | | | | |
| Before cumulative effect of accounting change | $ (0.05) | $ (0.01) | $ (0.10) | $ (0.11) |
| Cumulative effect of accounting change | -- | -- | (0.01) | -- |
| Net | $ (0.05) | $ (0.01) | $ (0.11) | $ (0.11) |
| Weighted-average common shares outstanding | | | | |
| Basic | 24,984 | 24,367 | 24,945 | 24,614 |
| Diluted | 24,984 | 24,367 | 24,945 | 24,614 |

See accompanying notes to consolidated financial statements.

MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2000 AND 2001
(in thousands)

| | 2000 | 2001 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (2,730) | $(2,689) |
| Adjustments to reconcile the net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 2,662 | 2,911 |
| Write-off of a fixed asset | 870 | -- |
| Loss on disposal of assets | 423 | 126 |
| Tax benefit from exercise of stock options | 239 | -- |
| Cumulative effect of accounting change, net of tax | 210 | -- |
| Deferred income tax expense (benefit) | 29 | (833) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 27 | (274) |
| Income tax receivable | (1,393) | 582 |
| Inventories | (866) | 2,968 |
| Prepaid expenses and other current assets | (390) | 61 |
| Other assets | 151 | 142 |
| Accounts payable | (971) | (2,386) |
| Accrued expenses and accrued compensation to related parties | 879 | 3,067 |
| Net cash provided by (used in) operating activities | (860) | 3,675 |
| Cash flows from investing activities: | | |
| Acquisition of property and equipment | (4,420) | (1,057) |
| Cash proceeds from sale of property and equipment | -- | 2 |
| Repayments by shareholders/related parties | 132 | 130 |
| Maturities of investments | 1,752 | 1 |
| Net cash used in investing activities | (2,536) | (924) |
| Cash flows from financing activities: | | |
| Payment of cash overdrafts | -- | (1,450) |
| Proceeds from stock options exercised | 328 | -- |
| Payment of capital lease obligations | (403) | (293) |
| Purchase of common stock from shareholder | -- | (656) |
| Advance to shareholder | (500) | -- |
| Payment of notes payable | (140) | (280) |
| Net cash used in financing activities | (715) | (2,679) |
| Effect of exchange rate changes on cash and cash equivalents | 5 | (11) |
| Net increase (decrease) in cash and cash equivalents | (4,106) | 61 |
| Cash and cash equivalents: | | |
| Beginning of the period | 11,576 | 5,736 |
| End of the period | $ 7,470 | $ 5,797 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | $ 59 | $ 24 |
| Summary of non-cash investing and financing activities follows: | | |
| Assets acquired through notes payable | $ -- | $ 771 |
| Treasury shares received for the payment of a note receivable due from a shareholder | $ 83 | $ 167 |
| Treasury shares acquired by issuance of note receivable due from a shareholder | $ -- | $ 815 |
| Commitment to repurchase common stock from a shareholder | $ 1,000 | $ (417) |

See accompanying notes to consolidated financial statements.

MANNATECH, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mannatech, Incorporated (the "Company") was incorporated in the State of Texas on November 4, 1993, as Emprise International, Inc. Effective October 25, 1995, the Company changed its name to Mannatech, Incorporated. The Company, located in Coppell, Texas, develops and sells high-quality, proprietary nutritional supplements, topical products and weight-management products primarily through a network marketing system operating in the United States, Canada, Australia, the United Kingdom and Japan. Independent associates ("Associates") purchase products at wholesale, for the primary purpose of selling to retail consumers or for personal consumption. Active Associates earn commissions on their downline growth and sales volume. In June 2001, the Company introduced its member program specifically designed for consumers ("Members") to purchase products for personal consumption at a discount but not to participate in the various incentive programs.

The Company's nine 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 17, 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 Company's consolidated financial statements and accompanying footnotes included in their 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 subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

The Company's revenues primarily consist of sales from products, starter and renewal packs and shipping fees. Substantially all product sales are sold to Associates at published wholesale prices and to Members at published discounted retail prices. Net sales include a reserve for estimated product returns and any related refunds, which are 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. As a result of adopting SAB 101, the Company has restated its 2000 quarterly financial information and recorded a one-time charge of $210,000, net of tax of $126,000 for

the cumulative effect of this accounting change at January 1, 2000. Beginning in 2000, the Company defers all of its revenues until the consumer receives the products shipped.

The Company also defers a portion of its revenue received from sales of starter and renewal packs, which are in excess of the average cumulative wholesale value of all of the individual items included in such packs and amortizes such deferrals over a twelve-month period. Total deferred revenue was $691,000 at December 31, 2000 and $736,000 at September 30, 2001.

Shipping and Handling Costs

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 its Associates and Members, as revenue. The Company records the in-bound freight and shipping costs as a part of cost of sales and records the shipping and handling costs associated with shipping its products to all of its consumers as selling and administrative expenses. Total shipping and handling costs included in selling and administrative expenses was approximately $1.2 million and $1.3 million for the three-months ended September 30, 2001 and 2000, respectively and $4.3 million and $5.8 million for the nine-months ended September 30, 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 the period. At September 30, 2000, all of the 3,863,952 common stock options were excluded from the diluted EPS calculation and at September 30, 2001, all of the 3,764,307 common stock options and 213,333 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 common shares of dilutive common share equivalents for the three-months ended September 30, 2000 and 2001. The amounts are rounded to the nearest thousand except for per share amounts.

| | 2000 | | | 2001 | | |
|---|---|---|---|---|---|---|
| | Net loss (Numerator) | Shares (Denominator) | Per share amount | Net loss (Numerator) | Shares (Denominator) | Per share amount |
| Basic EPS: | | | | | | |
| Net loss available to to common shareholders | $(1,203) | 24,984 | $(0.05) | $(305) | 24,367 | $(0.01) |
| Effect of dilutive securities: | | | | | | |
| Stock options/warrants | -- | -- | | -- | -- | |
| Diluted EPS: | | | | | | |
| Net loss available to common shareholders plus assumed conversions | $(1,203) | 24,984 | $(0.05) | $(305) | 24,367 | $(0.01) |

The following data shows the amounts used in computing earnings (loss) per share and their effect on the weighted-average number of common shares of dilutive common share equivalents for the nine-months ended September 30, 2000 and 2001. The amounts are rounded to the nearest thousand except for per share amounts.

| | 2000 | | | 2001 | | |
|---|---|---|---|---|---|---|
| | Net loss (Numerator) | Shares (Denominator) | Per share amount | Net loss (Numerator) | Shares (Denominator) | Per share amount |
| Basic EPS: | | | | | | |
| Net loss available to to common shareholders | $(2,730) | 24,945 | $(0.11) | $(2,689) | 24,614 | $(0.11) |
| Effect of dilutive securities: | | | | | | |
| Stock options/warrants | -- | -- | | -- | -- | |
| Diluted EPS: | | | | | | |
| Net loss available to common shareholders plus assumed conversions | $(2,730) | 24,945 | $(0.11) | $(2,689) | 24,614 | $(0.11) |

NOTE 2 INVENTORIES

At December 31, 2000 and September 30, 2001 inventory, rounded to the nearest thousands, consisted of the following:

| | 2000 | 2001 |
|---|---|---|
| Raw materials | $ 6,587 | $ 5,105 |
| Finished goods | 6,739 | 5,197 |
| | $13,326 | $10,302 |

NOTE 3 COMPREHENSIVE LOSS

Comprehensive loss for the three-months and the nine-months ended September 30, 2000 and 2001 is as follows (in thousands):

| | Three-months ended September 30 | | Nine-months ended September 30 | |
|---|---|---|---|---|
| | 2000 | 2001 | 2000 | 2001 |
| Net loss | $(1,203) | $(305) | $(2,730) | $(2,689) |
| Foreign currency translation adjustment | 5 | 118 | 5 | (112) |
| Comprehensive loss | $(1,198) | $(187) | $(2,725) | $(2,801) |

NOTE 4 COMMITMENTS AND CONTINGENCIES

In the fourth quarter of 2000, Mr. Anthony Canale resigned and in the second quarter of 2001, Ms. Deanne Varner, Mr. Charles Fioretti and Mr. Patrick Cobb resigned as executive officers of the Company. As a result, the Company entered into Separation Agreements with each of them. Under the terms of their agreements, the executives are bound by certain non-compete and confidentiality clauses and the Company agreed to pay them an aggregate amount of $1.9 million in 2001, $1.6 million in 2002, $850,000 in 2003 and $150,000 in 2004. The payments consist of compensation related to the cancellation of their employment agreements, accrued vacation, health insurance and automobile expenses. The Company also agreed to grant Mr. Canale 213,333 warrants, Ms. Varner a total of 163,333 stock options and Mr. Cobb a total of 60,000 stock options, all at exercise prices ranging from $1.75 to $4.00. As of September 30, 2001, none of these options or warrants had been exercised. The warrants and stock options vest on the date they were granted and are exercisable for ten years. In the second quarter of 2001, the Company recorded a one-time charge for all of these separation agreements of which $2.7 million remained unpaid as of September 30, 2001.

In September 2001, the Company amended its agreement with a high-level Associate, shareholder and advisory board member to promote the Company and develop downline growth in Japan. The amendment further clarified that the Company would pay this Associate a royalty of $5.00 per each specific promotional materials sold, by the Company, up to a maximum of $1.6 million. The Company does not expect to incur any royalty expense associated with this agreement until the first quarter of 2002.

NOTE 5 TRANSACTIONS WITH RELATED PARTIES

On September 24, 2001, the Company amended their agreement with Mr. Charles Fioretti to contingently release Mr. Fioretti from his Lockup and Repurchase Agreement in which the Company originally agreed to buy, on a monthly basis, up to $1.0 million worth of his stock valued at 90% of the fair market value so that Mr. Fioretti could sell 3,500,000 of his common shares to Mr. J. Stanley Fredrick. Under the terms of their agreement, Mr. Fredrick agreed to purchase 3,500,000 shares of Mr. Fioretti's stock, and Mr. Fioretti agreed to transfer all of the voting rights associated with his remaining shares to Mr. Fredrick. In addition, Mr. Fredrick has the right of first refusal to acquire the remaining 690,848 shares from Mr. Fioretti. On September 28, 2001, the Company's Board of Directors appointed Mr. Fredrick to the Board of Directors to fill the vacancy created when Mr. Fioretti resigned in August 2001.

On September 28, 2001, the Company entered into an agreement with Mr. Ray Robbins, a high-level Associate, shareholder and board member, to sell him all of the Company's 815,009 shares of treasury stock at $1.00 per share. The Company recorded the sale and a receivable due from a shareholder on September 30, 2001. The receivable was non-interest bearing and paid in full in October 2001.

On October 1, 2001, the Company entered into a two-year Consulting and Lockup Agreement with Mr. Fredrick. This agreement automatically renews annually unless thirty-day written notice is given to all parties. Under the terms of this agreement, Mr. Fredrick will provide advice and perform various functions for the Board of Directors for which the Company will pay Mr. Fredrick a total of $185,000 per year. In addition, under this agreement, Mr. Fredrick is prohibited from selling his shares, unless approved by the Company's Board of Directors.

NOTE 6 RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141 ("SFAS 141") "Business Combinations" and No. 142 ("SFAS 142") "Goodwill and Other Intangibles Assets."

SFAS 141 supercedes Accounting Principles Board Opinion No. 16 "Business Combinations." The most significant changes made by SFAS 141 are that it requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for recognition of certain intangibles assets separately from goodwill and requires the immediate write-off of unallocated negative goodwill.

SFAS 142 supercedes Accounting Principles Board Opinion No. 17 "Intangible Assets." SFAS 142 is effective for fiscal years beginning after December 15, 2001. SFAS 142 prohibits goodwill and indefinite lived intangible assets from being amortized and requires them to be annually tested for impairment at each reporting unit level. In addition, SFAS 142 removes the limitation of forty years for the useful lives of finite intangible assets.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 143 ("SFAS 143") "Accounting for Asset Retirement Obligations" and in October 2001, issued No. 144 ("SFAS 144") "Accounting for the Impairment or Disposal of Long-Lived Assets."

SFAS 143 amends SFAS 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies" and is effective for fiscal years beginning after June 15, 2002. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be determined. In addition, SFAS 143 requires the associated asset retirement costs to be capitalized as part of the carrying amount of the long-lived asset.

SFAS 144 supercedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and Accounting Principles Board Opinion No. 30 "Reporting Results of Operations-

Reporting the Effects of Disposal of a Segment of a Business." SFAS 144 is effective for fiscal years beginning after December 15, 2001. SFAS 144 requires that impaired long-lived assets be measured at the lower of carrying amount or fair value less costs to sell, regardless if they are reported in continuing operations or in discontinued operations. In addition, discontinued operations should no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. Finally, SFAS 144 broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction.

