

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2017

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

(State or other Jurisdiction of Incorporation or Organization)

75-2508900

(I.R.S. Employer Identification No.)

600 S. Royal Lane, Suite 200, Coppell, Texas

(Address of Principal Executive Offices)

75019

(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "accelerated filer", "large accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging Growth Company

If an emerging growth company, indicated by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of July 31, 2017, the number of shares outstanding of the registrant's sole class of common stock, par value \$0.0001 per share, was 2,711,372.

MANNATECH, INCORPORATED
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Special Note Regarding Forward-Looking Statements

Certain disclosures and analyses in this Form 10-Q, including information incorporated by reference, may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995 that are subject to various risks and uncertainties. Opinions, forecasts, projections, guidance, or other statements other than statements of historical fact are considered forward-looking statements and reflect only current views about future events and financial performance. Some of these forward-looking statements include statements regarding:

- management’s plans and objectives for future operations;
- existing cash flows being adequate to fund future operational needs;
- future plans related to budgets, future capital requirements, market share growth, and anticipated capital projects and obligations;
- the realization of net deferred tax assets;
- the ability to curtail operating expenditures;
- global statutory tax rates remaining unchanged;
- the impact of future market changes due to exposure to foreign currency translations;
- the possibility of certain policies, procedures, and internal processes minimizing exposure to market risk;
- the impact of new accounting pronouncements on financial condition, results of operations, or cash flows;
- the outcome of new or existing litigation matters;
- the outcome of new or existing regulatory inquiries or investigations; and
- other assumptions described in this report underlying such forward-looking statements.

Although we believe that the expectations included in these forward-looking statements are reasonable, these forward-looking statements are subject to certain events, risks, assumptions, and uncertainties, including those discussed below, the “Risk Factors” section in Part I, Item 1A of our Form 10-K for the year ended December 31, 2016, and the “Risk Factors” section in Part II, Item 1A of this Form 10-Q, and elsewhere in this Form 10-Q and the documents incorporated by reference herein. If one or more of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results and developments could materially differ from those expressed in or implied by such forward-looking statements. For example, any of the following factors could cause actual results to vary materially from our projections:

- overall growth or lack of growth in the nutritional supplements industry;
- plans for expected future product development;
- changes in manufacturing costs;
- shifts in the mix of packs and products;
- the future impact of our planned changes to global associate career and compensation plans or incentives or the regulations thereto;
- the ability to attract and retain independent associates and members;
- new regulatory changes that may affect operations, products or compensation plans or incentives;
- the competitive nature of our business with respect to products and pricing;
- publicity related to our products or network-marketing; and
- the political, social, and economic climate of the countries in which we operate.

Forward-looking statements generally can be identified by use of phrases or terminology such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “approximates,” “predicts,” “projects,” “potential,” and “continues” or other similar words or the negative of such terms and other comparable terminology. Similarly, descriptions of Mannatech’s objectives, strategies, plans, goals, or targets contained herein are also considered forward-looking statements. Readers are cautioned when considering these forward-looking statements to keep in mind these risks, assumptions, 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.

Unless stated otherwise, all financial information throughout this report and in the Consolidated Financial Statements and related Notes include Mannatech, Incorporated and all of its subsidiaries on a consolidated basis and may be referred to herein as “Mannatech,” “the Company,” “its,” “we,” “our,” or “their.”

Our products are not intended to diagnose, cure, treat, or prevent any disease, and any statements about our products contained in this report have not been evaluated by the Food and Drug Administration, also referred to herein as the “FDA”.

PART I – FINANCIAL INFORMATION

**Item 1. Financial Statements
MANNATECH, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

ASSETS	June 30, 2017 (unaudited)	December 31, 2016
Cash and cash equivalents	\$ 35,561	\$ 28,687
Restricted cash	1,514	1,510
Accounts receivable, net of allowance of \$507 and \$463 in 2017 and 2016, respectively	405	298
Income tax receivable	3	1,587
Inventories, net	10,868	11,961
Prepaid expenses and other current assets, net	2,659	3,483
Deferred commissions	3,233	3,229
Total current assets	54,243	50,755
Property and equipment, net	3,234	3,611
Construction in progress	1,294	1,012
Long-term restricted cash	6,776	6,429
Other assets	3,617	4,013
Long-term deferred tax assets, net	5,595	5,368
Total assets	\$ 74,759	\$ 71,188
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of capital leases	\$ 392	\$ 357
Accounts payable	6,130	5,223
Accrued expenses	5,139	5,605
Commissions and incentives payable	9,679	8,799
Taxes payable	1,528	1,040
Current notes payable	843	801
Deferred revenue	8,326	8,156
Total current liabilities	32,037	29,981
Capital leases, excluding current portion	182	261
Long-term deferred tax liabilities	30	29
Long-term notes payable	286	567
Other long-term liabilities	1,413	1,465
Total liabilities	33,948	32,303
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.0001 par value, 99,000,000 shares authorized, 2,753,789 shares issued and 2,711,372 shares outstanding as of June 30, 2017 and 2,758,275 shares issued and 2,688,790 shares outstanding as of December 31, 2016	—	—
Additional paid-in capital	35,293	38,190
Retained earnings	7,202	7,331
Accumulated other comprehensive income	3,482	1,834
Treasury stock, at average cost, 42,417 shares as of June 30, 2017 and 69,485 shares as of December 31, 2016, respectively	(5,166)	(8,470)
Total shareholders' equity	40,811	38,885
Total liabilities and shareholders' equity	\$ 74,759	\$ 71,188

See accompanying notes to unaudited consolidated financial statements.

MANNATECH, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS – (UNAUDITED)
(in thousands, except per share information)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales	\$ 47,686	\$ 48,810	\$ 88,327	\$ 89,518
Cost of sales	8,786	10,100	17,548	18,489
Gross profit	38,900	38,710	70,779	71,029
Operating expenses:				
Commissions and incentives	18,994	20,417	36,075	36,034
Selling and administrative expenses	9,978	9,730	18,632	18,322
Depreciation and amortization expense	453	477	955	920
Other operating costs	6,656	8,198	14,332	15,329
Total operating expenses	36,081	38,822	69,994	70,605
Income (loss) from operations	2,819	(112)	785	424
Interest income	19	23	48	11
Other income (expense), net	(9)	(1,037)	32	(703)
Income (loss) before income taxes	2,829	(1,126)	865	(268)
Income tax provision	(1,034)	(206)	(317)	(472)
Net income (loss)	\$ 1,795	\$ (1,332)	\$ 548	\$ (740)
Earnings (loss) per common share:				
Basic	\$ 0.66	\$ (0.49)	\$ 0.20	\$ (0.27)
Diluted	\$ 0.65	\$ (0.49)	\$ 0.19	\$ (0.27)
Weighted-average common shares outstanding:				
Basic	2,711	2,707	2,706	2,701
Diluted	2,778	2,707	2,775	2,701

MANNATECH, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) – (UNAUDITED)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$ 1,795	\$ (1,332)	\$ 548	\$ (740)
Foreign currency translations	(731)	917	1,648	1,504
Comprehensive income (loss)	\$ 1,064	\$ (415)	\$ 2,196	\$ 764

See accompanying notes to unaudited consolidated financial statements.

MANNATECH, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY – (UNAUDITED)
(in thousands)

	Common stock Par value	Additional paid in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock	Total shareholders' equity
Balance at December 31, 2016	\$ —	\$ 38,190	\$ 7,331	\$ 1,834	\$ (8,470)	\$ 38,885
Net income	—	—	548	—	—	548
Declared dividends	—	—	(677)	—	—	(677)
Charge related to stock-based compensation	—	143	—	—	—	143
Issuance of unrestricted shares	—	(1,228)	—	—	1,473	245
Stock option exercises	—	(1,748)	—	—	1,831	83
Repurchase of common stock	—	(64)	—	—	—	(64)
Foreign currency translations	—	—	—	1,648	—	1,648
Balance at June 30, 2017	<u>\$ —</u>	<u>\$ 35,293</u>	<u>\$ 7,202</u>	<u>\$ 3,482</u>	<u>\$ (5,166)</u>	<u>\$ 40,811</u>

See accompanying notes to unaudited consolidated financial statements.

MANNATECH, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS – (UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net income (loss)	\$ 548	\$ (740)
<i>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</i>		
Depreciation and amortization	955	920
Provision for inventory losses	202	157
Provision for doubtful accounts	73	422
Loss on disposal of assets	—	3
Stock-based compensation expense	388	360
Deferred income taxes	(191)	(166)
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	(169)	(167)
Income tax receivable	1,590	(8)
Inventories	1,155	(2,412)
Prepaid expenses and other current assets	1,207	590
Other assets	561	400
Deferred commissions	51	(674)
Accounts payable	882	3,704
Accrued expenses and other liabilities	(701)	(934)
Taxes payable	493	469
Commissions and incentives payable	730	1,832
Deferred revenue	57	1,814
Change in restricted cash	(19)	—
Net cash provided by operating activities	7,812	5,570
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Acquisition of property and equipment	(680)	(1,408)
Net cash used in investing activities	(680)	(1,408)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from stock options exercised	83	11
Repurchase of common stock	(64)	—
Payment of cash dividends	(677)	—
Repayment of capital lease obligations	(778)	(723)
Net cash used in financing activities	(1,436)	(712)
Effect of currency exchange rate changes on cash and cash equivalents	1,178	1,477
Net increase in cash and cash equivalents	6,874	4,927
Cash and cash equivalents at the beginning of the period	28,687	31,994
Cash and cash equivalents at the end of the period	\$ 35,561	\$ 36,921
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Income taxes paid	\$ 479	\$ 1,519
Interest paid on capital leases and financing arrangements	\$ 37	\$ 63
Assets acquired through financing arrangements	\$ 130	\$ 409

See accompanying notes to unaudited consolidated financial statements.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mannatech, Incorporated (together with its subsidiaries, the “Company”), located in Coppell, Texas, was incorporated in the state of Texas on November 4, 1993 and is listed on the NASDAQ Global Select Market under the symbol “MTEX”. The Company develops, markets, and sells high-quality, proprietary nutritional supplements, topical and skin care and anti-aging products, and weight-management products. We currently sell our products into three regions: (i) the Americas (the United States, Canada, Colombia and Mexico); (ii) EMEA (Austria, the Czech Republic, Denmark, Estonia, Finland, Germany, the Republic of Ireland, Namibia, the Netherlands, Norway, South Africa, Spain, Sweden and the United Kingdom); and (iii) Asia/Pacific (Australia, Japan, New Zealand, the Republic of Korea, Singapore, Taiwan, Hong Kong, and China).