The Company believes the above pronouncements will have no significant effect on its consolidated financial positions, results of operations or cash flows.

NOTE 7 SUBSEQUENT EVENTS

On October 1, 2001, the Company entered into an employment agreement with Ms. Bettina S. Simon to serve as the new Senior Vice President and General Counsel. Under the terms of the employment agreement, Ms. Simon will be paid an annual base salary of $200,000 and was granted 50,000 stock options, which vest over three-years and are exercisable over ten years at a stock price of $1.07 per share. The employment agreement has no fixed term; however, if cancelled without cause, Ms. Simon will be entitled to receive between three to six months of her annual base salary.

On November 1, 2001, the Company granted 625,000 stock options to various executive officers. The options vest over three years, expire in ten years and are exercisable at $2.69 per share.

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 and nine-months ended September 30, 2001 compared to the same periods 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 its high-quality, proprietary nutritional supplements, topical products and weight-management products primarily through a worldwide network marketing system operating in the United States, Canada, Australia, the United Kingdom and Japan. Currently Mannatech has approximately 202,000 active members and associates as of September 30, 2001 compared to approximately 274,000 active associates as of September 30, 2000. Mannatech defines an active associate or member as one having purchased products within the last twelve months. Members may purchase Mannatech's high-quality proprietary products for personal consumption at a discount but not participate in the various incentive programs.

Mannatech's earnings (loss) per share remained at ($0.11) for each of the nine-months ended September 30, 2001 and for the comparable period in 2000, respectively in spite of recording a one-time charge of $3.4 million, in the second quarter of 2001, which related to the resignations of various former executives with employment agreements. In addition, Mannatech reported a decrease in net sales, which was directly attributed to a 26% decrease in Mannatech's active associate and member base. For the nine-months ended September 30, 2001, Mannatech would have reported net income of $731,000, exclusive of the $3.4 million one-time severance charge and continues to report income from operations for its North American operations. The net loss for 2000 totaling ($2.7 million) primarily related to a decrease in net sales, incurring approximately $4.4 million related to international expansion into the United Kingdom and Japan, and continuing to fund operations for its Internet subsidiary, Internet Health Group, Inc, which ceased operations on December 29, 2000.

Beginning in February 2001, Mannatech increased the shipping fees it charges to consumers and in March 2001, Mannatech increased the sale prices of some of its finished goods. The price increase on certain finished goods was Mannatech's first price increase since its inception in 1993.

In June 2001, Mannatech introduced its member program and announced the hiring of new general managers for both its Australia and Japan operations, which it believes will help in strengthening its international operations. In addition, in the second quarter of 2001, Mannatech implemented some new incentive programs specifically designed to reward its entry-level associates faster, increase its active associate base and boost net sales. In October 2001, Mannatech unveiled its strategy for its new global compensation plan that will help to refocus its associates to primarily concentrate on Mannatech's performance and leadership incentive programs. Overall, Mannatech believes the changes to its compensation plan will better reward its associates and continue to pay approximately 42% of commissionable sales as compensation expense to its active associates.

Net sales by country, as a percentage of consolidated net sales, including the Japan operations, which began operations on June 26, 2000, are as follows:

| Nine-months ended September 30 | U.S. | Canada | Australia | U.K. | Japan | Total |
|---|---|---|---|---|---|---|
| 2001..... | 77.0% | 14.7% | 3.4% | 0.9% | 4.0% | 100.0% |
| 2000..... | 77.1% | 13.4% | 6.3% | 1.2% | 2.0% | 100.0% |

Mannatech believes that it continues to provide the highest-quality of products to its consumers, which helps the consumer achieve optimal health and wellness. Mannatech also believes it only introduces products that help meet a current demand in the wellness industry at the highest quality available. Recently Mannatech introduced four new products including:

- ImmunoStart(TM), which was introduced in October 2000, as a chewable tablet that aids in energy levels and helps the immune system.
- Glyco-Bears(R), which was introduced in March 2001 as a new chewable multivitamin for children. Mannatech believes the chewable vitamin will help supplement children's diets and aid in their overall health and wellness.
- Glycentials(TM), which was introduced in August 2001 as an antioxidant-rich multivitamin/mineral formula that helps to provide vitamin and mineral support. Mannatech believes this multivitamin will aid in ones overall health and wellness.
- CardioBALANCE (TM), which was introduced in October 2001 to provide a wide range of certain nutritional benefits specifically designed to aid in the cardio-vascular system.

Mannatech primarily derives its revenues from sales of its products and starter and renewal packs. Starter and renewal packs include some combination of Mannatech's proprietary products and promotional materials. An active associate who purchases a starter or renewal pack is entitled to purchase Mannatech's high-quality proprietary products at wholesale prices and earn various incentives and bonuses. In June 2001, Mannatech introduced its member program, which allows a member to purchase its high-quality proprietary products at 95% of the suggested retail price or 86% of the suggested retail price for an automatic monthly order. Mannatech offers comparable starter and renewal 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 are between 60% and 100% of the total wholesale value of the packs. The remainder of the total wholesale value, if any, consists of various promotional materials. Mannatech defers revenue over a twelve-month period for revenue received from the sale of its associate packs to the extent that the sales price exceeds the sum of the total average wholesale value of all of the individual items included in such packs. Total deferred revenue was approximately $691,000 at December 31, 2000 and $736,000 at September 30, 2001.

Mannatech compensates its active associates by paying them commissions and incentives, which is its most significant expense. The commission structure is designed to not materially exceed 42% of commissionable net sales. In March 2001, Mannatech announced the following two incentive bonus programs for its active associates:

- The Power Plan incentive bonus, which pays active associates for enrolling six All-Star associates; and
- The Team incentive bonus, which pays active associates for meeting and maintaining certain purchasing levels in their organizations.

Mannatech believes these incentive programs will ultimately pay more commissions to the entry-level associate faster. In October 2001, Mannatech announced that its strategy for its new compensation plan would help to refocus its associates to concenrate on its leadership and performance incentive programs; however, none of these changes to its compensation plan are expected to significantly change the total commissions paid as a percentage of commissionable net sales. Commissions and incentives paid to active associates are based on the following criteria:

- 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 also pays taxes in various state jurisdictions at an approximate average effective tax rate of 3%. Mannatech expects to pay taxes in Australia, the United Kingdom and Japan at statutory tax rates ranging from 31% to 42%. The payment of such foreign taxes could result in foreign tax credits that would reduce the amount of United States taxes owed; however, Mannatech may not be able to fully-utilize all of such foreign tax credits in the United States. Mannatech has also incurred net operating losses from its Japan subsidiary that may not be fully realizable in the future.

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 September 30 | | Nine-months ended September 30 | |
|---|---|---|---|---|
| | 2000 | 2001 | 2000 | 2001 |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales | 18.1 | 18.4 | 17.6 | 17.7 |
| Commissions | 40.9 | 40.2 | 40.8 | 39.6 |
| Gross profit | 41.0 | 41.4 | 41.6 | 42.7 |
| Operating expenses: | | | | |
| Selling and administrative expenses | 21.6 | 23.7 | 23.2 | 24.5 |
| Other operating costs | 22.9 | 18.2 | 20.6 | 17.7 |
| Severance expenses related to former executives | 0.3 | 0.0 | 0.8 | 3.5 |
| Write-off of a fixed asset | 0.0 | 0.0 | 0.1 | 0.0 |
| Loss from operations | (3.8) | (0.5) | (3.1) | (3.0) |
| Interest income | 0.4 | 0.2 | 0.5 | 0.2 |
| Interest expense | (0.1) | 0.0 | (0.1) | 0.0 |
| Other expense, net | (0.7) | (0.1) | (0.3) | (0.2) |
| Loss before income taxes and cumulative effect of accounting change | (4.2) | (0.4) | (3.0) | (3.0) |
| Income tax (expense) benefit | 1.0 | (0.6) | 0.8 | 0.2 |
| Loss before cumulative effect of accounting change | (3.2) | (1.0) | (2.2) | (2.8) |
| Cumulative effect of accounting change, net of tax | 0.0 | 0.0 | (0.2) | 0.0 |
| Net loss | (3.2)% | (1.0)% | (2.4)% | (2.8)% |
| Number of starter packs sold | 24,493 | 16,095 | 88,066 | 49,274 |
| Number of renewal packs sold | 16,215 | 10,816 | 48,779 | 34,128 |
| Total number of packs sold | 40,708 | 26,911 | 136,845 | 83,402 |
| Total associates canceling associate status | 1,182 | 1,174 | 4,903 | 3,540 |

Three-months ended September 30, 2001 compared with the three-months ended September 30, 2000

Net sales. Net sales decreased (19.0%) to $30.3 million for the three-months ended September 30, 2001 from $37.4 million for the comparable period in 2000. This decrease was primarily composed of a decrease of 26% in its active associate base, which was partially offset by a 7% increase in the sales prices of some of its finished goods implemented in March 2001and the introduction of several new products including ImmunoStart(TM), Optimal Health Pack (TM), GlycoBears(R) and Glycentials(TM).

Cost of sales. Cost of sales decreased (17.6%) to $5.6 million for the three-months ended September 30, 2001 from $6.8 million for the comparable period in 2000. As a percentage of net sales, cost of sales increased to 18.4% for the three-months ended September 30, 2001 from 18.1% for the comparable period in 2000. The increase in cost of sales as a percentage of net sales was primarily due to a write-off of some expected spoilage and obsolescence of products totaling $525,000 and a change in the product mix of finished goods sold. The dollar decrease was primarily due to a decrease in the volume of finished goods sold, which was partially offset by the write-off of certain products.

Commissions. Commissions consist of payments to active associates for their sales activity and downline growth. Commissions decreased (20.3%) to $12.2 million for the three-months ended September 30, 2001 from $15.3 million for the comparable period in 2000. As a percentage of net sales, commissions slightly decreased to 40.2% for

the three-months ended September 30, 2001 from 40.9% for the comparable period in 2000. The decrease was the direct result of a decrease in commissionable net sales and a 7% increase in the sales prices of some of its finished goods.

Gross profit. Gross profit decreased (18.3%) to $12.5 million for the three-months ended September 30, 2001 from $15.3 million for the comparable period in 2000. As a percentage of net sales, gross profit slightly increased to 41.4% for the three-months ended September 30, 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 compensation, shipping and freight and marketing expenses. Selling and administrative expenses decreased (11.1%) to $7.2 million for the three-months ended September 30, 2001 from $8.1 million for the comparable period in 2000. As a percentage of net sales, selling and administrative expenses increased to 23.7% for the three-months ended September 30, 2001 from 21.6% for the comparable period in 2000, which was the result of Mannatech's inability to reduce some fixed and semi-variable expenses associated with the decrease in net sales. The dollar decrease was primarily due to the following:

- a decrease of ($700,000) in compensation and related employee benefits due to the reduction of employees, including the resignation of various executives;
- a decrease of ($404,000) in marketing related expenses, which was the result of recording a car incentive bonus and elimination of various events for its Japan operations;
- the above were partially offset by an increase of $226,000 in freight cost as a result of opening its Japan operations.

Other operating costs. Other operating costs include utilities, depreciation, travel, office expenses and printing expenses. Other operating costs decreased (35.3%) to $5.5 million for the three-months ended September 30, 2001 from $8.5 million for the comparable period in 2000. As a percentage of net sales, other operating costs decreased to 18.2% for the three-months ended September 30, 2001 from 22.9% for the comparable period in 2000. The decrease was primarily due to the following:

- a decrease of ($870,000) related to variable expenses associated with a decrease in net sales and the curtailment of certain operating expenses;
- a decrease of ($1.3 million) relating to the reduction in long-distance telephone expenses, postage and international travel related to the international expansion that was substantially completed by the end of 2000; and
- a decrease of ($835,000) related to the completion of several projects by outside consultants.

Interest income. Interest income decreased (61.9%) to $53,000 for the three-months ended September 30, 2001 from $139,000 for the comparable period in 2000. As a percentage of net sales, interest income decreased to 0.2% for the three-months ended September 30, 2001 from 0.4% for the comparable period in 2000. The decrease was due to using investments to fund current year operations.

Interest expense. Interest expense decreased (40.0%) to $9,000 for the three-months ended September 30, 2001 from $15,000 for the comparable period in 2000. As a percentage of net sales, interest expense decreased to 0.0% for the three-months ended September 30, 2001 from (0.1%) for the comparable period in 2000. The decrease was primarily due to Mannatech paying off an existing note and two capital leases.