Independent associates (“associates”) purchase the Company’s products at published wholesale prices to either sell to retail customers or for personal use. Members purchase the Company’s products at a discount from published retail prices primarily for personal use. The Company cannot distinguish products sold for personal use from other sales because it is not involved with the products after delivery, other than usual and customary product warranties and returns. Only associates are eligible to earn commissions and incentives. In addition, the Company operates a non-direct selling business in mainland China. Our subsidiary in China, Meitai Daily Necessity & Health Products Co., Ltd. (“Meitai”), is operating as a traditional retailer under a cross-border e-commerce model in China. Meitai cannot legally conduct a direct selling business in China unless it acquires a direct selling license in China.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the Company’s consolidated financial statements and footnotes contained herein do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (“GAAP”) to be considered “complete financial statements.” However, in the opinion of the Company’s management, the accompanying unaudited consolidated financial statements and footnotes contain all adjustments, including normal recurring adjustments, considered necessary for a fair presentation of the Company’s consolidated financial information as of, and for, the periods presented. The Company cautions that its consolidated results of operations for an interim period are not necessarily indicative of its consolidated results of operations to be expected for its fiscal year. The December 31, 2016 consolidated balance sheet was included in the audited consolidated financial statements in the Company’s annual report on Form 10-K for the year ended December 31, 2016 and filed with the United States Securities and Exchange Commission (the “SEC”) on March 14, 2017 (the “2016 Annual Report”), which includes all disclosures required by GAAP. Therefore, these unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the 2016 Annual Report.

Principles of Consolidation

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

Use of Estimates

The preparation of the Company’s consolidated financial statements in accordance with GAAP requires the use of estimates that affect the reported value of assets, liabilities, revenues and expenses. These estimates are based on historical experience and various other factors. The Company continually evaluates the information used to make these estimates as the business and economic environment changes. Historically, actual results have not varied materially from the Company’s estimates, and the Company does not currently anticipate a significant change in its assumptions related to these estimates. However, actual results may differ from these estimates under different assumptions or conditions.

The use of estimates is pervasive throughout the consolidated financial statements, but the accounting policies and estimates considered the most significant are described in this note to the consolidated financial statements, *Organization and Summary of Significant Accounting Policies*.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company includes in its cash and cash equivalents credit card receivables due from its credit card processor, as the cash proceeds from credit card receivables are received within 24 to 72 hours. As of June 30, 2017 and December 31, 2016, credit card receivables were \$2.6 million and \$0.5 million, respectively. As of June 30, 2017 and December 31, 2016, cash and cash equivalents held in bank accounts in foreign countries totaled \$32.3 million and \$27.5 million, respectively. The Company invests cash in liquid instruments, such as money market funds and interest bearing deposits. The Company also holds cash in high quality financial institutions and does not believe it has an excessive exposure to credit concentration risk.

Restricted Cash

The Company is required to restrict cash for: (i) direct selling insurance premiums and credit card sales in the Republic of Korea; (ii) reserve on credit card sales in the United States and Canada; and (iii) the Australia building lease collateral. As of June 30, 2017 and December 31, 2016, our total restricted cash was \$8.3 million and \$7.9 million, respectively.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. Receivables are created upon shipment of an order if the credit card payment is rejected or does not match the order total. As of each of June 30, 2017 and December 31, 2016, receivables consisted primarily of amounts due from members and associates. The Company periodically evaluates its receivables for collectability based on historical experience, recent account activities, and the length of time receivables are past due and writes-off receivables when they become uncollectible. As of each of June 30, 2017 and December 31, 2016, the Company held an allowance for doubtful accounts of \$0.5 million.

Inventories

Inventories consist of raw materials, finished goods, and promotional materials that are stated at the lower of cost (using standard costs that approximate average costs) or market. The Company periodically reviews inventories for obsolescence, and any inventories identified as obsolete are reserved or written off.

Other Assets

As of June 30, 2017 and December 31, 2016, other assets were \$3.6 million and \$4.0 million, respectively, and primarily consisted of deposits for building leases in various locations of \$1.8 million and \$2.2 million, respectively. Additionally, included in the June 30, 2017 and December 31, 2016 balances was \$1.6 million and \$1.5 million, respectively, representing a deposit with Mutual Aid Cooperative and Consumer in the Republic of Korea, an organization established by the Republic of Korea's Fair Trade Commission to protect consumers who participate in network marketing activities. Also included in each of the June 30, 2017 and December 31, 2016 balances was \$0.2 million of indefinite lived intangible assets relating to the Manapol® powder trademark.

Notes Payable

As of June 30, 2017 and December 31, 2016, notes payable were \$1.1 million and \$1.4 million, respectively, as a result of funding from a capital financing agreement related to our investment in computer hardware and software and other financing arrangements. At June 30, 2017, the current portion was \$0.8 million and the long-term portion was \$0.3 million. At December 31, 2016, the current portion was \$0.8 million and the long-term portion was \$0.6 million.

Other Long-Term Liabilities

Other long-term liabilities were \$1.4 million and \$1.5 million as of June 30, 2017 and December 31, 2016, respectively. At each of June 30, 2017 and December 31, 2016, the Company recorded \$0.2 million in other long-term liabilities related to uncertain income tax positions (see Note 8, *Income Taxes* of the Company's annual report on Form 10-K for the year ended December 31, 2016, filed March 14, 2017). Certain operating leases for the Company's regional office facilities contain a restoration clause that requires the Company to restore the premises to its original condition. At June 30, 2017 and December 31, 2016, accrued restoration costs related to these leases amounted to \$0.5 million and \$0.6 million, respectively. At June 30, 2017 and December 31, 2016, the Company also recorded a long-term liability for estimated defined benefit obligation related to a non-U.S. defined benefit plan for its Japan operations of \$0.4 million and \$0.5 million, respectively. (see Note 10, *Employee Benefit Plans*, of the Company's 10-K, filed March 14, 2017).

MANNATECH, INCORPORATED AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Related Party Transactions

In connection with a confidential settlement agreement discussed in Note 7 *Litigation*, an associate position valued at \$0.8 million was transferred to NutraScoop, LLC. Jim Hill is the managing member and Marlin Ray Robbins is a member of NutraScoop, LLC. Mr. Robbins is a major shareholder and the father of Mr. Kevin Robbins, a member of the Company's Board of Directors.

Revenue Recognition and Deferred Commissions

The Company's revenue is derived from sales of individual products, sales of its starter and renewal packs, and shipping fees. Substantially all of the Company's product and pack sales are made to associates at published wholesale prices and to members at discounted published retail prices. The Company records revenue net of any sales taxes and records a reserve for expected sales returns based on its historical experience.

The Company recognizes revenue from shipped packs and products upon receipt by the customer. Corporate-sponsored event revenue is recognized when the event is held. The Company defers certain components of its revenue. At June 30, 2017 and December 31, 2016, the Company's deferred revenue was \$8.3 million and \$8.2 million, respectively. Deferred revenue consisted primarily of: (i) sales of packs and products shipped but not received by the customers by the end of the respective period; (ii) revenue from the loyalty program; and (iii) prepaid registration fees from customers planning to attend a future corporate-sponsored event. The deferred revenue associated with the loyalty program at June 30, 2017 and December 31, 2016 was \$6.2 million and \$7.0 million, respectively. In total current assets, the Company defers commissions on (i) the sales of packs and products shipped but not received by the customers by the end of the respective period and (ii) the loyalty program. Deferred commissions were \$3.2 million at each of June 30, 2017 and December 31, 2016.

Loyalty program	<i>(in thousands)</i>
Loyalty deferred revenue as of January 1, 2016	\$ 8,073
Loyalty points forfeited or expired	(6,963)
Loyalty points used	(15,451)
Loyalty points vested	20,085
Loyalty points unvested	1,289
Loyalty deferred revenue as of December 31, 2016	<u>\$ 7,033</u>
Loyalty deferred revenue as of January 1, 2017	\$ 7,033
Loyalty points forfeited or expired	(3,370)
Loyalty points used	(6,957)
Loyalty points vested	7,585
Loyalty points unvested	1,916
Loyalty deferred revenue as of June 30, 2017	<u>\$ 6,207</u>

The Company estimates a sales return reserve for expected sales refunds based on historical experience over a rolling six-month period. If actual results differ from our estimated sales return reserve due to various factors, the amount of revenue recorded each period could be materially affected. Historically, sales returns have not materially changed through the years, as the majority of our customers who return their merchandise do so within the first 90 days after the original sale. Sales returns have historically averaged 1.5% or less of our gross sales. For the six months ended June 30, 2017, our sales return reserve consisted of the following *(in thousands)*:

Sales reserve as of January 1, 2017	\$ 129
Provision related to sales made in current period	591
Adjustment related to sales made in prior periods	3
Actual returns or credits related to current period	(457)
Actual returns or credits related to prior periods	(132)
Sales reserve as of June 30, 2017	<u>\$ 134</u>

Shipping and Handling Costs

The Company records freight and shipping fees collected from its customers as revenue. The Company records inbound freight as a component of inventory and cost of sales.

Commissions and Incentives

Associates earn commissions and incentives based on their direct and indirect commissionable net sales over 13 business periods each year. Each business period equals 28 days. The Company accrues commissions and incentives when earned by associates and pays commissions on product sales three weeks following the business period end and pays commissions on its pack sales five weeks following the business period end.

Comprehensive Income and Accumulated Other Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company's comprehensive income consists of the Company's net income, foreign currency translation adjustments from its Japan, Republic of Korea, Taiwan, Denmark, Norway, Sweden, Colombia, Mexico and China operations, remeasurement of intercompany balances classified as equity in its Taiwan, Mexico and Cyprus operations, and changes in the pension obligation for its Japanese employees.

Recently Adopted Accounting Pronouncements

The Company adopted Accounting Standard Updated ("ASU") 2015-17, *Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes* during the first quarter of 2017 and applied it retrospectively to all deferred tax assets and liabilities. This ASU requires classification of deferred income taxes as non-current on the consolidated balance sheets. Deferred income taxes were previously required to be classified as current or non-current on the consolidated balance sheets. The adoption had an immaterial prior year balance sheet change in classification between current deferred tax assets and long-term deferred tax assets.

The Company adopted ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* during the first quarter of 2017. The updated guidance changes how companies account for certain aspects of stock-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of such awards in the statement of cash flows. ASU 2016-09 became effective for us on January 1, 2017. ASU 2016-09 requires that excess tax benefits and deficiencies resulting from the vesting or exercise of stock-based compensation awards to be recognized in the income statement on a prospective basis. Previously, these amounts were recognized in additional paid-in capital. In addition, ASU 2016-09 requires excess tax benefits and deficiencies to be excluded from the assumed future proceeds in the calculation of diluted EPS under the treasury stock method. In accordance with the standard, we elected to continue our historical approach of estimating forfeitures during the award vesting period. ASU 2016-09 had no material impact to the calculation of weighted average shares outstanding for the three and six month periods ended June 30, 2017. The adoption of this standard did not have a material effect on our consolidated financial statements for the three and six month periods ended June 30, 2017.