Other expense, net. Other expense, net consists of foreign currency translation adjustments relating to the United Kingdom and Australia operations and miscellaneous non-operating items. Other expense, net decreased to ($30,000) for the three-months ended September 30, 2001 from ($250,000) for the comparable period in 2000. As a percentage of net sales, other expense, net decreased to (0.1%) for the three-months ended September 30, 2001 from

(0.7%) for the comparable period in 2000. For the three-months ended September 30, 2001, other expense, net consisted primarily of currency translation adjustments. For the three-months ended September 30, 2000, other expense, net consisted of currency translation adjustments and a loss from the abandonment of certain fixed assets.

Income tax (expense) benefit. Income tax (expense) benefit was ($182,000) for the three-months ended September 30, 2001 and $357,000 for the comparable period in 2000. Mannatech's effective tax rate increased to (148.0%) for the three-months ended September 30, 2001 from 22.9% for the comparable period in 2000. Mannatech's effective tax rate increased primarily as a result of Mannatech's inability to recognize foreign income tax benefits relative to its Japan operations.

Cumulative effect of accounting change, net of tax. In the fourth quarter of 2000, Mannatech adopted 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 their products shipped.

Net loss. Net loss decreased (74.6%) to ($305,000) for the three-months ended September 30, 2001 from ($1.2 million) for the comparable period in 2000. As a percentage of net sales, the net loss decreased to (1.0%) for the three-months ended September 30, 2001 from (3.2%) for the comparable period in 2000. The decrease was due to the following:

- curtailment of various operating expenses;
- no longer incurring expenses related to its Internet subsidiary;
- a 19% decrease in net sales; and
- substantial completion of its planned international expansion into three foreign countries.

Nine-months ended September 30, 2001 compared with the nine-months ended September 30, 2000

Net sales. Net sales decreased (16.5%) to $97.0 million for the nine-months ended September 30, 2001 from $116.1 million for the comparable period in 2000. This decrease was primarily composed of a decrease of 26% in is active associate base, which was partially offset by a 7% sales price increase in some of its finished goods implemented in March 2001, a $3.7 million increase from opening Japan on June 26, 2000 and the introduction of several new products including ImmunoStart(TM), Optimal Health Pack(TM), GlycoBears(R) and Glycentials(TM).

Cost of sales. Cost of sales decreased (16.6%) to $17.1 million for the nine-months ended September 30, 2001 from $20.5 million for the comparable period in 2000. As a percentage of net sales, cost of sales slightly increased to 17.7% for the nine-months ended September 30, 2001 from 17.6% for the comparable period in 2000. The slight increase in cost of sales as a percentage of net sales was primarily due to the write-off of products for spoilage and obsolescence, a change in the product mix of finished goods sold, partially offset by a 7% price increase for some of its finished goods that was implemented in March 2001. The dollar decrease was due to a decrease in the volume of finished goods sold.

Commissions. Commissions consist of payments to active associates for sales activity and downline growth. Commissions decreased (18.6%) to $38.5 million for the nine-months ended September 30, 2001 from $47.3 million for the comparable period in 2000. As a percentage of net sales, commissions slightly decreased to 39.6% for the nine-months ended September 30, 2001 from 40.8% for the comparable period in 2000 due to a 7% increase in the sale prices of some of its finished goods. The dollar decrease was the direct result of a decrease in commissionable net sales.

Gross profit. Gross profit decreased (14.3%) to $41.4 million for the nine-months ended September 30, 2001 from $48.3 million for the comparable period in 2000. As a percentage of net sales, gross profit increased to 42.7% for the nine-months ended September 30, 2001 from 41.6% 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 compensation, shipping and freight and marketing expenses. Selling and administrative expenses decreased (11.9%) to $23.8 million for the nine-months ended September 30, 2001 from $27.0 million for the comparable period in 2000. As a percentage of net sales, selling and administrative expenses increased to 24.5% for the nine-months ended September 30, 2001 from 23.2% for the comparable period in 2000, which was the result of the inability to reduce some fixed and semi-variable expenses associated with the decrease in net sales. The dollar decrease was primarily due to the following:

- a decrease of ($1.3 million) in compensation and related employee benefits related to a reduction in employees including the resignation of various executives;
- a decrease of ($600,000) in freight cost resulting from a decrease in net sales, which was partially offset by opening its Japan operations;
- a decrease of ($1.1 million) in marketing related expenses, which was the result of not hosting various events for its Japan and United Kingdom operations; and
- a decrease of ($200,000) in advertising expenses as a result of discontinuing operations of its Internet subsidiary.

Other operating costs. Other operating costs include utilities, depreciation, travel, office expenses and printing expenses. Other operating costs decreased (28.0%) to $17.2 million for the nine-months ended September 30, 2001 from $23.9 million for the comparable period in 2000. As a percentage of net sales, other operating costs decreased to 17.7% for the nine-months ended September 30, 2001 from 20.6% for the comparable period in 2000. The percentage decrease was the result of management making a concerted effort to curtail expenses. The dollar decrease was primarily due to the following:

- a decrease of ($2.0 million) related to variable expenses associated with a decrease in net sales and the curtailment of certain operating expenses;
- a decrease of ($4.3 million) in expenses related to travel, consulting, postage and telephone expenses incurred in the prior year related to the expansion into the United Kingdom and Japan;
- a decrease of ($200,000) from the prior year related to the buyout of Ray Robbins last remaining incentive agreement in 2000, which was initially canceled in July 1999;
- a decrease of ($400,000) related to license fees paid to a third party for the Internet subsidiary, which discontinued operations on December 29, 2000, which was;
- partially offset by an increase of $200,000 in depreciation expense related to the recent expansion into Japan.

Severance expenses related to former executives. In the second quarter of 2001, management entered into Separation Agreements with various former executives and recorded a one-time charge of $3.4 million. The $3.4 million consisted of compensation related to the cancellation of their employment agreements, accrued vacation, health insurance and automobile expenses that will be paid to the former employees at various times through 2004.

Write-off of a fixed asset. In the second quarter of 2000, Mannatech determined its Internet subsidiary, Internet Health Group, Inc.'s, fixed asset with a book value of $870,000 was impaired and should be written off. The write-off was a result of the continuation of the poor performance of the subsidiary, which discontinued operations as of December 29, 2000.

Interest income. Interest income decreased (62.9%) to $208,000 for the nine-months ended September 30, 2001 from $561,000 for the comparable period in 2000. As a percentage of net sales, interest income decreased to 0.2%

for the nine-months ended September 30, 2001 from 0.5% for the comparable period in 2000. The decrease was due to using investments to fund current year operations.

Interest expense. Interest expense decreased (59.3%) to $24,000 for the nine-months ended September 30, 2001 from $58,000 for the comparable period in 2000. As a percentage of net sales, interest expense decreased to 0.0% for the nine-months ended September 30, 2001 from (0.1%) for the comparable period in 2000. The decrease was primarily due to paying off an existing note and two capital leases.

Other expense, net. Other expense, net consists of foreign currency translation adjustments related to the United Kingdom and Australia operations and miscellaneous non-operating items. Other expense, net decreased (65.5%) to ($132,000) for the nine-months ended September 30, 2001 from ($383,000) for the comparable period in 2000. As a percentage of net sales, other expense, net decreased to (0.2%) for the nine-months ended September 30, 2001 from (0.3%) for the comparable period in 2000. For the nine-months ended September 30, 2001, other expense, net consisted primarily of currency exchange losses due to currency translation fluctuations. For the nine-months ended September 30, 2000, other expense, net primarily consisted of approximately $36,000 in certain tax penalties and currency exchange losses due to currency translation fluctuations.

Income tax (expense) benefit. Income tax benefit was $194,000 for the nine-months ended September 30, 2001 and $984,000 for the comparable period in 2000. Mannatech's effective tax rate decreased to 6.7% for the nine-months ended September 30, 2001 from 28.1% for the comparable period in 2000. Mannatech's effective tax rate decreased primarily as a result of Mannatech's inability to recognize foreign income tax benefits relative to its Japan operations.

Cumulative effect of accounting change, net of tax. In the fourth quarter of 2000, Mannatech adopted 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 their products shipped.

Net loss. Net loss remained at ($2.7 million) for both the nine-months ended September 30, 2001 and the comparable period in 2000. As a percentage of net sales, the net loss slightly increased to (2.8%) for the nine-months ended September 30, 2001 from (2.4%) for the comparable period in 2000. In 2001, the net loss was primarily due to recording a one-time charge of $3.4 million related to the resignation of various executives who held employment agreements and a decrease in net sales of (16.5%), which was a direct result of a 26% decrease in active associates. This was partially offset by the curtailment of various operating expenses, no longer incurring expenses related to its Internet subsidiary and substantial completion of its planned international expansion into three foreign countries. For the nine-months ended September 30, 2001, Mannatech would have reported net income of $731,000, exclusive of the one-time severance charge for four former executives totaling $3.4 million. The net loss for 2000 primarily related to a decrease in net sales and incurring approximately $4.4 million in expenses related to its international expansion.

Liquidity and Capital Resources

Historically, Mannatech has funded its business objectives, working capital and operations through its cash flows from operations. Mannatech's working capital decreased to $5.8 million as of September 30, 2001 from $7.3 million at December 31, 2000. In 2000, Mannatech funded approximately $4.4 million for expansion into Japan and $4.1 million for operations for its Internet subsidiary, Internet Health Group, Inc. In 2001, Mannatech funded $2.1 million in payments to various former executives holding employment agreements, which totaled $3.4 million, and reported a decrease in net sales of 16.5%. Mannatech plans to continue to fund its business objectives, working capital and operations primarily through its current cash flows from operations.

| Provided by (used in) | September 30, 2001 | September 30, 2000 |
|---|---|---|
| Operating activities | $3.7 million | ($860,000) |
| Investing activities | ($924,000) | ($2.5 million) |
| Financing activities | ($2.7 million) | ($715,000) |

Operating activities. For the nine-months ended September 30, 2000, operating activities primarily related to its international expansion into the United Kingdom and Japan, which resulted in a net loss of ($2.7 million) combined

with an increase in inventory of ($866,000), an increase in prepaids of ($390,000) and increase in receivables of ($1.4 million) for the expected income tax refund. These decreases were partially offset by $2.7 million in deprecation, the write-off of certain abandoned fixed assets of $423,000, and the impairment of a fixed asset from its Internet subsidiary totaling $870,000. For the nine-months ended September 30, 2001, operating activities primarily related to a one-time charge of $3.4 million related to the resignation of various executives, which resulted in a net loss of ($2.7 million), which was offset by recording $2.9 million in depreciation, a decrease in inventory of $3.0 million due to the closing of the Internet subsidiary, completion of its planned international expansion in 2000 and depleting its current on-hand inventory levels.

Investing activities. For the nine-months ended September 30, 2000, investing activities consisted of purchases of computer hardware and software and the build out of the Japan facility totaling ($4.4 million), which was partially offset by the maturing of investments of $1.8 million. The investments were primarily used to fund current operations and opening its Japan subsidiary. For the nine-months ended September 30, 2001, investing activities consisted of purchases of property and equipment and software development costs totaling ($1.1 million) which were assets purchased for the new database primarily for its associates called Success Tracker, which was partially offset by the repayment of notes receivable due from a shareholder of $130,000.

Financing activities. For the nine-months ended September 30, 2000, financing activities consisted of the repayment of various capital leases and notes payable totaling ($543,000), partially offset by the receipt of $328,000 related to the exercise of 235,700 stock options at prices per share ranging from $1.35 to $2.00. For the nine-months ended September 30, 2001, financing activities consisted of the payment of cash overdrafts of ($1.5 million), paying off two capital leases and a note payable of ($573,000) and the repurchase of 655,833 shares of common stock from Mr. Charles Fioretti totaling ($656,000) pursuant to his Lock-up and Repurchase Agreement, which was terminated on September 24, 2001.

Mannatech believes its existing liquidity, capital resources and bank borrowings, coupled with the continuation of the suspension of dividend payments to shareholders should be adequate to fund its business operations and commitments for at least the next twelve months including the following:

- In August 2001, Mannatech committed to fund up to $1 million to expand its core software database application onto a more easily maintainable architecture, which should provide additional reporting capabilities and scheduled to be substantially complete within the next twelve-months.

- Funding payments totaling $2.7 million related to the recent resignations of Mr. Anthony Canale, Ms. Deanne Varner, Mr. Charles Fioretti and Mr. Patrick Cobb. Under the terms of the various separation agreements, Mannatech is required to pay an aggregate amount of $2.7 million, of which $1.6 million will be paid over the next twelve-months.

- Funding payments of its annual insurance premiums, totaling approximately $1 million, which Mannatech has historically funded over ten monthly installments to various finance companies.

Mannatech has no present commitments or agreements with respect to any acquisitions or purchases of any manufacturing facilities. Mannatech believes any future changes in its operations may consume available capital resources faster than anticipated. Mannatech believes its existing capital requirements depend on its retention and expansion of its current associate and member base and continuing to refine and introduce high-quality products.

If existing capital resources or cash flows become insufficient to meet Mannatech's business plans and existing 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 July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141 ("SFAS 141") "Business Combinations" and No. 142 ("SFAS 142") "Goodwill and Other Intangibles Assets."

SFAS 141 supercedes Accounting Principles Board Opinion No. 16 "Business Combinations." The most significant changes made by SFAS 141 are that it requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for recognition of certain intangibles assets separately from goodwill and requires the immediate write-off of unallocated negative goodwill.

SFAS 142 supercedes Accounting Principles Board Opinion No. 17 "Intangible Assets." SFAS 142 is effective for fiscal years beginning after December 15, 2001. SFAS 142 prohibits goodwill and indefinite lived intangible assets from being amortized and requires them to be annually tested for impairment at each reporting unit level. In addition, SFAS 142 removes the limitation of forty years for the useful lives of finite intangible assets.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 143 ("SFAS 143") "Accounting for Asset Retirement Obligations" and in October 2001, issued No. 144 ("SFAS 144") "Accounting for the Impairment or Disposal of Long-Lived Assets."

SFAS 143 amends SFAS 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies" and is effective for fiscal years beginning after June 15, 2002. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be determined. In addition, SFAS 143 requires the associated asset retirement costs to be capitalized as part of the carrying amount of the long-lived asset.

SFAS 144 supercedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and Accounting Principles Board Opinion No. 30 "Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business." SFAS 144 is effective for fiscal years beginning after December 15, 2001. SFAS 144 requires that impaired long-lived assets be measured at the lower of carrying amount or fair value less costs to sell, regardless if they are reported in continuing operations or in discontinued operations. In addition, discontinued operations should no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. Finally, SFAS 144 broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction.

Mannatech believes the above pronouncements will have no significant effect on its consolidated financial positions, results of operations or cash flows.

Outlook

Mannatech believes its outlook for the remainder of 2001 and looking forward into 2002 will be contingent upon the success of retaining and expanding its active associate and member base, its ability to refine and introduce new high-quality products, which will expand sales to support its global operations and effectively communicate its changes to its compensation plan.

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" and Notes to Consolidated Financial Statements and elsewhere in this report may constitute "forward-looking statements" within the meaning of the Private Litigation Reform Act of 1995. Opinions, forecasts, projections, guidance or other statements other than statements of historical fact are considered forward-looking statements and reflect Mannatech's current views about future events and financial performance. These forward-looking statements are subject to certain events, risks and uncertainties that may be outside Mannatech's control. Some of these forward-looking statements include statements regarding:

- existing cash flows being adequate to fund its current business operations;
- beliefs that some of its incentive plans will pay entry-level associates faster;
- commissions not exceeding 42% of commissionable net sales;
- the value of the United States dollar not materially effecting its overall financial results;
- establishment of certain policy, procedures and internal processes to combat any exposure to market risk;
- any actual impact of future market changes due to future exposure to currency rate fluctuations;
- management's plans, objectives and budgets for its future operations and future economic performance;
- capital budget and future capital requirements relating to capital projects and severance payments to executives;
- maintaining current levels of future expenditures;
- any significant impact on its financial positions, results of operations or cash flows by recent accounting pronouncements;
- the outcome of any regulatory and litigation matters;
- global statutory tax rates remaining unchanged;
- the recent increase in its price of its stock;
- Mannatech's products aiding in the overall health and wellness; 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 compensation and incentive plans;
- retention and expansion of its associate and member base;
- timely development and acceptance of new products or refinements of existing products;
- the markets for Mannatech's domestic and international operations;
- the 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," "in the future" or "continue" or the negative of such terms and other comparable terminology. Readers are cautioned when considering these forward-looking statements to keep in mind these risks and uncertainties and any other cautionary statements in this report as all of the forward-looking statements contained herein speak only as of the date of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Mannatech does not engage in trading market risk sensitive instruments and does not purchase investments 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 when the exchange rate weakens against currencies in which Mannatech incurs costs, net sales or costs may be adversely affected.

Mannatech has established certain policies, procedures and internal processes, which it believes will help monitor any significant market risks. Currently, Mannatech does not use any financial instruments to manage its exposure to such risks. The sensitivity of earnings and cash flows to variability in currency exchange rates is assessed by applying an appropriate range of potential rate fluctuations to Mannatech's assets, obligations and projected transactions denominated in foreign currency. Based upon its overall currency rate exposure at September 30, 2001, Mannatech believes the actual impact of future market changes could differ materially due to, among other things, factors discussed in this report. Mannatech cannot predict with any certainty its future exposure to such currency exchange rate fluctuations or the impact, if any, it may have on its future business, product pricing, consolidated financial position, results of operations or cash flows; however, Mannatech believes it closely monitors current fluctuations for exposure to such market risk. Currently, 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 currency exchange rates to the United States dollar, for each of these countries, for the nine-months ended September 30, 2001 are as follows:

| Country/Currency | High | Low |
|---|---|---|
| Australia/Dollar ..... | $0.57220 | $0.47730 |
| United Kingdom/British Pound .... | $1.51030 | $1.36770 |
| Japan/Yen ..... | $0.00880 | $0.00788 |

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 as amended (File No. 000-24657) for 2000 as filed with the Securities and Exchange Commission on April 2, 2001.

Item 2. Changes in Securities and Use of Proceeds

On September 28, 2001, Mannatech entered into an agreement with Mr. Ray Robbins, a high-level associate, shareholder and board member, to sell to him all of Mannatech's 815,009 shares of treasury stock at $1.00 per share.

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 October 1, 2001, the Board of Directors appointed Mr. J. Stanley Fredrick to the Board of Directors to replace Mr. Charles Fioretti, who resigned from the Board of Directors in August 2001. Mr. Fredrick has considerable industry experience with various companies engaged in direct selling activities. Mr. Fredrick has served as the President and CEO of SMC Industries, which included Saladmaster Corporation among its holdings, and was co-founder, Chairman and CEO of Cameo Couture, which sold products through home parties. Mr. Fredrick has also served as a member of the Board of Texas Central Bank, was a co-founder of Irving National Bank Shares, a commercial bank holding company and currently is the owner of Fredrick Consulting Services. Mr. Fredrick has many professional affiliations including Founding Board Membership of the National Aloe Science Council; the Personal Selling Institute of Baylor University; served as past Chairman and Board member of the Direct Selling Association ("DSA") and Direct Selling Education Foundation. Mr. Fredrick was awarded the DSA Hall of Fame award, is a member of the Circle of Honor from the Direct Selling Education Foundation. As a result of his vast experience in the direct selling industry, Mannatech entered into a two-year Consulting and Lockup Agreement with Mr. Fredrick to perform various consulting and other services for the Board. Under the terms of the agreement, Mannatech will pay Mr. Fredrick $185,000 annually. The Consulting and Lockup Agreement automatically renews annually unless terminated by either party. In addition, under the terms of this agreement, Mr. Fredrick is prohibited from selling his shares unless approved by the Company's Board of Directors.

Effective October 1, 2001, Mannatech hired Ms. Bettina S. Simon to serve as the new Senior Vice President and General Counsel. Ms. Simon holds both a BFA and Juris Doctorate from Southern Methodist University and is a member of the State Bar of Texas. Ms. Simon has served as the Associate General Counsel for Zale Corporation where she was responsible for a majority of the general legal matters for approximately 15,000 employees in 1,200 retail locations. Ms. Simon has also served as the General Counsel, Vice President and Corporate Secretary for Home Interiors and Gifts, Inc. where she was responsible for all general legal maters as well as regulatory and compliance matters. On November 1, 2001, Ms. Simon was appointed as Mannatech's Corporate Secretary.

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 Fourth Amended and Restated Bylaws of Mannatech dated April 27, 2001, incorporated herein by reference to Exhibit 99.1 to Mannatech's Form 8-K (File No. 000-24657) filed with the Commission on August 22, 2001.

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

10.1 Consulting Agreement dated October 1, 2001 between Mannatech and Mr. J. Stanley Fredrick.*

10.2 Release Agreement dated September 24, 2001 between Mannatech and Mr. Charles E. Fioretti.*

10.3 Employment Agreement dated October 1, 2001 between Mannatech and Ms. Bettina S. Simon.*

10.4 Royalty Agreement dated September 10, 2001 between Mannatech and Jett.*

10.5 Agreement dated September 28, 2001 between Mannatech and Mr. Marlin Ray Robbins.*

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* Filed herewith.

(b) Reports on Form 8-K.

On August 22, 2001, Mannatech filed a Form 8-K (File No. 000-24657) with the United States Securities and Exchange Commission in connection with the adoption of the Fourth Amendment to the By-laws. Mannatech believes the amendment helps to further clarify certain procedures relating to shareholder voting and shareholders' meetings. The changes includes, but are not limited to the following:

- the validity of any proxy shall be determined according to the criteria established by the Board or its designee;
- the directors shall be elected if the director receives the vote of the holders of a plurality of the shares entitled to vote in the election of directors that are represented in person or by proxy at a shareholders' meeting;
- Mannatech will be required to publish in advance of any shareholders' meeting the rules and procedures that will govern the conduct of such meeting;
- the Board is required to maintain at least the minimum number of independent directors required by the rules of the United States Securities and Exchange Commission and any applicable securities exchanges on which the stock of Mannatech maybe listed; and
- clarifies the procedures by which shareholders may nominate candidates for membership to the Board of Directors stating that any shareholder may deliver to Mannatech written notice of a proposed director candidate no later than December 31st of the prior year. The nominating committee or the Board shall establish criteria for consideration of any such nominees to the Board and if such nominees will be disclosed in Mannatech's proxy statement and/or listed on the ballot for election of directors distributed at a shareholders meeting.

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

November 14, 2001 /S/ ROBERT M. HENRY

Robert M. Henry
Chief Executive Officer and Director
(principal executive officer)

November 14, 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

AGREEMENT

This non-exclusive Consultancy and Lock-Up Agreement ("Agreement") is made and effective this 1st day of october 2001, by and between Mannatech, Incorporated ("Company"), a Texas corporation with its principal place of business located at 600 S. Royal Lane, Suite 200, Coppell, Texas 75019 and Stan Fredrick ("Consultant") whose principal address is 3509 Wingren, Irving, Texas 75062.

WITNESSETH:

WHEREAS, Company is in the business of operating a network marketing company which sells a proprietary line of dietary supplements, cosmetics and over-the-counter products ("Products") and which compensates its distributors ("Associates") by a defined compensation plan;

WHEREAS, in connection with the development of its business, Company is desirous of securing Consultant's unique expertise in the areas of the direct selling industry and business advice in general ("Consultancy"); and

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

WHEREAS, the Consultant will be a key Consultant of Company and Company will provide or has provided the Consultant with access to such Confidential Information and trade secrets in reliance upon the Consultant entering into this Agreement;

WHEREAS, the Consultant or a trust controlled by him will purchase, simultaneously with the execution of this Agreement, certain shares of Common Stock of the Company ("Common Stock") and Company desires to restrict sales of the Common Stock;

WHEREAS, the Consultant has agreed to certain restrictions on the sale of shares of the Common Stock subject to the terms and conditions of this Agreement; and

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

ARTICLE I.
DUTIES AND COMPENSATION

1.1 Term. The term of this Agreement, unless otherwise modified in writing, is for a two (2) year calendar period, beginning September 30, 2001 and ending September 30, 2003 (the "Term"). The Term shall be extended automatically for an additional successive one (1) calendar year period as of each anniversary of the effective date after the initial term; provided however, that if either party shall give written notice to the other at least thirty days prior to such anniversary, then no such automatic extension shall occur and Consultant's obligations under this Agreement shall terminate on the day prior to such anniversary. Notwithstanding the foregoing, the Consultancy will remain in effect as long as Consultant owns the Common Stock.

1.2 Compensation. Consultant is engaged at an annual payment of $185,000 payable on a monthly basis in equal installments, the first payment being due upon execution hereof and all payments due in equal monthly installments thereafter.