Accounting Pronouncements Issued But Not Yet Effective

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers*. This new standard requires companies to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. Under the new standard, revenue is recognized when a customer obtains control of a good or service. The standard allows for two transition methods - entities can either apply the new standard (i) retrospectively to each prior reporting period presented or (ii) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial adoption. In July 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers*, which defers the effective date by one year to December 15, 2017 for fiscal years, and interim periods within those fiscal years, beginning after that date. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers, Principal versus Agent Considerations (Reporting Revenue versus Net)*, in April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers, identifying Performance Obligations and Licensing*, and in May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers, Narrow-Scope Improvements and Practical Expedients*, which provide additional clarification on certain topics addressed in ASU 2014-09. ASU 2016-08, ASU 2016-10, and ASU 2016-12 follow the same implementation guidelines as ASU 2014-09 and ASU 2015-14. All of these aforementioned ASUs have been codified under ASC 606, *Revenue from Contracts with Customers*. We plan to adopt the guidance as of January 1, 2018 and expect to utilize the modified retrospective transition method. We have a project plan in place for the transition to revenue recognition in accordance with ASC 606, including necessary changes to accounting processes, procedures and internal controls. We are evaluating the impact of adopting this standard and the overall financial impact is unknown at this time.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. For public companies, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. Management is currently in the initial stages of evaluating the future impact of ASU 2016-02 on its consolidated financial position, results of operations and cash flows. The overall financial impact of adopting this standard is unknown at this time.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash (Subtopic 230)*, which addresses the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendment requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. Restricted cash amounts are to be included with cash and cash equivalents when reconciling the beginning and ending amounts of cash on the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2017. Early adoption is permitted. Management is currently in the initial stages of evaluating the future impact of ASU 2016-18 on its consolidated financial position, results of operations and cash flows.

In February 2017, the FASB issued ASU 2017-07, *Compensation-Retirement Benefits (Topic 715 - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost)*, which requires an entity to present the service cost component of the net periodic benefit cost in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. In addition, ASU 2017-07 requires an entity to present the other components separately from the line item(s) that includes the service cost and outside of any subtotal of operating income. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted. The Company is currently evaluating the impact of this standard, but we do not expect it to have a material impact on the Company's consolidated results of operations and financial condition.

Other recently issued accounting pronouncements did not or are not believed by management to have a material impact on the Company's present or future financial statements.

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NOTE 2: INVENTORIES

Inventories consist of raw materials, finished goods, and promotional materials. The Company provides an allowance for any slow-moving or obsolete inventories. Inventories at June 30, 2017 and December 31, 2016, consisted of the following (*in thousands*):

	June 30, 2017	December 31, 2016
Raw materials	\$ 267	\$ 239
Finished goods	11,021	12,103
Inventory reserves for obsolescence	(420)	(381)
Total	\$ 10,868	\$ 11,961

NOTE 3: INCOME TAXES

For the three and six months ended June 30, 2017, the Company's effective tax rate was 36.5% and 36.6%, respectively. For the three and six months ended June 30, 2016, the Company's effective income tax rate was (18.3)% and (175.9)%, respectively. For the three and six months ended June 30, 2017 and 2016, the Company's effective tax rate was determined based on the estimated annual effective tax rate.

The effective tax rate for the three months and six months ended June 30, 2017 was slightly higher than would have been expected if the federal statutory rate were applied to income before tax. Items increasing the effective income tax rate include the valuation allowances associated with certain deferred tax assets, "subpart F income" resulting from controlled foreign corporation operations and foreign permanent components. Items decreasing the effective income tax rate include the favorable rate differences from foreign jurisdictions, unrealized foreign exchange gains and deductions on non-qualified stock options.

The effective tax rates for the three and six months ended June 30, 2016 were different from the federal statutory rate due to the mix of earnings across jurisdictions and certain items that are discrete to the quarter. Items discrete to the quarter include foreign exchange losses and increased losses in jurisdictions for which no taxable benefit can be recorded. These items are partially offset by the effect of the release of the valuation allowance in Switzerland due to improved earnings.

NOTE 4: EARNINGS (LOSS) PER SHARE

The Company calculates basic Earnings per Share ("EPS") by dividing net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted EPS also reflects the potential dilution that could occur if common stock were issued for awards outstanding under the Mannatech, Incorporated 2017 Stock Incentive Plan. In determining the potential dilution effect of outstanding stock options during the three and six months ended June 30, 2017, the Company used the quarterly average common stock close price of \$17.28 and \$17.85 per share respectively. For the three and six months ended June 30, 2017, approximately 0.1 million and 0.3 million shares of the Company's common stock subject to options were excluded from the diluted EPS calculation, respectively, as the effect would have been antidilutive.

In determining the potential dilution effect of outstanding stock options during the three and six months ended June 30, 2016, the Company used the quarterly average common stock closing price of \$20.82 and \$19.69 per share, respectively. For the three and six months ended June 30, 2016, approximately 0.1 million and 0.2 million shares of the Company's common stock subject to options were excluded from the diluted EPS calculation, respectively, as the effect would have been antidilutive. The Company reported a loss for both the three and six months ended June 30, 2016.

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NOTE 5: STOCK-BASED COMPENSATION

The Company currently has one active stock-based compensation plan, the Mannatech, Incorporated 2017 Stock Incentive Plan (the “2017 Plan”), which was adopted by the Company’s Board of Directors on April 17, 2017 and was approved by its shareholders on June 8, 2017. The 2017 Plan supersedes the Mannatech, Incorporated 2008 Stock Incentive Plan, as amended, which was set to expire on February 20, 2018. The Board has reserved a maximum of 250,000 shares of our common stock that may be issued under the 2017 Plan, consisting of 181,674 newly reserved shares and 68,326 shares that remained available for issuance under the 2008 Plan (subject to adjustments for stock splits, stock dividends or other changes in corporate capitalization). As of June 30, 2017, the Company had a total of 240,000 shares available for grant, which expires on April 16, 2027.

The 2008 Plan provided, and the 2017 Plan provides, for grants of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance stock and performance stock units to our employees, board members, and consultants. However, only employees of the Company and its corporate subsidiaries are eligible to receive incentive stock options. The exercise price per share for all stock options will be no less than the market value of a share of common stock on the date of grant. Any incentive stock option granted to an employee owning more than 10% of our common stock will have an exercise price of no less than 110% of our common stock’s market value on the grant date.

The majority of stock options vest over two or three years, and generally are granted with a term of ten years, or five years in the case of an incentive option granted to an employee who owns more than 10% of our common stock.

The Company records stock-based compensation expense related to granting stock options in selling and administrative expenses. During each of the three months ended June 30, 2017 and 2016, the Company granted 10,000 stock options. The fair value of stock options granted during the three months ended June 30, 2017 was approximately \$5.87 per share. The Company recognized compensation expense as follows for the three and six months ended June 30 (*in thousands*):

	Three months ending June 30		Six months ending June 30	
	2017	2016	2017	2016
Total gross compensation expense	\$ 67	\$ 141	\$ 143	\$ 360
Total tax benefit associated with compensation expense	15	28	28	47
Total net compensation expense	<u>\$ 52</u>	<u>\$ 113</u>	<u>\$ 115</u>	<u>\$ 313</u>

As of June 30, 2017, the Company expects to record compensation expense in the future as follows (*in thousands*):

	Six months ending December 31, 2017	Year ending December 31,		
		2018	2019	2020
Total gross unrecognized compensation expense	\$ 103	\$ 122	\$ 38	\$ —
Tax benefit associated with unrecognized compensation expense	17	20	3	—
Total net unrecognized compensation expense	<u>\$ 86</u>	<u>\$ 102</u>	<u>\$ 35</u>	<u>\$ —</u>

NOTE 6: SHAREHOLDERS' EQUITY

Treasury Stock

On June 30, 2004, the Company's Board of Directors authorized the Company to repurchase, in the open market, the lesser of (i) 131,756 shares of its common stock and (ii) \$1.3 million of its shares, (the "June 2004 Plan"). On August 28, 2006, a second program permitting the Company to purchase, in the open market, up to \$20 million of its outstanding shares was approved by our Board of Directors (the "August 2006 Plan"). On July 14, 2011, the Company's Board of Directors authorized the Company to reactivate the June 2004 Plan. On August 31, 2016, the Company's Board of Directors reactivated the August 2006 Plan and authorized the Company to repurchase up to \$0.5 million of the Company's outstanding common shares in open market transactions. As of August 8, 2017, the maximum number of shares available for repurchase under the June 2004 Plan was 19,084, and the total number of shares purchased in the open market under the June 2004 Plan was 112,672. As of August 8, 2017, there was \$19.7 million remaining for repurchase under the August 2006 Plan, and the total value of shares repurchased in the open market under the August 2006 Plan was \$0.3 million. The Company does not have any stock repurchase plans or programs other than the June 2004 Plan and the August 2006 Plan.

During the three and six months ended June 30, 2017, the Company repurchased 4,486 shares at an average price of \$14.28.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income, displayed in the Consolidated Statement of Shareholders' Equity, represents net income plus the results of certain shareholders' equity changes not reflected in the Consolidated Statements of Operations, such as foreign currency translation and certain pension and post-retirement benefit obligations. The after-tax components of accumulated other comprehensive income, are as follows (*in thousands*):

	Foreign Currency Translation and Remeasurement⁽²⁾	Pension Postretirement Benefit Obligation	Accumulated Other Comprehensive Income, Net
Balance as of December 31, 2016	\$ 1,534	\$ 300	\$ 1,834
Current-period change ⁽¹⁾	1,648	—	1,648
Balance as of June 30, 2017	\$ 3,182	\$ 300	\$ 3,482

⁽¹⁾No amounts reclassified from accumulated other comprehensive income.

⁽²⁾Includes remeasurement of intercompany balances classified as equity in its Taiwan, Mexico and Cyprus operations.

Dividends

On February 23, 2017, the Board of Directors declared a dividend of \$0.125 per share that was paid on March 29, 2017 to shareholders of record on March 8, 2017.

On June 2, 2017, the Board of Directors declared a dividend of \$0.125 per share that was paid on June 28, 2017 to shareholders of record on June 21, 2017.

NOTE 7: LITIGATION

Breach of Contract

Diana Anselmo and New Day Today Corporation v. Mannatech, Incorporated, Case No. DC-15-01904, Judicial District Court, Dallas County, Texas

On February 18, 2015, Diana Anselmo and New Day Today Corporation (collectively, the “Plaintiffs”) filed suit against the Company alleging breach of contract pertaining to a portion of proceeds from a Mannatech associate position once held by Ray Gebauer, alleged to be Ms. Anselmo’s former husband. Plaintiffs sought damages under the contract of approximately \$600,000 in past commissions and between \$2.0 million and \$3.1 million in future commissions, as well as an award of attorney’s fees. As an alternative to future money damages, Plaintiffs sought a declaration that the Company must continue to pay Plaintiffs proceeds from Mr. Gebauer’s former account. The parties entered into a confidential settlement agreement on April 13, 2017. At March 31, 2017, the Company accrued \$0.5 million in accrued liabilities related to this matter. The Court entered a signed Agreed Order of Dismissal with Prejudice on July 14, 2017. The only remaining deadline under the settlement agreement provides that at year-end, the appropriate IRS forms will be issued. The Company considers this matter closed.

Administrative Proceedings

Mannatech Korea, Ltd. v. Busan Custom Office, Busan District Court, Korea

On or before April 12, 2015, Mannatech Korea, Ltd. filed a suit against the Busan Custom Office (“BCO”) to challenge BCO’s method of calculation regarding its assessment notice issued on July 11, 2013. The assessment notice included an audit of the Company’s imported goods covering fiscal years 2008 through 2012 and required the Company to pay \$1.0 million for this assessment, all of which was paid in January 2014. Both parties submitted a response to the Court’s inquiry on January 15, 2016. The final hearing for the case was held on May 26, 2016 where each party presented their respective arguments. The Court set the decision hearing on October 27, 2016, and the Court decided the case in the Company’s favor. However, on November 18, 2016, BCO filed an appeal to the Busan High Court. The first hearing occurred on March 31, 2017, and the second hearing occurred on April 21, 2017. The final hearing was held on June 2, 2017. The Court issued its decision on June 30, 2017 in favor of the BCO. The Company is appealing this decision. This matter remains open.

Patent Litigation

Mannatech, Incorporated v. Wellness Quest, LLC and Harley Reginald McDaniel, Case No. 3:14-cv-2497, U.S. District Court, for the Northern District of Texas, Dallas Division

On July 11, 2014 the Company filed a patent infringement lawsuit against Wellness Quest, LLC and Dr. H. Reginald McDaniel (“Defendants”) alleging the Defendants infringe United States Patent Nos. 7,157,431 and 7,202,220, both entitled “Compositions of Plant Carbohydrates as Dietary Supplements,” (the “Patents”) and seeking to stop their manufacture, offer, and sale of infringing glyconutritional dietary supplement products. On July 16, 2014, the Company filed a Motion for Preliminary Injunction preventing Defendants from infringing the Patents pending a final decision on the merits. On August 29, 2014, the Defendants filed their Response to Plaintiff’s Motion for Preliminary Injunction and Brief in Support along with their Answer and Affirmative Defenses. On November 4, 2014, the Court denied the Company’s Motion for Preliminary Injunction and Motion to Expedite Discovery. On December 15, 2014, the Company deposed Dr. Reginald McDaniel. Each party submitted its list of claim constructions/definitions and a list of the supporting authority. Each party filed its opening brief and their respective responsive briefs. Defendants have designated an expert and the Company deposed the expert on January 27, 2015 regarding his claim construction opinions while reserving the right to examine him later regarding other matters. The parties remain engaged in the claim construction process. Mediation on this matter was held on April 24, 2015 and a settlement was not reached.

On May 12, 2015, the Company received notice of an Order of Transfer advising that the case had been reassigned from Judge Ed Kinkeade to Judge David C. Godbey for all further proceedings. On July 20, 2015, the Court issued its *Markman* ruling adopting the Company’s proposed claim construction for all disputed terms except for “dietary supplement composition” which it found needed no construction. On August 20, 2015, Defendants filed a request for an interlocutory appeal, and the Company filed a reply on October 6, 2015. The Company also filed a separate motion requesting entry of a final judgment and permanent injunction on September 8, 2015.

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On November 5, 2015, the Court issued an Order accepting Defendant's stipulation of infringement under the Court's claim interpretation and granted the Company's partial motion for summary judgment and issued a permanent injunction against Defendants' infringement of the Patents. The Court stayed the permanent injunction until the conclusion of Defendants' appeal to the U.S. Court of Appeals for the Federal Circuit (the "Court of Appeals"). On December 3, 2015, Defendants filed their Notice of Appeal which was docketed by the Court of Appeals on December 8, 2015. Defendants-Appellants filed their brief with the Court of Appeals on February 28, 2016. The Company-Appellee filed its brief with the Court of Appeals on March 24, 2016. Oral argument for the appeal was held on August 1, 2016. On August 5, 2016, the Court of Appeals issued a *per curiam* opinion affirming the trial court's judgment in favor of the Company. On August 10, 2016, the Company filed a motion to lift the stay of permanent injunction previously issued by the trial court. On August 24, 2016, the Company received confirmation from its counsel that Defendants changed the formulation of the infringing product to a formulation proposed by the Company. Defendants filed their response to the Company's motion on August 31, 2016. The parties conferred via telephone and electronic mail on August 31, 2016 and September 1, 2016 regarding the Company's motion and Defendants' response. On September 1, 2016, the Company filed an Amended Certificate of Conference with the Court advising that the Company's motion was now unopposed. On October 18, 2016, the Court entered an order lifting the stay and putting the permanent injunction back into full effect. The case is now in the damages phase and the Company will seek attorneys' fees and have initiated collection of discovery for the assessment of damages. On March 31, 2017, the Court entered the Agreed Scheduling Order for trial on damages and determination of willfulness. A trial date has not yet been set.

On June 22, 2017, bankruptcy counsel for Defendant Dr. McDaniel filed a Suggestion of Bankruptcy with the Court notifying the Court and the Company that on June 20, 2017, Defendant Dr. McDaniel filed a Chapter 7 Bankruptcy in the United States Bankruptcy Court for the Northern District of Texas in Cause No. 17-42560. This case is automatically stayed, which under the Bankruptcy Code, prevents any type of collection to continue including litigation against the debtor. Defendant Dr. McDaniel asserts that the stay includes Defendant Wellness Quest as it is wholly owned by Defendant Dr. McDaniel. Although stayed, the case has not been dismissed. This matter remains open.

This lawsuit continues the Company's enforcement of its patent rights, and the Company intends to vigorously prosecute these matters. Based on the previous successful patent infringement lawsuits against Country Life, LLC, Glycobiotics International, Inc., Techmedica Health, Inc., IonX Holdings, Inc., Boston Mountain Laboratories, Inc., Green Life, LLC, Xiong Lo, RBC Life Sciences, Inc. and RBC Life Sciences USA, Inc., the Company believes there is a strong likelihood that it will obtain permanent injunctions against the manufacture and sale of any infringing products for the duration of the Company's patents.

In Re: Harley Reginald McDaniel, Case No. 17-42560 (U.S. Bankruptcy Court for the Northern District of Texas)

On June 22, 2017 the Company received notice that on June 20, 2017, Dr. H. Reginald McDaniel (the "Debtor") filed Chapter 7 Bankruptcy in the United States Bankruptcy Court for the Northern District of Texas. The Debtor's initial filings indicate that the Company is the largest creditor based on the Company's judgment against the Debtor in the patent litigation styled, *Mannatech, Incorporated v. Wellness Quest, LLC and Harley Reginald McDaniel*. The Debtor asserts that the value of the debt is \$700,000. The Company has engaged bankruptcy counsel. The first meeting of creditors is scheduled for August 8, 2017. Objections to Discharge must be filed by October 10, 2017. Currently, no property appears to be available to pay creditors; however, the Company will closely monitor this case to protect its interests. This matter remains open.

Trademark Opposition - U.S. Patent and Trademark Office

United States Trademark Opposition No. 91221493, Shaklee Corporation v. Mannatech, Incorporated re: UTH

On April 15, 2015, the Company received notice that Shaklee Corporation ("Shaklee") filed a Notice of Opposition to the Company's trademark application for UTH (stylized as Ūth) with the USPTO. On May 19, 2015, the Company filed an answer to the opposition and also filed a counterclaim seeking to cancel Shaklee's registration of its YOUTH mark. Shaklee filed an extension to oppose the UTH mark on June 18, 2015, and the request to extend time to oppose was granted until July 18, 2015. Shaklee filed a second extension on July 17, 2015, and the request to extend time to oppose was granted until September 16, 2015. Shaklee filed motions to strike the Company's Affirmative Defenses to the Opposition and Counterclaim to cancel their registrations. The Company filed responses and the Trademark Trial and Appeal Board ("TTAB") ruled in Shaklee's favor. The Company filed an amended Answer to the Opposition and Amended Counterclaim on November 18, 2015. Shaklee then filed an answer to the Company's Counterclaim on December 30, 2015.

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On September 15, 2015, Shaklee filed two more Notices of Opposition for the UTH & Design and ŪTH applications. The Company filed Answers and Counterclaims on November 20, 2015. On January 25, 2016, the Company filed a motion to strike Shaklee's affirmative defense on cancellation. On May 17, 2016, the TTAB granted the Company's motion to strike Shaklee's affirmative defense on cancellation. On August 9, 2016, Shaklee filed a Motion for Summary Judgment on the Company's cancellation filing of its YOUTH mark stating that their mark is in use and they have not abandoned their rights. On September 9, 2016, the Company filed a Motion for Request for Discovery to Respond to Summary Judgment under Rule 56(d) stating that the Company cannot respond without sufficient information due to lack in discovery. On September 28, 2016, Shaklee filed a response to the Company's motion to cancel the request for discovery. The Company filed a response in support of the motion under Rule 56(d) on October 18, 2016. On December 22, 2016, the TTAB requested that the Company send copies of the request for discovery to Shaklee by January 6, 2017. On March 28, 2017, the TTAB ruled on the 56(d) Motion, granting the Company's motion in part to oblige Shaklee to answer the Company's request for discovery related to Shaklee's use or non-use of the YOUTH mark. The Company took the deposition of Shaklee's designated witness on May 31, 2017.

On June 29, 2017, the Company filed Applicant's Opposition to Opposer's Motion for Summary Judgment on Applicant's Counterclaim for Abandonment and Applicant's Cross Motion for Summary Judgment on its Counterclaim for Abandonment. Shaklee's reply in support of their Motion for Summary Judgment and Response to the Company's Counterclaim is due on August 3, 2017. This matter remains ongoing.

It is not possible at this time to predict the outcome of this office action or whether the Company will incur any liability, or to estimate the ranges of damages, if any, which may be incurred in connection with this matter. However, the Company believes it has a valid defense and will vigorously defend this claim. This matter remains open.

Litigation in General

The Company has incurred several claims in the normal course of business. The Company believes such claims can be resolved without any material adverse effect on its consolidated financial position, results of operations, or cash flows.

The Company maintains certain liability insurance; however, certain costs of defending lawsuits are not covered by or only partially covered by its insurance policies, including claims that are below insurance deductibles. Additionally, insurance carriers could refuse to cover certain claims, in whole or in part. The Company accrues costs to defend itself from litigation as they are incurred.

The outcome of litigation is uncertain, and despite management's views of the merits of any litigation, or the reasonableness of the Company's estimates and reserves, the Company's financial statements could nonetheless be materially affected by an adverse judgment. The Company believes it has adequately reserved for the contingencies arising from current legal matters where an outcome was deemed to be probable, and the loss amount could be reasonably estimated.