1.3 Expenses. Company will reimburse the Consultant for the reasonable cost of any travel and/or incidental expenses for travel undertaken in pursuit of the Consultancy. The advance approval for travel, and subsequent reimbursement of expenses shall be made through the Chief Executive Officer ("CEO") and reimbursement shall occur in accordance with the Company Expenditure Procedure, which is attached hereto and incorporated herein as Exhibit "A" - "Policy".

1.4 Independent Contractor. The Parties agree that this Agreement shall not be considered an employment agreement nor is it an offer for employment. The relationship between Consultant and Company is that of independent contractor under a "work for hire" arrangement and that all work product developed by Consultant for the Company shall be deemed owned and assigned to Company in accordance with Article IV hereof. This Agreement is not authority for Consultant to act for Company as its agent or make commitments for the Company. Consultant will not be eligible for any employee benefits, nor will Company make deductions from fees to the consultant for taxes, insurance, bonds or the like. Consultant retains the discretion in performing the tasks assigned, within the scope of work specified.

1.5 Scope of Duties. The Consultant and Company agree that upon reasonable notice and mutual agreement as to each instance, his undertakings under the terms of this Agreement shall include, but not necessarily be limited to the following activities and other tasks as requested (hereinafter collectively referred to as "Services"):

1.5.1 Avail himself to the CEO and Co-Chairmen or Chairman of the Board of Directors to provide counsel and business in the areas of corporate governance, sales and marketing;
1.5.2 Provide business advice and share business expertise with the Board of Directors;
1.5.3 Work with senior management of Company to promote and extend Company's business and help develop new business;
1.5.4 Participate in presentations and the start-up phases of new projects;
1.5.5 Use his best efforts to further public awareness of Company in the United States and overseas through speeches and/or promotion of Company and its products in general;

1.5.6 Appear as a public speaker at Corporate-sponsored events;
1.5.7 Meet with various high ranking Associates to provide various advice and intervention between Company and the sales force; and
1.5.8 Act as advisor to the CEO and senior management team to provide industry trends and updates pertaining to direct selling industry.

The Consultant further agrees that:

1.5.9 Under the terms of this Agreement and his Consultancy, he will not have any authority to act on behalf of Company in the areas of discussion, negotiation or execution of any contracts or agreements in an attempt to bind Company (or its subsidiaries) and will not purport the same to any third party. Any agreements, plans, proposals, programs, incentives or undertakings of Company must first be proposed to the Company Board of Directors and/or CEO (as the case may be) and approved by the same prior to any discussion with third-parties, including Company Associates. Any contracts, plans, programs, incentives or undertakings proposed by the Consultant and approved by the Board or CEO, as the case may be, will be submitted to the General Counsel in accordance with Corporate Procedure PLE01002, or any other policy applicable to this provision as required by the Company in its Policies and Procedures as added to, modified, or deleted from time-to-time.
1.5.10 During the term of this Agreement, the Consultant agrees that neither he nor any family member (such to be defined as one residing in the same household) operate or participate in the operation of a Company Associate position in any manner whatsoever.
1.5.11 Consultant agrees to perform diligently and to the best of Consultant's abilities the duties and services appertaining to such Consultancy, as well as such additional duties and services appropriate to such Consultancy or as shall be designated by the Board of Directors upon which the Parties may mutually agree from time-to-time. The Consultant also agrees that his Consultancy is subject to the current and future policies and procedures maintained and established by Company. The Consultant shall devote his best efforts, ability and attention to the business of Company and the performance of the Consultant's duties as contemplated herein.
1.5.12 Consultant acknowledges and understands that from time to time the Consultant's duties may require the Consultant to work on-site and/or at a non-company location. In such instance, the Consultant agrees to comply with all of the policies, procedures and directives relevant to working at such non-company location.
1.5.13 During the term of this Agreement, the Company may in the event of a vacancy on the Board of Directors, consider the Consultant for possible candidacy for such vacancy and may submit the Consultant's name to the Nominating Committee, pursuant to any guidelines established by such Nominating Committee of the Board of Directors for consideration, in filling any such vacant if such seat is vacant.

ARTICLE II
LOCK-UP AGREEMENT

2.1 Lock-Up Period. Except as contemplated in this Agreement, Consultant hereby agrees during the term of this Consultancy Agreement (the "Lock-Up Period"), he will not offer, sell, assign, pledge, transfer, hypothecate, contract to sell, grant any option for the sale of or otherwise dispose of, directly or indirectly, and except to a family member or family controlled trust, upon prior written notification to the Company, any of the Common Stock or securities convertible into or exchangeable or exercisable for any shares of Common Stock, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such aforementioned transaction is to be settled by delivery of the Common Stock or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Company. Any securities received upon exercise of options granted to Consultant will also be subject to the provisions set forth in this Article II. Consultant agrees and consents to the entry and stop transfer instructions with Company's transfer agent against any transfer of shares of Common Stock held directly or indirectly by Consultant not in compliance with this Agreement.

2.2. Extended Lock-Up. The restrictions and obligations of Consultant under Section 2.1 shall be extended without any further action (the "Extended Lock-Up Period") in the event the Consultancy Agreement is extended pursuant to the terms of Section 1.1 hereof. The Lock-Up shall be extended so long as the Company continues to pay the Consultant in accordance with Section 1.2 hereof or until the Company makes a secondary offering of its common stock.

ARTICLE III.
NON-COMPETITION and NON-SOLICITATION

3.1 Non-Competition. To the full extent permitted by law, the Consultant will not for a period of one (1) year following the termination of this Agreement:

3.1.1 Attempt to cause any person, firm or corporation, which is a customer of or has a contractual relationship with Company (including its Associates) at the time of termination of this Agreement to terminate such relationship with Company. This provision shall apply regardless of whether such customer has a valid contractual arrangement with Company;
3.1.2 Attempt to cause any employee of Company to leave such employment;
3.1.3 Engage any person who was an employee of Company at the time of the termination of this Agreement or cause such person otherwise to become associated with the Consultant or with any other person, corporation, partnership or other entity with which the Consultant may thereafter become associated; or

3.1.4 Engage in any activity or perform any services competitive with any business conducted by Company, and in any country in which Company operates, at the time of execution of this Agreement other than duties that occur under the course of his current business in which he participates, of which he has fully disclosed to the Company, as indicated and attached hereto as Exhibit "B", upon the execution of this Agreement.

As set forth above, the Consultant acknowledges that the foregoing non-competition and non-solicitation covenants are ancillary to or a part of an otherwise enforceable agreement, such being the general agreement of this Consultancy and its related agreements concerning confidentiality and non-disclosure of Confidential Information and non-solicitation. The Consultant acknowledges that at the time that this non-competition covenant is made, that the limitations as to time defined herein and that the limitations as to geographic area are reasonable and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Company.

3.2 Consultant agrees that in the highly competitive business in which Company is engaged, personal contact is of primary importance in securing new and retaining present Associates and customers. The Consultant also agrees that Company has a legitimate interest in maintaining its relationships with its Associates and customers and that it would be unfair for the Consultant to solicit the business of Company's Associates and customers in relation to the Company's current business and exploit the personal relationships that he develops with Company's Associates and customers by virtue of his access to them as a result of this Consultancy.

3.3 Consultant shall be bound by and abide by all reasonable policies and procedures of Company that are within the scope of his Consultancy and that are in effect during the term of his Consultancy.

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

3.5 The Parties agree that during the term of this Agreement and thereafter, they will not disparage each other or their respective Affiliates.

3.6 Irrespective of the term of this Agreement, and in consideration of the promises specified in Article II of this Agreement, Company agrees as follows:

3.6.1 To provide specialized training as specified herein; and
3.6.2 To provide the Consultant with access to Company's software and files, records, marketing procedures, processes, computer programs, compilations of information, records, Associate and client requirements, pricing techniques, lists, formulae, lists identifying Associates, partners, potential investors, methods of doing business and other Confidential Information, as defined in Article III hereof, which is regularly used in the operation of the business of Company.

3.7 Nothing contained herein shall prevent the Consultant from undertaking or continuing business interests and endeavors that do not directly relate to the Company's present business, that he has upon execution hereof and/or making financial investments as he sees fit.

## ARTICLE IV.
## CONFIDENTIAL INFORMATION

4.1 During the course of the Consultancy the Consultant will be given access to Company's Confidential Information concerning Products and the business operations of Company.

4.2 The Consultant acknowledges that in the further course of the Consultancy with Company, the Consultant will gain a close, personal and special influence with Company's customers and will be acquainted with all of Company's business, particularly Company's Confidential Information concerning the business of Company and its affiliates.

4.3 For purposes of this Agreement "Confidential Information" shall mean and include information disclosed to the Consultant or known by the Consultant through the Consultant's consultancy with Company, not generally known in Company's industry, or otherwise known to Consultant or received from a source other than the Company about Company's products, processes and services, including but not limited to information concerning inventions, trade secrets, research and development, as well as all data or information concerning customers (including, Associates), customer lists (including downline reports and similar reports of business activities and relevant information concerning persons who conduct the same), prospect lists, mailing lists, sales leads, contracts, financial reports, sales, purchasing, price lists, product costs, marketing programs, marketing plans, business relationships, business methods, accounts payable, accounts receivable, accounting procedures, control procedures and training materials.

4.4 The Consultant recognizes that his position with Company is one of the highest trust and confidence by reason of the Consultant's access to the Confidential Information and the Consultant agrees to use his best efforts and will exercise utmost diligence to protect and safeguard the Confidential Information. In this respect, the Consultant agrees that fulfilling the obligations of this Article IV is part of the Consultant's responsibilities with Company for which the Consultant has been retained as a Consultant and for which the Consultant will receive consideration therefor.

4.5 Except as may be required by Company in connection with and during the Consultancy with Company, or with the express written permission of Company, the Consultant shall not, either during his work as a Consultant with Company or at any time thereafter, directly or indirectly, download, print out, copy, remove from the premises of Company, use for his own benefit or for the benefit of another, or disclose to another, any Confidential Information of Company, its customers, contractors, or any other person or entity with which Company has a business relationship.

4.6 Consultant agrees that all files, memoranda, data, notes, records, drawings, charts, graphs, analyses, letters, reports or other documents or similar items made or compiled by the Consultant, made available to him or otherwise coming into his possession during the Consultancy 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 Company shall remain at all

times the property of Company and shall be delivered to Company upon termination of this Agreement or at any other time upon request.

4.7 The Consultant agrees that during the term of this Agreement or upon termination thereof, and if requested by Company to do so, he will sign an appropriate list of any and all Confidential Information of Company of which he has knowledge about or which he has acquired information.

4.8 The Consultant acknowledges that the violation of any of the provisions of this Section 4 will cause irreparable loss and harm to Company which cannot be reasonably or adequately compensated by damages in an action at law, and accordingly, Company will be entitled, without posting bond or other security, to injunctive and other equitable relief to enforce the provisions of this Section 4; but no action for any such relief shall be deemed to waive the right of Company to an action for damages.

## ARTICLE V
## RESULT OF CONSULTANT'S SERVICES

5.1 Company will be entitled to and will own all the results and proceeds of the Consultant's services under this Agreement, including without limitation, all rights throughout the world to any copyright, patent, trademark or other right and to all ideas, inventions, products, programs, procedures, formats and other materials of any kind created or developed or worked on for the Company by the Consultant during his consultancy with Company; the same shall be the sole and exclusive property of Company; and the Consultant will not have any right, title, or interest of any nature or kind therein. Without limiting the foregoing, it will be presumed that any copyright, patent, trademark or other right and any idea, invention, product, program, procedure, format or material created, developed or worked on by the Consultant for the Company at any time during the term of this Agreement will be a result or proceed of his services under this Agreement. The Consultant will take such action and execute such documents as Company may request to warrant and confirm Company's title to and ownership of all such results and processes and to transfer and assign to Company any rights which he may have therein. The Consultant's right to any compensation under this Agreement will not constitute a lien on any results or proceeds of the Consultant's services under this Agreement.

5.2 During the term of this Agreement and without further remuneration, Company shall have the right to use the Consultant's name, voice, likeness, and similar characteristics for the purposes of advertising, promoting, selling and otherwise merchandising the Company for which services are retained under this Agreement in the United States and all other countries in which Company conducts business. During the term of this Agreement, Company shall be the sole owner and have use and control of all promotional materials and trade literature ("Promotional Materials") produced for Company bearing the Consultant's image, likeness, voice or name. Company shall be free to dispose of and treat in any way all Promotional Materials as contemplated hereby, including but not limited to selling, advertising, distributing, and permitting use in other mediums with prior approval of the Consultant, of which, such approval shall not be unreasonably withheld.

## ARTICLE VI
## TERMINATION

This Agreement shall become null and void, and no further payment obligations shall become due upon the death of the Consultant.