NOTE 8: FAIR VALUE

The Company utilizes fair value measurements to record fair value adjustments to certain financial assets and to determine fair value disclosures.

Fair Value Measurements and Disclosure (Topic 820) of the FASB establishes a fair value hierarchy that requires the use of observable market data, when available, and prioritizes the inputs to valuation techniques used to measure fair value in the following categories:

- Level 1 – Quoted unadjusted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all observable inputs and significant value drivers are observable in active markets.
- Level 3 – Model-derived valuations in which one or more significant inputs or significant value drivers are unobservable, including assumptions developed by the Company.

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The primary objective of the Company's investment activities is to preserve principal while maximizing yields without significantly increasing risk. The investment instruments held by the Company are money market funds and interest bearing deposits for which quoted market prices are readily available. The Company considers these highly liquid investments to be cash equivalents. These investments are classified within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. The Company does not have any material financial liabilities that were required to be measured at fair value on a recurring basis at June 30, 2017. The table below presents the recorded amount of financial assets measured at fair value (*in thousands*) on a recurring basis as of June 30, 2017 and December 31, 2016.

June 30, 2017	Level 1	Level 2	Level 3	Total
Assets				
Money Market Funds – Fidelity, US	\$ 202	\$ —	\$ —	\$ 202
Interest bearing deposits – various banks	24,547	—	—	24,547
Total assets	<u>\$ 24,749</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 24,749</u>
Amounts included in:				
Cash and cash equivalents	\$ 18,412	\$ —	\$ —	\$ 18,412
Restricted cash	741	—	—	741
Long-term restricted cash	5,596	—	—	5,596
Total	<u>\$ 24,749</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 24,749</u>
December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Money Market Funds – Fidelity, US	\$ 12	\$ —	\$ —	\$ 12
Interest bearing deposits – various banks	19,357	—	—	19,357
Total assets	<u>\$ 19,369</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 19,369</u>
Amounts included in:				
Cash and cash equivalents	\$ 13,326	\$ —	\$ —	\$ 13,326
Restricted cash	737	—	—	737
Long-term restricted cash	5,306	—	—	5,306
Total	<u>\$ 19,369</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 19,369</u>

NOTE 9: SEGMENT INFORMATION

The Company's primary operating and sole reporting segment is one where we sell proprietary nutritional supplements, skin care and anti-aging products, and weight-management and fitness products through network marketing distribution channels operating in twenty-five countries. Each of the business units sells similar packs and products and possesses similar economic characteristics, such as selling prices and gross margins. In each country, the Company markets its products and pays commissions and incentives in similar market environments. The Company's management reviews its financial information by country and focuses its internal reporting and analysis of revenues by packs and product sales. The Company sells its products through its independent associates who occupy positions in our network and distribute products through similar distribution channels in each country. No single independent associate has ever accounted for more than 10% of the Company's consolidated net sales. The Company also operates a non-direct selling business in mainland China. Our subsidiary in China, Meitai, is operating as a traditional retailer under a cross-border e-commerce model. Meitai cannot legally conduct a direct selling business in China unless it acquires a direct selling license in China.

The Company operates facilities in fourteen countries and sells product in twenty-six countries around the world. These facilities are located in the United States, Canada, Switzerland, Australia, the United Kingdom, Japan, the Republic of Korea (South Korea), Taiwan, South Africa, Mexico, Hong Kong, Singapore, Colombia and China. Each facility services different geographic areas. We currently sell our products in three regions: (i) the Americas (the United States, Canada, Colombia and Mexico); (ii) EMEA (Austria, the Czech Republic, Denmark, Estonia, Finland, Germany, the Republic of Ireland, Namibia, the Netherlands, Norway, South Africa, Spain, Sweden and the United Kingdom); and (iii) Asia/Pacific (Australia, Japan, New Zealand, the Republic of Korea, Singapore, Taiwan, Hong Kong and China).

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Consolidated net sales shipped to customers in these regions, along with pack and product information for the three and six months ended June 30, were as follows (*in millions, except percentages*):

Region	Three months				Six months			
	2017		2016		2017		2016	
Americas	\$ 19.5	40.9%	\$ 19.0	38.9%	\$ 35.0	39.6%	\$ 35.0	39.1%
Asia/Pacific	24.7	51.8%	26.3	53.9%	46.6	52.8%	47.7	53.3%
EMEA	3.5	7.3%	3.5	7.2%	6.7	7.6%	6.8	7.6%
Totals	\$ 47.7	100.0%	\$ 48.8	100.0%	\$ 88.3	100.0%	\$ 89.5	100.0%

	Three months		Six Months	
	2017	2016	2017	2016
Consolidated product sales	\$ 40.3	\$ 40.1	\$ 74.1	\$ 73.8
Consolidated pack sales	6.0	7.5	11.7	13.2
Consolidated other, including freight	1.4	1.2	2.5	2.5
Consolidated total net sales	\$ 47.7	\$ 48.8	\$ 88.3	\$ 89.5

Long-lived assets, which include property and equipment and construction in process for the Company and its subsidiaries, as of June 30, 2017 and December 31, 2016, reside in the following regions, as follows (*in millions*):

Region	June 30, 2017	December 31, 2016
Americas	\$ 3.1	\$ 3.1
Asia/Pacific	1.4	1.4
EMEA	—	0.1
Total	\$ 4.5	\$ 4.6

MANNATECH, INCORPORATED AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Inventory balances, which consist of raw materials, work in process, finished goods, and promotional materials, as offset by the allowance for slow moving or obsolete inventories, reside in the following regions (*in millions*):

<u>Region</u>	<u>June 30, 2017</u>	<u>December 31,</u> <u>2016</u>
Americas	\$ 4.1	\$ 4.8
Asia/Pacific	4.9	4.2
EMEA	1.9	3.0
Total	\$ 10.9	\$ 12.0

NOTE 10: SUBSEQUENT EVENTS

On July 1, 2017, the Company revised its Associate Compensation Plan (the "2017 Compensation Plan"), which was designed to stimulate business growth and development for our active business building associates and to enhance our product offering to our preferred customers. In doing so, the Company hopes to better utilize commission dollars to stimulate company growth. The 2017 Compensation Plan provides revised income streams, new leadership levels and titles, and modified various volume requirements for our Associates. In addition, the 2017 Compensation Plan re-designated members as preferred customers and modified their pricing structure. The impact of this plan change could cause actual results in the future to vary materially from historical results.

On July 10, 2017, the Company was apprised of the results of the Korea Income Tax Audit. The Korean National Tax Service assessed the Company with approximately \$1.1 million in additional income taxes as a result of the examination of the Company's 2012 through 2016 tax returns.

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 our consolidated financial position and results of operations for the three and six months ended June 30, 2017 as compared to the same periods in 2016, and should be read in conjunction with Item 1 "Financial Statements" in Part I of this quarterly report on Form 10-Q. 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 our subsidiaries on a consolidated basis. To supplement our financial results presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we disclose certain adjusted financial measures which we refer to as Constant dollar ("Constant dollar") measures, which are non-GAAP financial measures. Refer to the *Non-GAAP Financial Measures* section herein for a description of how such Constant dollar measures are determined.

COMPANY OVERVIEW

Since November 1993, we have continued to develop innovative, high quality, proprietary nutritional supplements, topical and skin care and anti-aging products, and weight-management and fat loss products that are sold through a global network marketing system. We operate in three regions: (i) the Americas (the United States, Canada, Colombia and Mexico); (ii) EMEA (Austria, the Czech Republic, Denmark, Estonia, Finland, Germany, the Republic of Ireland, Namibia, the Netherlands, Norway, South Africa, Spain, Sweden and the United Kingdom); and (iii) Asia/Pacific (Australia, Japan, New Zealand, the Republic of Korea, Singapore, Taiwan, Hong Kong and China).

We conduct our business as a single operating segment and primarily sell our products through a network of approximately 218,000 active independent associates and member positions held by individuals that had purchased our products and/or packs during the last 12 months, who we refer to as *current independent associates and members*. New pack sales and positions in our network are leading indicators for the long-term success of our business. New associate or member positions are created in our network when our packs and products are purchased for the first time under a new account. We operate as a seller of nutritional supplements, topical and skin care and anti-aging products, and weight-management products through our network marketing distribution channels operating in 25 countries and e-commerce retail in China. We review and analyze net sales by geographical location and by packs and products on a consolidated basis. Each of our subsidiaries sells similar products and exhibits similar economic characteristics, such as selling prices and gross margins.

Because we sell our products through network marketing distribution channels, the opportunities and challenges that affect us most are: recruitment of new and retention of current independent associates and members that occupy sales or purchasing positions in our network; entry into new markets and growth of existing markets; niche market development; new product introduction; and investment in our infrastructure. During the fourth quarter of 2016, we commenced a non-direct selling business in China. Our subsidiary in China, Meitai, is operating as a traditional retailer under a cross-border e-commerce model. Meitai cannot legally conduct a direct selling business in China unless it acquires a direct selling license in China.

Current Economic Conditions and Recent Developments

Overall net sales decreased \$1.1 million, or 2.3%, to \$47.7 million, during the three months ended June 30, 2017, as compared to the same period in 2016. Net sales of \$47.7 million during the three months ended June 30, 2017 were \$7.1 million higher than net sales of \$40.6 million during the three months ended March 31, 2017. Net sales for the six months ended June 30, 2017 decreased by \$1.2 million, or 1.3%, as compared to the same period in 2016. For three and six months ended June 30, 2017, our net sales declined 3.5% and 3.0%, respectively on a Constant dollar basis (see *Non-GAAP Measures*, below); favorable foreign exchange caused an increase of \$0.6 million and \$1.5 million as compared to same periods in 2016. For the three and six months ended June 30, 2017, our operations outside of the Americas accounted for approximately 59.1% and 60.4%, respectively, of our consolidated net sales.

The net sales comparisons for the three and six-month periods ended June 30, 2017 and June 30, 2016 were affected by the loyalty program and the number of pack orders placed.

- The loyalty program increased net sales for the three and six months ended June 30, 2017 by \$0.7 million and \$1.1 million, respectively, as compared to the same period in 2016.
- The number of packs sold to new and continuing independent associates and members decreased 12.8% during the second quarter of 2017 to approximately 30,700 as compared to 35,200 during the same period in 2016. This decrease was further impacted by a \$17 decrease in average pack sale, to \$195 for the three months ended June 30, 2017, as compared to \$212 for the same period in 2016. The number of packs sold to new and continuing independent associates and members decreased 8.2% for the six months ended June 30, 2017 to approximately 59,300 as compared to 64,600 during the same period in 2016. This decrease was further impacted by an \$8 decrease in average pack sale, to \$197 for the six months ended June 30, 2017, as compared to \$205 for the same period in 2016.

Excluding the effects due to the translation of foreign currencies into U.S. dollars, net sales would have declined \$1.7 million and \$2.7 million for the three and six months ended June 30, 2017, respectively. These adjusted net sales expressed in Constant dollars are a non-GAAP financial measure discussed in further detail below.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

The table below summarizes our consolidated operating results in dollars and as a percentage of net sales for the three months ended June 30, 2017 and 2016 (in thousands, except percentages):

	2017		2016		Change from 2017 to 2016	
	Total dollars	% of net sales	Total dollars	% of net sales	Dollar	Percentage
Net sales	\$ 47,686	100.0 %	\$ 48,810	100.0 %	\$ (1,124)	(2.3)%
Cost of sales	8,786	18.4 %	10,100	20.7 %	(1,314)	(13.0)%
Gross profit	38,900	81.6 %	38,710	79.3 %	190	0.5 %
Operating expenses:						
Commissions and incentives	18,994	39.8 %	20,417	41.8 %	(1,423)	(7.0)%
Selling and administrative expenses	9,978	20.9 %	9,730	19.9 %	248	2.5 %
Depreciation and amortization expense	453	0.9 %	477	1.0 %	(24)	(5.0)%
Other operating costs	6,656	14.0 %	8,198	16.8 %	(1,542)	(18.8)%
Total operating expenses	36,081	75.7 %	38,822	79.5 %	(2,741)	(7.1)%
Income (loss) from operations	2,819	5.9 %	(112)	(0.2)%	2,931	2,617.0 %
Interest income	19	— %	23	— %	(4)	(17.4)%
Other income (expense), net	(9)	— %	(1,037)	(2.1)%	1,028	99.1 %
Income (loss) before income taxes	2,829	5.9 %	(1,126)	(2.3)%	3,955	351.2 %
Provision for income taxes	(1,034)	(2.2)%	(206)	(0.4)%	(828)	(401.9)%
Net income (loss)	\$ 1,795	3.8 %	\$ (1,332)	(2.7)%	\$ 3,127	234.8 %

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

The table below summarizes our consolidated operating results in dollars and as a percentage of net sales for the six months ended June 30, 2017 and 2016 (in thousands, except percentages):

	2017		2016		Change from 2017 to 2016	
	Total dollars	% of net sales	Total dollars	% of net sales	Dollar	Percentage
Net sales	\$ 88,327	100.0 %	\$ 89,518	100.0 %	\$ (1,191)	(1.3)%
Cost of sales	17,548	19.9 %	18,489	20.7 %	(941)	(5.1)%
Gross profit	70,779	80.1 %	71,029	79.3 %	(250)	(0.4)%
Operating expenses:						
Commissions and incentives	36,075	40.8 %	36,034	40.3 %	41	0.1 %
Selling and administrative expenses	18,632	21.1 %	18,322	20.5 %	310	1.7 %
Depreciation and amortization expense	955	1.1 %	920	1.0 %	35	3.8 %
Other operating costs	14,332	16.2 %	15,329	17.1 %	(997)	(6.5)%
Total operating expenses	69,994	79.2 %	70,605	78.9 %	(611)	(0.9)%
Income (loss) from operations	785	0.9 %	424	0.5 %	361	85.1 %
Interest income (expense)	48	0.1 %	11	— %	37	336.4 %
Other income (expense), net	32	— %	(703)	(0.8)%	735	104.6 %
Income (loss) before income taxes	865	1.0 %	(268)	(0.3)%	1,133	422.8 %
Provision for income taxes	(317)	(0.4)%	(472)	(0.5)%	155	32.8 %
Net income (loss)	\$ 548	0.6 %	\$ (740)	(0.8)%	\$ 1,288	174.1 %

Non-GAAP Financial Measures

To supplement our financial results presented in accordance with GAAP, we disclose operating results that have been adjusted to exclude the impact of changes due to the translation of foreign currencies into U.S. dollars, including changes in: Net Sales, Gross Profit, and Income from Operations. We refer to these adjusted financial measures as Constant dollar items, which are non-GAAP financial measures. We believe these measures provide investors an additional perspective on trends. To exclude the impact of changes due to the translation of foreign currencies into U.S. dollars, we calculate current year results and prior year results at a constant exchange rate, which is the prior year's rate. Currency impact is determined as the difference between actual growth rates and constant currency growth rates.

Three-month period ended

(in millions, except percentages)

	June 30, 2017		June 30, 2016		Constant \$ Change	
	GAAP Measure: Total \$	Non-GAAP Measure: Constant \$	GAAP Measure: Total \$	Dollar	Percent	
Net sales	\$ 47.7	\$ 47.1	\$ 48.8	\$ (1.7)	(3.5)%	
Product	40.3	39.8	40.1	(0.3)	(0.7)%	
Pack	6.0	5.9	7.5	(1.6)	(21.3)%	
Other	1.4	1.4	1.2	0.2	16.7%	
Gross profit	38.9	38.4	38.7	(0.3)	(0.8)%	
Income (loss) from operations	2.8	2.5	(0.1)	2.6	(2,600.0)%	

Six-month period ended

(in millions, except percentages)

	June 30, 2017		June 30, 2016		Constant \$ Change	
	GAAP Measure: Total \$	Non-GAAP Measure: Constant \$	GAAP Measure: Total \$	Dollar	Percent	
Net sales	88.3	\$ 86.8	\$ 89.5	\$ (2.7)	(3.0)%	
Product	74.1	72.9	73.8	(0.9)	(1.2)%	
Pack	11.7	11.4	13.2	(1.8)	(13.6)%	
Other	2.5	2.5	2.5	—	—%	
Gross profit	70.8	69.6	71.0	(1.4)	(2.0)%	
Income from operations	0.8	0.2	0.4	(0.2)	(50.0)%	

Net Sales

Consolidated net sales for the three months ended June 30, 2017 decreased by \$1.1 million, or 2.3%, to \$47.7 million as compared to \$48.8 million for the same period in 2016. Consolidated net sales for the six months ended June 30, 2017 decreased by \$1.2 million, or 1.3%, to \$88.3 million, as compared to \$89.5 million for the same period in 2016.

Net Sales in Dollars and as a Percentage of Consolidated Net Sales

Consolidated net sales by region for the three months ended June 30, 2017 and 2016 were as follows (*in millions, except percentages*):

<u>Region</u>	<u>Three Months Ended June 30, 2017</u>		<u>Three Months Ended June 30, 2016</u>	
Americas	\$ 19.5	40.9%	\$ 19.0	38.9%
Asia/Pacific	24.7	51.8%	26.3	53.9%
EMEA	3.5	7.3%	3.5	7.2%
Total	\$ 47.7	100.0%	\$ 48.8	100.0%

Consolidated net sales by region for the six months ended June 30, 2017 and 2016 were as follows (*in millions, except percentages*):

<u>Region</u>	<u>Six Months Ended June 30, 2017</u>		<u>Six Months Ended June 30, 2016</u>	
Americas	\$ 35.0	39.6%	\$ 35.0	39.1%
Asia/Pacific	46.6	52.8%	47.7	53.3%
EMEA	6.7	7.6%	6.8	7.6%
Total	\$ 88.3	100.0%	\$ 89.5	100.0%

For the three months ended June 30, 2017, net sales in the Americas increased by \$0.5 million, or 2.6%, to \$19.5 million, as compared to \$19.0 million for the same period in 2016. This increase was primarily due to a 12.1% increase in revenue per active independent associate and member, which was partially offset by a 8.5% decline in the number of active independent associates and members. During the three months ended June 30, 2017, the loyalty program in the Americas increased sales by \$0.4 million, as compared to the same period in 2016.

Net sales in the Americas remained the same at \$35.0 million for both the six months ended June 30, 2017 and 2016. During this comparative period, the number of active independent associates and members decreased 8.0%, which was partially offset by a 9.2% increase in revenue per active independent associate and member. During the six months ended June 30, 2017, the loyalty program in the Americas increased sales by \$0.4 million, as compared to the same period in 2016.

For the three months ended June 30, 2017, our operations outside of the Americas accounted for approximately 59.1% of our consolidated net sales, whereas in the same period in 2016, our operations outside of the Americas accounted for approximately 61.1% of our consolidated net sales.

For the six months ended June 30, 2017, our operations outside of the Americas accounted for approximately 60.4% of our consolidated net sales, whereas in the same period in 2016, our operations outside of the Americas accounted for approximately 60.9% of our consolidated net sales.

For the three months ended June 30, 2017, Asia/Pacific net sales decreased by \$1.6 million, or 6.1%, to \$24.7 million, as compared to \$26.3 million for the same period in 2016. This decrease was primarily due to a 9.0% decrease in revenue per active independent associate and member, which was partially offset by a 3.2% increase in the number of active independent associates and members. During the three months ended June 30, 2017, the loyalty program in Asia/Pacific increased sales by \$0.3 million, as compared to the same period in 2016. Foreign currency exchange had the effect of increasing revenue by \$0.4 million for the three months ended June 30, 2017, as compared to the same period in 2016. The currency impact is primarily due to the strengthening of the Korean Won and Taiwanese Dollar, which was partially offset by the weakening of the Japanese Yen and Chinese Yuan (Renminbi).

For the six months ended June 30, 2017, Asia/Pacific net sales decreased by \$1.1 million, or 2.3%, to \$46.6 million, as compared to \$47.7 million for the same period in 2016. This decrease was primarily due to a 5.3% decrease in revenue per active independent associate and member, which was partially offset by a 5.9% increase in the number of active independent associates and members. During the six months ended June 30, 2017, the loyalty program in Asia/Pacific increased sales by \$0.6 million, as compared to the same period in 2016. Foreign currency exchange had the effect of increasing revenue by \$1.1 million for the six months ended June 30, 2017, as compared to the same period in 2016. The currency impact is primarily due to the strengthening of the Korean Won, Australian Dollar, Taiwanese Dollar, and New Zealand Dollar, which was partially offset by the weakening of the Japanese Yen and Chinese Yuan (Renminbi).

EMEA net sales remained the same at \$3.5 million for the both the three months ended June 30, 2017 and 2016. During this comparative period, the number of active independent associates and members increased 1.0%, which was partially offset by a 1.0% decrease in revenue per active independent associate and member. Foreign currency exchange had the effect of increasing revenue by \$0.2 million when the three-month period ending June 30, 2017 is compared to the same period in 2016. The currency impact is primarily due to the strengthening of the South Africa Rand, which was partially offset by the weakening of the British Pound and the Euro.

For the six months ended June 30, 2017, EMEA net sales decreased by \$0.1 million, or 1.5%, to \$6.7 million, as compared to \$6.8 million for the same period in 2016. This decrease was primarily due to a 2.5% decrease in revenue per active independent associate and member, which was partially offset by a 0.9% increase in the number of active independent associates and members. During the six months ended June 30, 2017, the loyalty program in EMEA increased net sales by \$0.1 million. Foreign currency exchange had the effect of increasing revenue by \$0.4 million when the six-month period ending June 30, 2017 is compared to the same period in 2016. The currency impact is primarily due to the strengthening of the South Africa Rand, which was partially offset by the weakening of the British Pound and the Euro.