## ARTICLE VII
## MISCELLANEOUS

7.1 Future Agreement. Should this Agreement expire in accordance with its terms, the Parties may choose to renew this Agreement on mutually agreed upon terms and conditions, such to be governed by a separate agreement.

7.2 Enforcement. It is the express intention of the Parties to this Agreement to comply with all laws applicable to the covenants and provisions contained in this Agreement. If any of the covenants contained in this Agreement are found to exceed in duration or scope permitted by law, it is expressly agreed that such covenant may be reformed or modified by the award or decree of an arbitrator, if applicable ("Reformation"). The Reformation shall be governed by a final judgment of a court of competent jurisdiction or other lawful constituted authority, as the case may be, to reflect a lawful and enforceable duration or scope, and such covenant automatically shall be deemed to be amended and modified so as to comply. If any one or more of the provisions contained herein shall for any reason be held invalid, illegal or unenforceable in any respect, even after formation, such invalidity, illegality or unenforceability shall not affect the enforceability or validity of any other provision contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

7.3 Adequacy of Consideration; Separate Agreements. The Consultant agrees that the agreements, non-competition agreements, nondisclosure agreements, and non-solicitation agreements set forth herein each constitute separate agreements, independently supported by good and adequate consideration and shall be severable from the other provisions of this Agreement and shall survive the termination thereof.

7.4 Representation and Warranties. Consultant represents and warrants that:

7.4.1 Consultant has no obligations, legal or otherwise, inconsistent with the terms of this Agreement or with Consultant's undertaking this relationship with Company;

7.4.2 With respect to Article II hereof, all of the shares of Common Stock held by Consultant are owned of record and beneficially by Consultant and that Consultant owns such Common Stock free and clear of any claims, liens, encumbrances, pledges, security interests or other arrangements or restriction whatsoever, except for such legend and related transfer restrictions as required under the Securities Act of 1933, as amended;

7.4.3 The performance of the Services called for by this Agreement do not and will not violate any applicable law, rule or regulation or any proprietary or other right of any third party;

7.4.4 The Consultant will not use in the performance of his responsibilities under this Agreement any confidential information or trade secrets of any other person or entity;

7.4.5 The Consultant has not entered into or will enter into any agreement (whether oral or written) in conflict with this Agreement except those enterprises otherwise disclosed in section 3.1.4 hereof.

7.5 Agreement to Perform Necessary Acts. Consultant agrees to perform any further acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement.

7.6 Compliance with Law. In connection with his services rendered hereunder, Consultant agrees to abide by all federal, state, and local laws, ordinances and regulations.

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

7.8 Arbitration. Arbitration, including the right to invoke injunctive relief and any emergency relief or measures provided for, shall be the exclusive remedy for any and all disputes, claims or controversies, whether statutory, contractual or otherwise, between Company and the Consultant concerning the Consultancy or the termination thereof. In the event either party provides a Notice of Arbitration of Dispute to the other party, Company and the Consultant agree to submit such dispute or controversy, whether statutory or otherwise, to an arbitrator or arbitrators selected from a panel of arbitrators of the American Arbitration Association located in Dallas, Texas. The effective rules at the time of the commencement of the Commercial Arbitration of the American Arbitration Association shall control the arbitration. In any arbitration proceeding conducted subject to these provisions, the arbitrator(s) is/are specifically empowered to decide any question pertaining to limitations, and may do so by documents or by a hearing, in his or her sole discretion. In this regard, the arbitrator may authorize the submission of pre-hearing motions similar to a motion to dismiss or for summary adjudication for the purposes of consideration in this matter. The arbitrator's decision will be final and binding upon the Parties. The Parties further agree to abide by and perform any award rendered by the arbitrator. Each party in such proceeding shall pay its own attorney's fees. In rendering the award, the arbitrator shall state the reasons therefor, including any computations of actual damages or offsets, if applicable.

7.9 Notices. 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 to the address as first written above.

7.10 No Agency. This Agreement does not constitute a joint venture or partnership of any kind between Company and the Consultant.

7.11 Assignment. In the event the Consultant assigns the Common Stock to a family member or trust ("Assignee") as contemplated in Section 2.1, the Assignee, its

successors, representatives and assigns, whether individually and/or collectively, shall be bound by all of the terms and conditions of this Agreement.

7.12 Waiver. A waiver by either party of any term or condition of this Agreement in any instance shall not be deemed or construed to be a waiver of such term or condition for the future, or any breach of such term or condition.

7.13 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.

7.14 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.

7.15 Governing Law. The Parties hereto agree that this Agreement shall be governed by the laws of the State of Texas without regard to the conflicts of law principles. The Parties further agree that exclusive jurisdiction and venue to enforce the arbitration provisions of this agreement shall be in a state or federal court of appropriate jurisdiction in Dallas County, Texas. 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.

7.16 Disclosure. 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 the other (and the Board of Directors of Company) unless required to disclose the same to others by legal process, in which event the Party so ordered shall first give notice to the other Party and an opportunity to seek a protective order. This Agreement may be disclosed or appended, as an exhibit to any securities filing required to be made by Company. However, after having been so disclosed or appended, the Consultant shall have no further duty of confidentiality concerning this Agreement, as set forth in this paragraph.

7.17 Approvals and Consents. This Agreement is subject to the approval of the Board of Directors and the Compensation Committee of Company.

7.18 Consultant Acknowledgement. The Consultant affirms and attests by signing this Agreement that he has read this Agreement before signing it and that he fully understands its purposes, terms, and provisions, which he hereby expressly acknowledges to be reasonable in all respects. The Consultant further acknowledges receipt of one (1) copy of this Agreement.

7.19 Counterparts. This Agreement may be executed in multiple counterparts, any one of which will be deemed an original, but all of which will constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement is executed by the Parties hereto, effective as of the 30th day of September, 2001.

CONSULTANT:

/s/ J. Stanley Fredrick
- ----------
Stan Fredrick

COMPANY:

MANNATECH, INCORPORATED
A Texas Corporation

By: /s/ Stephen D. Fenstermacher
---
Stephen D. Fenstermacher
Its: Chief Financial Officer

EXHIBIT 10.2

# AMENDMENT AGREEMENT

This Amendment Agreement ("Agreement") is entered into by and between Charles E. Fioretti ("Fioretti") and Mannatech, Incorporated ("Company") as of this 24th day of September, 2001, and is in partial amendment of that certain Standstill Agreement entered into by and between Fioretti and Company, effective August 8, 2000, the terms and conditions of which are incorporated by reference herein and as indicated and attached hereto as Exhibit "A" (the "Standstill Agreement").

## WITNESSETH

WHEREAS, Fioretti, as of September 26, 2001 is the holder of 4,190,848 shares of Company common stock, $.0001 par value per share (the "Common Stock");

WHEREAS, under the terms of the Standstill Agreement and in accordance with Paragraph 3 thereof, Fioretti has transferred the Sale Shares, as therein defined, to the Company and received the Purchase Price therefrom and in consideration thereof, Fioretti also agreed to abide by the terms of paragraph 6(a) - ("Lock Up Agreement");

WHEREAS, Fioretti has received a bona fide, good faith offer from J. Stanley Fredrick ("Purchaser") for the purchase of 3,500,000 shares of Common Stock and a right of first refusal for all remaining Common Stock (collectively, the "Offered Shares) for good and valuable consideration and has heretofore notified the Company of the same in accordance with Paragraph 6(b) of the Standstill Agreement;

WHEREAS, the Company has no good faith interest in pursuing the purchase of Offered Shares and is desirous of discharging the Lock-Up Agreement for the sole purpose of allowing the transaction between Fioretti and Purchaser as contemplated hereby to occur;

NOW THEREFORE, in consideration of the agreements and obligations as set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

## STATEMENT OF AMENDMENT

1. Contingent upon the purchase of the Offered Shares by Purchaser and under the conditions and in the amount as heretofore disclosed to the Company, and as a material inducement and upon which the Company relies upon entering this transaction, the Company does hereby agree to release Fioretti from the Lock-Up Agreement provision for the sole purpose of facilitating closing the transaction between the Purchaser and Fioretti has herein described.
2. The Parties mutually agree that each shall discharge the other of the obligation for Fioretti to sell and Company to purchase the "Sale Shares" as defined in the Standstill Agreement and in accordance with Paragraph 3 thereof.
3. The foregoing notwithstanding, this modification shall become null and void in the event that closing of the transaction between Fioretti and Purchaser fails to occur by September 30, 2001, 5:00 p.m. CDT.
4. In all other things except the foregoing amendments, all of the terms and conditions of the Standstill Agreement and any Amendments thereto shall continue to remain in full force and effect.

5. Nothing contained herein shall be deemed to alter, amend or modify any payment obligations, terms or conditions under the Renewal and Extension Promissory Note dated February 17, 1999 or any amendments thereof.
6. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and which taken together shall constitute one and the same agreement.

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

/s/ Charles E. Fioretti
---
Charles E. Fioretti

MANNATECH, INCORPORATED
A Texas corporation

By: /s/Stephen D. Fenstermacher
---
Stephen D. Fenstermacher
Its:Chief Financial Officer

# EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into by and between Mannatech Incorporated (the "Company"), and Bettina Simon (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 Senior Vice-President and General Counsel, with the authority, duties and responsibilities customarily incident to such office. The Employee shall perform such other services commensurate with her 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 her time, energy, skill and best efforts to the performance of her 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 she may be required to travel in connection with the performance of her duties.

1.5 Directors' and Officers' Liability Insurance. The Company will provide the Employee with officers' and directors' liability insurance covering acts or omissions by the Employee in the performance of her duties to the Company under this Agreement as an officer and, if she serves as such, as a director of the Company.

SECTION 2.
TERM AND SEVERANCE

2.1 Term. Employment will commence on October 1, 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, the Employee will be eligible to receive a severance payment of at least three (3) months salary. In the event the current Chief Executive Officer should terminate his employment with the Company for any reason whatsoever, the severance amount due to Employee will automatically extend to a minimum of six (6) 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; (5) any disciplinary action, pertaining to the Employee's law license, including but not limited to reprimand, suspension, probation or disbarment according to the rules of disciplinary conduct of the State Bar of Texas; or (6) breach of Sections 4, 5, 6 or 8 of this Agreement or any fiduciary duty of an officer as a fiduciary in respect of her duties for the Company as principal.

SECTION 3.
COMPENSATION FOR EMPLOYMENT

3.1 Base Salary. The base annual compensation of the Employee for all of her employment services to the Company under this Agreement shall be $200,000, 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. The Employee will not be eligible to participate in the Annual Bonus Plan as defined in paragraph 3.2 for fiscal year 2001.

3.2 Annual Bonus. For each fiscal year after 2001, the Employee shall be eligible to receive an annual bonus in accordance with the then approved executive bonus plan 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 her 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. The Employee will also be eligible to participate in the Executive vehicle program and will be provided a vehicle under the lease program with a lease value (at a cost no greater than $1,000.00 per month), auto liability insurance coverage (comprehensive, collision and liability) paid by the Company and all routine and necessary repairs paid for by the Company or reimbursed to Employee subject to approval by the Chief Financial Officer. During the Employee's employment, the Company shall also pay annual dues, as they are incurred for the maintenance of professional licensure and/or membership in the American Bar Association, the Texas State Bar and the Dallas Bar Association. The Company shall likewise pay for up to 30 hours of continuing legal education annually, subject to prior approval of the CEO.

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 her compensation hereunder shall be paid in full. Such vacation shall be fully vested upon execution of this Agreement and taken at times consistent with the effective discharge of the Employee's duties.

## 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 be 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 three (3) years 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 or indirectly 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 herself 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.

For a period of ninety (90) days following termination of employment, Employee shall not:

c. Engage in or performed services for a competing business. For purposes of this Agreement, "Competing Business" is one whose primary business is the sale of nutritional supplements or 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 any Company 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 her 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: Bettina Simon
8718 Autumn Oaks Drive
Dallas, Texas 75243

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/ Bettina Simon
---
Bettina Simon

Date: September 14, 2001

MANNATECH, INCORPORATED

By: /s/ Robert M. Henry
---
Robert M. Henry
Chief Executive Officer

Date: September 14, 2001

EXHIBIT 10.4

September 10, 2001

JETT
59-340 Olahama Road
Kamuela, Hawaii 96743

RE: Follow-Up Agreement to Letter of Intent dated July 12, 2001

Dear Jett:

This letter shall set forth our understanding going forward concerning the Letter Agreement submitted to you dated November 1, 1999 and the above-referenced Letter of Intent pertaining to the payment obligation of $2.8 million, as indicated and attached hereto as Exhibits "A" and "B", respectively and both of which are fully integrated and incorporated by reference herein.