Our total sales and sales mix could be influenced by any of the following:

- changes in our sales prices;
- changes in shipping fees;
- changes in consumer demand;
- changes in the number of independent associates and members;
- changes in competitors' products;
- changes in economic conditions;
- changes in regulations;
- announcements of new scientific studies and breakthroughs;
- introduction of new products;
- discontinuation of existing products;
- adverse publicity;
- changes in our commissions and incentives programs;
- direct competition; and
- fluctuations in foreign currency exchange rates.

Our sales mix for the three and six months ended June 30, was as follows (in millions, except percentages):

	Three Months Ended		Change	
	June 30,		Dollar	Percentage
	2017	2016		
Consolidated product sales	\$ 40.3	\$ 40.1	\$ 0.2	0.5 %
Consolidated pack sales	6.0	7.5	(1.5)	(20.0)%
Consolidated other, including freight	1.4	1.2	0.2	16.7 %
Total consolidated net sales	\$ 47.7	\$ 48.8	\$ (1.1)	(2.3)%

	Six Months Ended		Change	
	June 30,		Dollar	Percentage
	2017	2016		
Consolidated product sales	\$ 74.1	\$ 73.8	\$ 0.3	0.4 %
Consolidated pack sales	11.7	13.2	(1.5)	(11.4)%
Consolidated other, including freight	2.5	2.5	—	— %
Total consolidated net sales	\$ 88.3	\$ 89.5	\$ (1.2)	(1.3)%

Product Sales

Our product sales are made to our independent associates at published wholesale prices. We also sell our products to members at discounted published retail prices.

Product sales for the three months ended June 30, 2017 increased by \$0.2 million, or 0.5%, as compared to the same period in 2016. For the comparative period, the increase in product sales was due to an increase in the average order size and an increase in revenue recognized from the loyalty program on qualified product orders, which was partially offset by a decrease in the number of orders placed. The average order value for the three months ended June 30, 2017 was \$178, as compared to \$174 for the same period in 2016. The number of orders processed during the three months ended June 30, 2017 decreased by 4.3%, as compared to the same period in 2016.

Product sales for the six months ended June 30, 2017 increased by \$0.3 million, or 0.4%, as compared to the same period in 2016. For the comparative period, the increase in product sales was due to an increase in the average order size and an increase in revenue recognized from the loyalty program on qualified product orders, which was partially offset by a decrease in the number of orders placed. The average order value for the six months ended June 30, 2017 was \$170, as compared to \$165 for the same period in 2016. The number of orders processed during the six months ended June 30, 2017 decreased by 5.8%, as compared to the same period in 2016.

Pack Sales

Packs may be purchased by our independent associates who wish to build a Mannatech business. These packs contain products that are discounted from both the published retail and associate prices. There are several pack options available to our independent associates. In certain markets, pack sales are completed during the final stages of the registration process and can provide new independent associates with valuable training and promotional materials, as well as products for resale to retail customers, demonstration purposes, and personal consumption. Business-building independent associates can also purchase an upgrade pack, which provides the associate with additional promotional materials, additional products, and eligibility for additional commissions and incentives.

The dollar amount of pack sales associated with new and continuing independent associates held by individuals in our network was as follows, for the three and six months ended June 30, (in millions, except percentages):

	Three Months Ended June 30,		Change	
	2017	2016	Dollar	Percentage
New	\$ 2.6	\$ 3.0	\$ (0.4)	(13.3)%
Continuing	3.4	4.5	(1.1)	(24.4)%
Total	\$ 6.0	\$ 7.5	\$ (1.5)	(20.0)%

	Six Months Ended June 30,		Change	
	2017	2016	Dollar	Percentage
New	\$ 4.8	\$ 5.2	\$ (0.4)	(7.7)%
Continuing	6.9	8.0	(1.1)	(13.8)%
Total	\$ 11.7	\$ 13.2	\$ (1.5)	(11.4)%

Total pack sales for the three months ended June 30, 2017 decreased by \$1.5 million, or 20.0%, to \$6.0 million, as compared to \$7.5 million for the same period in 2016. Average pack value for the three months ended June 30, 2017 was \$195, as compared to \$212 for the same period in 2016. The total number of packs sold decreased by 4,500, or 12.8%, to 30,700 for the three months ended June 30, 2017, as compared to the same period in 2016.

Total pack sales for the six months ended June 30, 2017 decreased by \$1.5 million, or 11.4%, to \$11.7 million, as compared to \$13.2 million for the same period in 2016. Average pack value for the six months ended June 30, 2017 was \$197, as compared to \$205 for the same period in 2016. The total number of packs sold decreased by 5,300, or 8.2%, to 59,300 for the six months ended June 30, 2017, as compared to the same period in 2016.

Pack sales correlate to new associate positions held by individuals in our network when a starter pack is purchased and to continuing associate positions held by individuals in our network when an upgrade or a renewal pack is purchased. However, there is no direct correlation between product sales and the number of new and continuing associate positions and member positions held by individuals in our network because associates and members utilize products at different volumes.

During 2016 and continuing into 2017, we took the following actions to recruit and retain associates and members:

- registered our most popular products with the appropriate regulatory agencies in all countries of operations;
- rolled out new products;
- launched an aggressive marketing and educational campaign;
- continued to strengthen compliance initiatives;
- concentrated on publishing results of research studies and clinical trials related to our products;
- initiated additional incentives;
- explored new advertising and educational tools to broaden name recognition; and
- implemented changes to our global associate career and compensation plan.

The approximate number of new and continuing active independent associates and members who purchased our packs or products during the twelve months ended June 30, 2017 and 2016 were as follows:

	2017		2016	
New	100,000	45.9%	97,000	43.7%
Continuing	118,000	54.1%	125,000	56.3%
Total	218,000	100.0%	222,000	100.0%

Recruitment of new independent associates and members decreased 6.7% in the second quarter of 2017, as compared to the second quarter of 2016. The number of new independent associate and member positions held by individuals in our network for the second quarter of 2017 was approximately 26,500, as compared to 28,400 for the same period in 2016.

Other Sales

Other sales consisted of: (i) freight revenue charged to our independent associates and members; (ii) sales of promotional materials; (iii) monthly fees collected for the Success Tracker™ customized electronic business-building and educational materials, databases and applications; (iv) training and event registration fees; and (v) a reserve for estimated sales refunds and returns. Promotional materials, training, database applications and business management tools support our independent associates, which in turn helps stimulate product sales.

For the three months ended June 30, 2017, other sales increased by \$0.2 million, or 16.7%, to \$1.4 million, as compared to \$1.2 million for the same period in 2016. The increase was primarily due to an increase in event revenue and a decrease in sales refunds, partially offset by lower freight revenue.

Other sales remained the same at \$2.5 million for both the six months ended June 30, 2017 and 2016. During this comparative period, there was a \$0.2 million decrease in freight revenue, offset by a \$0.2 million improvement from fewer sales refunds.

Gross Profit

For the three months ended June 30, 2017, gross profit increased by \$0.2 million, or 0.5%, to \$38.9 million, as compared to \$38.7 million for the same period in 2016. For the three months ended June 30, 2017, gross profit as a percentage of net sales increased to 81.6%, as compared to 79.3% for the same period in 2016. During the three months ended June 30, 2017 as compared to three months ended June 30, 2016, the increase in gross profit percentage was primarily due to favorable effects of foreign exchange, a better margin on our second quarter promotions, and a change in sales mix towards products with a better margin.

For the six months ended June 30, 2017, gross profit decreased by 0.3 million, or 0.4%, to \$70.8 million, as compared to \$71.0 million for the same period in 2016. For the six months ended June 30, 2017, gross profit as a percentage of net sales increased to 80.1%, as compared to 79.3% for the same period in 2016. During the six months ended June 30, 2017 as compared to the six months ended June 30, 2016, the increase in gross profit percentage was primarily due to favorable effects of foreign exchange, a better margin on our second quarter promotions, and a change in sales mix towards products with a better margin.

Commissions and Incentives

Commission expenses for the three months ended June 30, 2017 decreased by 5.7%, or \$1.1 million, to \$18.3 million, as compared to \$19.4 million for the same period in 2016. For the three months ended June 30, 2017, commissions as a percentage of net sales decreased to 38.5% from 39.7% for the same period in 2016. During the first quarter, we recorded commission expense on the pre-launch in certain Asia/Pacific markets of new products that were available after our annual convention held in April 2017.

Commission expenses for the six months ended June 30, 2017 increased by 0.6%, or \$0.2 million, to \$34.8 million, as compared to \$34.6 million for the same period in 2016. For the six months ended June 30, 2017, commissions as a percentage of net sales increased to 39.5% from 38.7% for the same period in 2016 due to the change in mix between product and pack sales.

Incentive costs for the three months ended June 30, 2017 decreased by 30.0%, or \$0.3 million, to \$0.7 million, as compared to \$1.0 million for the same period in 2016. The decrease was due to a decline in the number of qualified individuals within the Americas attending incentive trips. For the three months ended June 30, 2017, incentives as a percentage of net sales decreased to 1.3% from 2.1% for the same period in 2016.

Incentive costs for the six months ended June 30, 2017 decreased by 14.3%, or \$0.2 million, to \$1.2 million, as compared to \$1.4 million for the same period in 2016. The decrease was due to a decline in the number of qualified individuals within the Americas attending incentive trips. For the six months ended June 30, 2017, incentives as a percentage of net sales decreased to 1.3% from 1.6% for the same period in 2016.

Selling and Administrative Expenses

Selling and administrative expenses include a combination of both fixed and variable expenses. These expenses consist of compensation and benefits for employees, temporary and contract labor and marketing-related expenses, such as the costs related to hosting our corporate-sponsored events.

For the three months ended June 30, 2017, selling and administrative expenses increased by \$0.3 million, or 2.5%, to \$10.0 million, as compared to \$9.7 million for the same period in 2016. Our marketing related costs increased \$0.4 million due to increased expenses in respect of our Mannafest event held in Las Vegas. During the second quarter, we recorded severance charges of \$0.2 million, which were partially offset by decreases in other payroll costs stemming from fewer employees and a \$0.1 million decrease in stock based compensation expense. Selling and administrative expenses, as a percentage of net sales, for the three months ended June 30, 2017 increased to 20.9% from 19.9% for the same period in 2016.

For the six months ended June 30, 2017, selling and administrative expenses increased by \$0.3 million, or 1.7%, to \$18.6 million, as compared to \$18.3 million for the same period in 2016. The increase in selling and administrative expenses consisted of a \$0.1 million increase in marketing related costs. Our human resources costs were impacted by the second quarter severance charge, offset by \$0.2 million decrease in stock based compensation expense. Selling and administrative expenses, as a percentage of net sales, for the six months ended June 30, 2017 increased to 21.1% from 20.5% for the same period in 2016.