As of September 1, 2001, Mannatech will have paid to you the final monthly payment of $50,000 for a total of $1.2 million. Mannatech has agreed to pay to you the balance of $1.6 million ("Balance") through royalty payments on two audiotapes, the content of which will be comprised of material that has been reviewed by Mannatech legal counsel to ensure compliance with all governmental laws, rules and regulations in each of the countries in which the audiotapes are contemplated to be sold (both tapes shall hereinafter be referred to as the "Tape"). The audiotapes shall be in two formats, one such format to be included in Associate Business Packs and the other in Associate Consumer/Product Packs.

You agree to fully cooperate with Mannatech's SeniorVice President of Marketing (or his designee) in the development and any subsequent revisions of this Tape, as may be required from time-to-time. The Tape will be included in each Associate Sign-up kit ("Kit") and the equivalent in each country of operation in which the Tape is included in the Kits). Mannatech shall pay to you a royalty of $5.00 for each Kit sold (of which the Tape is included) until such time as the Balance is paid in full. On a monthly basis, commencing on the month following inclusion of the Tape, Mannatech shall compute the total royalties earned by you and, on making that determination, shall remit promptly the royalty payment and a copy of the royalty statement thirty (30) days after the computation date and on the same date at the end of each month throughout the term of this Agreement, to you or your appointed agent. If you, for any reason, object to any royalty statement submitted by Mannatech, you shall set forth the objection in writing and submit it to the Chief Financial Officer within thirty (30) days from the date of the statement. Any objection you may have to any royalty statement shall be deemed waived unless it is transmitted in accordance with the terms of this paragraph. Royalties will not be paid on those Tapes retained by Mannatech for promotional or internal usage.

Mannatech has previously reviewed and approved materials that you have produced for sale through third-party vendors. Mannatech will likewise afford to you the opportunity to sell the following promotional materials through its Internet storefront, the sales price, royalties and proceeds of which to be determined at a later date and governed by a separate written agreement, but in any event, the agreed proceeds from those Internet storefront sales shall be applied against the Balance:

Jett's Millionaire University (MT approval Number: MT99004A)
Jett's Millionaire University Handbook (MT approval Number: MT99004B)

(collectively, "Pre-Approved Materials"). Mannatech will likewise consider inclusion of other promotional sales materials that you have produced, pending review and approval of the content in accordance with Mannatech's current policies and procedures pertaining to third-party vendors and production of promotional materials. Notwithstanding the foregoing, the provisions of this paragraph shall not apply if sales of MT99004A and MT99004B should cause you to breach any prior agreement you may have with a third-party for sales of the same.

Mannatech will continue to support your efforts to build a Mannatech business in Japan and will reimburse you for reasonable expenses incurred subject to the following criteria:

a. Trips to Japan should be pre-approved by the President of International Operations or the Chief Executive Officer;
b. Expense reimbursement will include round trip business class airfare plus meals and lodging expenses, not to exceed $ 250.00 per day;
c. All expenses must be documented and submitted for reimbursement within a reasonable period of time after trips are completed; and
d. Expense reimbursement as contemplated in this paragraph shall cease on December 31, 2001.

Mannatech shall use its best efforts to arrange a convenient time and location for the production of the Tape as outlined herein. The Parties agree that time is of the essence as to the production of the Tape and in any event, the Tape must be produced for inclusion in the Kits during the first quarter of fiscal year 2002. The Parties agree to fully cooperate in good faith to ensure the content of the tape is mutually agreeable as outlined herein.

We expect and you agree that the respective tradename(s), trademarks, copyrights, marketing plans, identity and related information regarding Associates and any information relating to the management/operations of Mannatech ("Confidential Information") is the sole property and trade secret of Mannatech. The Confidential Information shall not be used, sold, disclosed or assigned by you for any purpose. Upon termination of this Agreement, you agree to return to Mannatech all written materials, software, customer/member/representative lists and other information that contains Confidential Information and you further agree not to use such Confidential Information. You agree that Mannatech will suffer irreparable harm in the event its Confidential Information is disclosed to third-parties for which damages would be inadequate. In the event of breach or threatened breach of this Section, Mannatech will be entitled to an injunction restraining you from disclosing, in whole or in part, any Confidential Information to any person, firm, Company, association or other entity to whom Mannatech's Confidential Information, in whole or in part, has been disclosed or threatened to be disclosed. Nothing contained herein will be construed as limiting Mannatech from, or prohibiting Mannatech from, pursuing any other remedies available to it for such breach, or threatened breach, including recovery of damages. This section shall survive the termination of this agreement.

While you are associated with Mannatech or any of its subsidiaries and for a period of one year thereafter ("One Year Period") or a shorter period with the written consent of Mannatech), after you shall cease to be associated with Mannatech for any reason, you agree not to, directly or indirectly, own an interest in, operate, join, control or participate in, or be connected as an officer, employee, agent, independent contractor, partner, shareholder, or principal of any corporation, partnership, proprietorship, firm, association, person or other entity producing, designing, providing, soliciting orders for, selling, distributing, or marketing products, goods, equipment, or services of any other multi-level marketing or direct selling company any

country in which Mannatech conducts business, nor shall you develop any products or goods during such One Year Period which compete with the goods and products of Mannatech

You agree that 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 provision and the period of time during which the Agreement is enforceable. Any alleged breach of other provisions of this Agreement asserted by you shall not be a defense for you to claims arising from Mannatech's enforcement of the provisions of this paragraph or alternatively, that you have agreed to the broadest restrictive covenants against competition by you with Mannatech during the One Year Period, as may construed by a court of competent jurisdiction. Should you violate the non-competition provision, then the period of time for these covenants shall automatically be extended for the period of time from which you began such violation until you permanently cease such violation.

Mannatech expects and you further agree that once the Balance has been paid in full or in the event that you breach any provision herein for any reason whatsoever, Mannatech's payment obligations as described hereunder shall automatically cease and Mannatech shall be under no obligation to continue to include the Tape and/or offer for sale any of the Pre-approved Materials as contemplated hereby.

This Letter Agreement embodies and constitutes the entire understanding between Mannatech and yourself with respect to the transactions contemplated herein, and all prior or contemporaneous agreements, understandings, representations and statements (oral or written) of any nature whatsoever, including agreements for additional compensation, benefits and stock are fully integrated and merged into this Letter Agreement. The foregoing notwithstanding, nothing in this Letter Agreement shall be deemed to alter or amend the obligations created under any Associate Agreement, which creates an Associate position in the Mannatech downline of which you are a party.

You agree that this Agreement is entered in and under the laws of the State of Texas and is to be enforced and shall be interpreted under the laws of the State of Texas. You further agree that any dispute concerning this Agreement, the obligations or alleged breach of this Agreement, and any other claim, dispute or other difference which may arise between Mannatech and yourself regarding this Agreement shall be resolved exclusively by binding arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association, which arbitration, if necessary, shall be in Dallas, Texas. You further agree that exclusive jurisdiction and venue to enforce the arbitration provisions of this agreement shall be in a state or federal court of appropriate jurisdiction in Dallas County, Texas. You additionally consent 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 Letter Agreement.

From time-to-time, as our relationship evolves, we may reach other requirements, undertakings or provisions which require additional documentation, and which may either supplement or amend this letter. Such supplements and amendments shall be binding Mannatech and you only to the extent that they are included in a writing signed by both parties.

The offer as set forth herein shall expire and be automatically revoked and cancelled unless Mannatech received an executed original of this Agreement on or before 5:00 p.m. CST, September 25, 2001.

Very Truly Yours,
Mannatech, Inc.

By: Robert M. Henry
---
Robert M. Henry
Its: Chief Executive Officer

AGREED AS OF THE 20th DAY OF SEPTEMBER, 2001
----

/s/ Jett
- ---
JETT

ATTACHMENT "A"
FIRST CONSULTANCY AGREEMENT

Effective November 1, 1999

JETT
59-340 Olahama Road
Kamuela, Hawaii 96743

RE: Letter of Understanding Regarding Consultancy

Dear Jett:

First, under the terms and conditions stated in this letter, let me confirm to you your engagement as a consultant and corporate spokesperson concerning the products and business of Mannatech(TM) Incorporated ("Mannatech") and its wholly owned subsidiary, Mannatech Japan Incorporated ("MJI") collectively, the "Corporation". Your engagement, as in the instance of many of our consultants, is simply at the will of the parties, subject to thirty (30) days notice in writing by either party of termination but subject to the continuing payment obligation by Mannatech as outlined in the third paragraph (up to a total of $2,800,000.00). Both the Corporation and yourself agree to be governed by all policies and procedures as attached hereto as "Exhibit A - Policies & Procedures" and including such additional policies & procedures as may be furnished to you from time-to-time as applicable to representatives of the Corporation and respecting the presentation of the products, the science and the results of taking the products, the business and marketing plan and applicable national or local law(s) in Japan and in any of other countries in which the performance of this agreement occurs. We welcome you in this role, and look forward to the exciting developments for our company and the many people using our products and participating in the Compensation Plan, that your expertise will undoubtedly bring.

The second purpose of this letter is to outline the financial and legal terms of your engagement as a consultant for the Corporation.

The Corporation has agreed to pay to you for the first twelve (12) months of this agreement the monthly sum of $50,000.00 for your services as a consultant and spokesperson for the Corporation, which amount will be remitted to you in monthly installments of $50,000.00 on the first day of each month during which this agreement is in effect and your services are rendered to the Corporation. The Corporation has further agreed to pay to

you during the secondary term of this agreement, months 13-24 $50,0000 per month in addition to commissions derived from the sales of packs or royalties from certain promotional materials ("Promotional Materials") sold by the Corporation under terms and with content as the parties shall agree, ("Commissions"). In any event, such Commissions shall be paid until a total compensation from all sources reaches $2,800,000.00, or until termination by either party, whichever occurs first. You agree that you are and will continue to be during the effective period of this agreement, an independent contractor for federal income tax and all other purposes, and will, accordingly, file, remit and pay all required amounts attributable to your income as an independent contractor to any and all taxing authorities, as required.

The Corporation will likewise pay the reasonable cost of any travel and incidental expenses for travel undertaken in pursuit of your consultancy. The advance approval for travel, and subsequent reimbursement of expenses shall be made through the Chief Operations Officer - International or myself. All such approved travel shall be coordinated through the corporate travel department. The Corporation reserves the right to indicate certain facilities and/or specific vendors to be utilized by you in furtherance of your duties and obligations as specified herein.

It is our intention that you, working with others that the Corporation shall employ or retain on a contract basis, may work with others during the period in which the Corporation prepares for its official entre into Japan ("Prelaunch") and the period thereafter in which the Corporation is officially open and conducting business ("Post Launch").

During the Prelaunch period, we expect and you agree to use your best efforts to:

1. Motivate Mannatech leadership and rank and file Independent Associates (collectively, "Associates") related to the prospects for downline expansion into Japan;
2. Continue to identify interested, experienced multilevel marketers and other recruitment prospects in Japan;
3. Advise the Corporation's marketing team on issues, as requested, including the development of culturally appropriate marketing materials and corporate information; and
4. Develop specialized materials for recruitment, training and motivational use in Japan.
5. Such other activities as you and the Corporation shall agree.

During the Post Launch period, we expect and you agree to use your best efforts to:

1. Continue all of the duties and obligations as heretofore described;
2. Continue to recruit and renew motivation of interested individuals, particularly high-level recruitment;
3. Speak and train at Corporation-sponsored meetings and Associate-sponsored meetings (collectively, "Events")as held from time-to-time in Japan; Lend your expertise to the Corporation regarding recommended approaches and elimination of barriers to entry into the Japanese marketplace; and
4. Represent the Corporation in marketing from the Associate level with Japan.
5. Such other activities as you and the Corporation shall agree.

You agree to submit all materials ("Materials") prepared in advance of personal appearances ("Appearance") at Events and to training by Mannatech personnel and any department included thereof, including but not limited to Regulatory and Compliance Training prior to the presentation of Materials at any Appearance or Event. Such training to include instructions and requirements related to educational and opportunity meeting guidelines for Japan. All Materials shall be submitted to Mannatech for review and approval at least one week prior to any scheduled Appearance or Event. Changes required by Mannatech must be integrated and implemented in all Materials prior to presentation at the Event. You further agree to promote only those promotional materials to Independent Associates and prospects that have been pre-approved by Mannatech. The requirements of this paragraph shall embrace all training support products ("Training Products") created by you, for profit or otherwise and sold through a third-party vendor ("Vendor") or through the Corporation's Promotional Materials progam.

We expect and you agree that the respective tradename(s), trademarks, copyrights, marketing plans, identity and related information regarding Associates and any information relating to the management/operations of the Corporation ("Confidential Information") is the sole property and trade secret of the Corporation. The Confidential Information shall not be used, sold, disclosed or assigned by you for any purpose. Upon termination of this Agreement, you agree to return to the Corporation all written materials, software, customer/member/representative lists and other information that contains Confidential Information and you further agree not to use such Confidential Information. You agree that the Corporation will suffer irreparable harm in the event its Confidential Information is disclosed to third-parties for which damages would

be inadequate. In the event of breach or threatened breach of this Section, the Corporation will be entitled to an injunction restraining you from disclosing, in whole or in part, any Confidential Information to any person, firm, Company, association or other entity to whom the Corporation'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 Corporation from, or prohibiting the Corporation from, pursuing any other remedies available to it for such breach, or threatened breach, including recovery of damages. This section shall survive the termination of this agreement.

While you are associated with the Corporation or any of its subsidiaries and for a period of one year thereafter ("One Year Period") or a shorter period with the written consent of the Corporation), after you shall cease to be associated with Mannatech for any reason, you agree not to, directly or indirectly, own an interest in, operate, join, control or participate in, or be connected as an officer, employee, agent, independent contractor, partner, shareholder, or principal of any corporation, partnership, proprietorship, firm, association, person or other entity producing, designing, providing, soliciting orders for, selling, distributing, or marketing products, goods, equipment, or services that directly or indirectly compete with the Corporation's products or its business in any country in which the Corporation conducts business, nor shall you develop any products or goods during such One Year Period which compete with the goods and products of the Corporation

You agree that 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 judgement of a court of competent jurisdiction, as the case may be, may define the maximum territory and actions subject thereto and restricted by this provision and the period of time during which the Agreement is enforceable. Any alleged breach of other provisions of this Agreement asserted by you shall not be a defense for you to claims arising from the Corporation's enforcement of the provisions of this paragraph or alternatively, that you have agreed to the broadest restrictive covenants against competition by you with the Corporation during the One Year Period, as may construed by a court of competent jurisdiction. Should you violate the non-competition provision, then the period of time for these covenants shall automatically be extended for the period of time from which you began such violation until you permanently cease such violation.

We expect and you agree to use best efforts to promote Mannatech and assist Mannatech's existing leadership as they

expand into the Japanese market by conducting meetings, training sessions and support focusing on the areas of productivity, personal and leadership development. You further agree to refrain from making disparaging comments and/or behavior toward the Corporation, its executives, employees, Independent Associates and/or its proprietary products in any manner during the term of this agreement and thereafter after the agreement terminates, for any reason, and further agree to conduct yourself in accordance with the national and local laws and regulations of Japan or wherever your appearance takes place. You agree to act in a manner, which shall not be in contravention of any directives from the Corporation and/or its representatives and in a manner consistent with favorable advancement and promotion of the Corporation and its products. This covenant shall survive the termination of this agreement.

We expect, and you agree, that you shall not, at any time during this consultancy, without the prior written consent of Samuel Caster, President, either alone or jointly with or as agent, director, manager, consultant, employee or partner of any other person, firm, company or organization, directly or indirectly be engaged or concerned in any business or activity which competes directly with any business carried on by the Corporation and distributed by direct selling methods, including multi-level marketing. Further, you agree that in relation to any business carried on by the Corporation, you shall not canvass, solicit, or endeavor to take away from the Corporation the business or custom of any person, firm, company or organization who or which was, during the term of this agreement, a customer, client or Independent Associate of the Corporation.

You agree that this agreement is strictly confidential. In the event that this agreement is made public or discussed with Associates or others who are not a party hereto, the Corporation reserves the right to enjoin such action as may be permitted by law. You acknowledge and agree that this confidentiality provision was material to Mannatech's willingness to enter this agreement and provide the funds being paid to you by Mannatech hereunder.

This agreement supersedes all prior oral and written agreements between the Corporation and you of any and every nature whatsoever, including agreements for additional compensation, benefits and stock except as embodied in this agreement and as set forth in any Mannatech Associate Agreement to which you or any entity with which you are affiliated is a party (including the Associate Policies and Procedures from time-to-time in effect, which are incorporated into such Agreement(s) by reference,).

You agree that this Agreement is entered in and under the laws of the State of Texas and is to be enforced and shall be interpreted under the laws of the State of Texas. Each party hereto further agrees that any dispute concerning this Agreement, the obligations or alleged breach of this Agreement, and any other claim, dispute or other difference which may arise between any of them regarding this Agreement shall be resolved exclusively by binding arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association, which arbitration, if necessary, shall be in Dallas, Texas. The parties further agree that exclusive jurisdiction and venue to enforce the arbitration provisions of this agreement shall be in a state or federal court of appropriate jurisdiction in Dallas County, Texas. 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.

From time-to-time, as our relationship evolves, we may reach other requirements, undertakings or provisions which require additional documentation, and which may either supplement or amend this letter. Such supplements and amendments shall be binding on the Corporation and you only to the extent that they are included in a writing signed by both parties.

If the foregoing terms and conditions are agreeable to you, please execute and return a duplicate of the original of the letter, such to constitute the agreement between us.

Very Truly Yours,
MANNATECH INCORPORATED

Charles E. Fioretti
Chairman and Chief Executive Officer

ACCEPTED AND AGREED:

_____
Jett

Exhibit "B"
July 12, 2001

JETT
59-340 Olahama Road
Kamuela, Hawaii 96743

RE: Letter of Intent regarding Consultancy Agreement dated November 1, 1999

Dear Jett:

Subsequent to our telephone conversation of 7/11/2001, I want to confirm that Mannatech, Inc. is prepared to honor the terms and conditions contained in the "Letter of understanding regarding Consultancy" dated November 1, 1999 (as attached hereto as Attachment "A" - "First Consultancy Agreement"), provided you agree to sign a new Consultancy Agreement Letter which shall include these amendments:

1. Mannatech will make two more payments of $50,000 each corresponding to installment #23 on August 1, 2001 and installment #24 on September 1, 2001 to complete the total amount of $1.2 million as agreed upon in the First Consultancy Agreement.

2. Mannatech will continue to support your efforts to build a Mannatech business in Japan and will reimburse you for reasonable expenses incurred in Japan subject to the following criteria:

   a. Trips to Japan should be pre-approved by the Mannatech President of International Operations or the CEO.
   b. Expense reimbursement will include round trip business class airfare plus meals and lodging expenses for up to $250.00 per day
   c. All expenses should be documented and submitted for reimbursement within a reasonable period of time after trips are completed.
   d. Expense reimbursement will end December 31, 2001.

3. The balance owed of the original $2.8 million payment obligation (that being $1.6 million) indicated in the First Consultancy Agreement will be paid as follows:

   a. Mannatech will incorporate in the Mannatech Associate Sign-up Kit ("Kit"), not later than the second quarter 2002, a series of training audiotapes produced by Jett ("Audiotape"). Each Kit sold by Mannatech will generate a royalty of approximately $5.00 per Kit.
   b. Royalties will be paid to you on a monthly basis after computing the total amount of kits sold during that particular month and in accordance with Mannatech's standard royalty payment procedures. Royalties will be paid only on those Audiotapes contained in the Kit and will not be paid on

those Audiotapes retained by Mannatech for promotional or internal purposes.

c. The payment will continue on a monthly basis until the $1.6 million is paid in its entirely, unless and until we reach a subsequent written agreement pertaining to this payment obligation.

4. You understand that as a public corporation Mannatech was required to disclose the First Consultancy Agreement (see Mannatech 1999 annual report). Therefore, any other payment arrangement different to that indicated in this Agreement will require Mannatech to make a public disclosure through SEC filings; thus creating a difficult situation vis-a-vis other top leaders in the company as this will be perceived as a new agreement with you.

Please let me know if you have any questions regarding the above terms and conditions. If you are agreeable to these I will immediately instruct our legal department to prepare a new Agreement Letter.

Sincerely yours,

C. Armando Contreras
President of International Operations

Cc: Bob Henry, CEO
Sam Caster, Co-chairman
Terry Persinger, President
Steven Fenstemacher, CFO

EXHIBIT 10.5

# STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "Agreement"), dated as of September 28, 2001, is made by and between Mannatech, Incorporated, a Texas corporation (the "Company") and Ray Robbins, an individual residing in Grand Prairie, Texas ("Purchaser").

WHEREAS, the Company desires to sell Eight Hundred Fifteen Thousand (815,000) shares of common stock, $0.0001 par value per share (the "Shares") to Purchaser, and Purchaser desires to purchase the Shares from Company, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

## STATEMENT OF AGREEMENT

1. Purchase and Sale of the Shares. At the Closing (as hereinafter defined) and upon the terms and subject to the conditions of this Agreement, Company shall sell, transfer and deliver to Purchaser, and Purchaser shall purchase from Company, the Shares. At the Closing, Company shall deliver to Purchaser a certificate or certificates representing the Shares.

2. Consideration and Payment for the Shares. As consideration for the purchase of the Shares, Purchaser shall pay to Company the sum of Eight Hundred Fifteen Thousand Dollars ($815,000.00) (the "Purchase Price"). The Purchase Price shall be paid at the Closing by wire transfer of immediately available funds.

3. Closing. Subject to the conditions contained in this Agreement, the deliveries contemplated by Sections 1 and 2 hereof (the "Closing") shall take place at the offices of the Company simultaneously with the execution of this Agreement.

4. Representations and Warranties of Purchaser. Purchaser hereby represents and warrants to Company as follows:

(a) Authority. Purchaser has full legal capacity to enter into this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Purchaser and constitutes a valid and binding obligation of Purchaser, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally.

(b) Conflict. The execution, delivery and performance of this Agreement by Purchaser will not conflict with, result in any breach of or constitute a default under any

agreement, instrument, order, judgment, decree, law or governmental regulation to which Purchaser is subject.

(c) Investment Representations.

(i) Purchaser understands that the Shares have not been registered under the Securities Act. Purchaser is acquiring the Shares for investment purposes only and is not purchasing the Shares with a view to the sale or distribution of any part thereof.

(ii) Purchaser has made such investigation into the Company that Purchaser considers necessary and appropriate to its purchase of the Shares, is capable of evaluating the merits and risks of its purchase of the Shares, and is relying solely upon such investigation and not upon any representation or warranty made by the Company, other than the representations and warranties specifically made in this Agreement.

(iii) Purchaser qualifies as an "accredited investor" as such term is defined in Regulation D promulgated under the Securities Act of 1933, as amended.

5. Miscellaneous.

(a) Survival of Representations and Warranties. All representations, warranties contained herein shall survive the execution and delivery of this Agreement and the Closing, regardless of any investigation at any time made by or on behalf of any party hereto.

(b) Further Assurances. At the Closing and thereafter, from time to time and without additional consideration, Company and Purchaser, as the case may be, shall execute and deliver, or cause to be executed and delivered, such additional or further transfers, assignments, endorsements, consents and other instruments as Purchaser or Company, as the case may be, may reasonably request for the purpose of effectively carrying out the transactions contemplated by this Agreement.

(c) Successors and Assigns. This Agreement will be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective successors and assigns.

(d) Amendments. This Agreement may not be amended, supplemented or modified except by an instrument in writing signed by each of the parties hereto.

(e) Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and which taken together shall constitute one and the same agreement.

(g) Entire Agreement. This Agreement (including the documents and instruments referred to herein) (i) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and (ii) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

(h) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS RULES THEREOF. EACH PARTY HERETO AGREES THAT IT SHALL BRING ANY ACTION OR PROCEEDING IN RESPECT OF ANY CLAIM ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTAINED IN OR CONTEMPLATED HEREBY, WHETHER IN TORT OR CONTRACT OR AT LAW OR IN EQUITY, EXCLUSIVELY IN THE STATE COURTS OF TEXAS OR THE FEDERAL COURTS OF THE NORTHERN DISTRICT OF TEXAS (THE "CHOSEN COURTS") AND (i) IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE CHOSEN COURTS, (ii) WAIVES ANY OBJECTION TO LAYING VENUE IN ANY SUCH ACTION OR PROCEEDING IN THE CHOSEN COURTS AND (iii) WAIVES ANY OBJECTION THAT THE CHOSEN COURTS ARE AN INCONVENIENT FORUM OR DO NOT HAVE JURISDICTION OVER ANY PARTY HERETO.

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

Mannatech, Incorporated

By: Stephen D. Fenstermacher
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Its: Chief Financial Officer
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PURCHASER:

Marlin Ray Robbins
---
Ray Robbins