Other Operating Costs

Other operating costs include accounting/legal/consulting fees, travel and entertainment expenses, credit card processing fees, off-site storage fees, utilities, bad debt, and other miscellaneous operating expenses. Changes in other operating costs are associated with the changes in our net sales.

For the three months ended June 30, 2017, other operating costs decreased by \$1.5 million, or 18.8%, to \$6.7 million, as compared to \$8.2 million for the same period in 2016. For the three months ended June 30, 2017, other operating costs as a percentage of net sales decreased to 14.0% from 16.8% for the same period in 2016. The decrease was due to a \$0.7 million decrease in travel and entertainment costs, a \$0.3 million decrease in accounting and auditing fees, a \$0.3 million decrease in legal and consulting fees and a \$0.2 million decrease in bad debt expense.

For the six months ended June 30, 2017, other operating costs decreased by \$1.0 million, or 6.5%, to \$14.3 million, as compared to \$15.3 million for the same period in 2016. For the six months ended June 30, 2017, other operating costs as a percentage of net sales decreased to 16.2% from 17.1% for the same period in 2016. The decrease was due to a \$1.0 million decrease in travel and entertainment costs, a \$0.4 million decrease in bad debt expenses, a \$0.2 million decrease in accounting and auditing fees, and a \$0.1 million decrease in credit card fees, offset by a \$0.5 million increase in legal and consulting fees (which includes \$0.5 million of liabilities in connection with the settlement of legal proceedings (see Note 7 *Litigation*), and a \$0.1 million increase in office expenses.

Depreciation and Amortization Expense

Depreciation and amortization expense was \$0.5 million for both the three months ended June 30, 2017 and 2016, respectively.

Depreciation and amortization expense was \$1.0 million and \$0.9 million for the six months ended June 30, 2017 and 2016, respectively.

Other Income/Expense, Net

Due to foreign exchange gains and losses, other expense was \$1.0 million for the three months ended June 30, 2016.

Due to foreign exchange gains and losses, other expense was \$0.7 million for the six months ended June 30, 2016.

Provision for Income Taxes

Provision for income taxes include current and deferred income taxes for both our domestic and foreign operations. Our statutory income tax rates by jurisdiction are as follows, for the three and six months ended June 30:

<u>Country</u>	<u>2017</u>	<u>2016</u>
Australia	30.0%	30.0%
Canada	26.5%	26.5%
China	25.0%	25.0%
Colombia	34.0%	25.0%
Cyprus	12.5%	12.5%
Denmark	22.0%	22.0%
Gibraltar	10.0%	10.0%
Hong Kong	16.5%	16.5%
Japan	34.8%	35.4%
Mexico	30.0%	30.0%
Norway	24.0%	25.0%
Republic of Korea	22.0%	22.0%
Russia ⁽¹⁾	20.0%	—%
Singapore	17.0%	17.0%
South Africa	28.0%	28.0%
Sweden	22.0%	22.0%
Switzerland	16.2%	16.2%
Taiwan	17.0%	17.0%
Ukraine ⁽²⁾	18.0%	18.0%
United Kingdom	20.0%	20.0%
United States	37.5%	37.5%

⁽¹⁾On Aug 1, 2016, the Company established a legal entity in Russia called Mannatech RUS Ltd., but currently does not operate in Russia. ⁽²⁾On Mar 21, 2014, the Company suspended operations in Ukraine, but maintains the legal entity, Mannatech Ukraine LLC.

Income from our international operations is subject to taxation in the countries in which we operate. Although we may receive foreign income tax credits that would reduce the total amount of income taxes owed in the United States, we may not be able to fully utilize our foreign income tax credits in the United States.

We use the recognition and measurement provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes* (“Topic 740”), to account for income taxes. The provisions of Topic 740 require a company to record a valuation allowance when the “more likely than not” criterion for realizing net deferred tax assets cannot be met. Furthermore, the weight given to the potential effect of such evidence should be commensurate with the extent to which it can be objectively verified. As a result, we reviewed the operating results, as well as all of the positive and negative evidence related to realization of such deferred tax assets, to evaluate the need for a valuation allowance in each tax jurisdiction.

For each of the periods ended June 30, 2017 and December 31, 2016, we maintained the following valuation allowances for deferred tax assets totaling \$8.3 million and \$8.5 million, respectively, as we believe the “*more likely than not*” criterion for recognition and realization purposes, as defined in FASB ASC Topic 740, cannot be met.

<u>Country</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Colombia	\$ 0.3	\$ 0.3
Mexico	2.8	2.4
Sweden	0.1	0.1
Switzerland	—	0.1
Taiwan	0.8	1.3
Ukraine	0.1	0.1
United States	4.1	4.1
Other Jurisdictions	0.1	0.1
Total	\$ 8.3	\$ 8.5

The dollar amount of the provisions for income taxes is directly related to our profitability and any changes in the taxable income among countries. For the three and six months ended June 30, 2017, the Company’s effective income tax rate was 36.5% and 36.6% respectively, as compared to (18.3)% and (175.9)%, respectively, for the same periods in 2016.

The effective tax rate for the three months and six months ended June 30, 2017 was slightly higher than would have been expected if the federal statutory rate were applied to income before tax. Items increasing the effective income tax rate include the valuation allowances associated with certain deferred tax assets, “subpart F income” resulting from controlled foreign corporation operations and foreign permanent components. Items decreasing the effective income tax rate include the favorable rate differences from foreign jurisdictions, unrealized foreign exchange gains and deductions on non-qualified stock options.

The effective tax rates for the three and six months ended June 30, 2016 were different from the federal statutory rate due to the mix of earnings across jurisdictions and certain items that are discrete to the quarter. Items discrete to the quarter include foreign exchange losses and increased losses in jurisdictions for which no taxable benefit can be recorded. These items are partially offset by the effect of the release of the valuation allowance in Switzerland due to improved earnings from operations in Switzerland.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As of June 30, 2017, our cash and cash equivalents increased by 24.0%, or \$6.9 million, to \$35.6 million from \$28.7 million as of December 31, 2016. The Company is required to restrict cash for direct selling insurance premiums and credit card sales in the Republic of Korea. The current portion of restricted cash balances were \$1.5 million at each of June 30, 2017 and December 31, 2016. Finally, fluctuations in currency rates produced an increase of \$1.2 million and \$1.5 million in cash and cash equivalents for the six months period ending June 30, 2017 and 2016, respectively.

Our principal use of cash is to pay for operating expenses, including commissions and incentives, capital assets, inventory purchases, periodic cash dividends and stock buybacks. Business objectives, operations, and expansion of operations are funded through net cash flows from operations rather than incurring long-term debt.

Working Capital

Working capital represents total current assets less total current liabilities. At June 30, 2017 and December 31, 2016, our working capital was \$22.2 million and \$20.8 million, respectively. The most significant changes to working capital were due to cash and cash equivalents, inventory, income tax receivable, commission payable and accounts payable.

Net Cash Flows

Our net consolidated cash flows consisted of the following, for the three months ended June 30 (*in millions*):

Provided by/(Used in):	2017	2016
Operating activities	\$ 7.8	\$ 5.6
Investing activities	\$ (0.7)	\$ (1.4)
Financing activities	\$ (1.4)	\$ (0.7)

Operating Activities

Cash provided by operating activities was \$7.8 million for the six months ended June 30, 2017, compared to cash provided by operating activities of \$5.6 million for the same period in 2016. During the six months ended June 30, 2017, we sold inventory, collected cash from our income tax receivable, and managed our prepaid expenses and other current assets, and accounts payable carefully. During the six months ended June 30, 2017 we deployed our cash to pay our accrued expenses and other liabilities.

Investing Activities

For the six months ended June 30, 2017 and 2016, our investing activities used cash of \$0.7 million and \$1.4 million, respectively. During the six months ended June 30, 2017, we invested approximately \$0.5 million in back-office software projects, approximately \$0.1 million in leasehold improvements in various international offices and training centers and \$0.1 million in office equipment. During the six months ended June 30, 2016, we invested approximately \$1.0 million in back-office software projects and approximately \$0.4 million in leasehold improvements.

Financing Activities

For the six months ended June 30, 2017 and 2016, our investing activities used cash of \$1.4 million and \$0.7 million, respectively. For the six months ended June 30, 2017, we used \$0.8 million in the repayment of capital lease obligations and \$0.7 million in payments of dividends to shareholders, which was partially offset by \$0.1 million of cash provided by the exercise of stock options. For the six months ended June 30, 2016, we used \$0.7 million in the repayment of capital lease obligations, which was partially offset by cash provided by the exercise of stock options.

General Liquidity and Cash Flows

Short Term Liquidity

We believe our existing liquidity and cash flows from operations are adequate to fund our normal expected future business operations and possible international expansion costs for the next 12 months. As our primary source of liquidity is our cash flow from operations, this will be dependent on our ability to maintain and increase revenue and/or continue to reduce operational expenses. However, if our existing capital resources or cash flows become insufficient to meet current business plans, projections, and existing capital requirements, we may be required to raise additional funds, which may not be available on favorable terms, if at all.

We are engaged in ongoing audits in various tax jurisdictions and other disputes in the normal course of business. It is impossible at this time to predict whether we will incur any liability, or to estimate the ranges of damages, if any, in connection with these matters. Adverse outcomes on these uncertainties may lead to substantial liability or enforcement actions that could adversely affect our cash position. For more information, see Note 3 *Income Taxes* and Note 7 *Litigation* to our consolidated financial statements.

Long Term Liquidity

We believe our cash flows from operations should be adequate to fund our normal expected future business operations. As our primary source of liquidity is from our cash flows from operations, this will be dependent on our ability to maintain or improve revenue as compared to operational expenses.

However, if our existing capital resources or cash flows become insufficient to meet anticipated business plans and existing capital requirements, we may be required to raise additional funds, which may not be available on favorable terms, if at all.

Our future access to the capital markets may be adversely impacted if we fail to maintain compliance with the Nasdaq Marketplace Rules for the continued listing of our stock. We continuously monitor our compliance with the Nasdaq continued listing rules.

CONTRACTUAL OBLIGATIONS

The following summarizes our future commitments and obligations associated with various agreements and contracts as of June 30, 2017, for the years ending December 31 (*in thousands*):

Commitments and obligations	Remaining 2017	2018	2019	2020	2021	Thereafter	Total
Capital lease obligations	\$ 218	\$ 236	\$ 78	\$ 40	\$ 28	\$ 7	\$ 607
Purchase obligations ⁽¹⁾⁽²⁾	2,670	5,675	5,675	4,675	—	—	18,695
Operating leases	1,680	1,809	876	141	20	13	4,539
Note payable and other financing arrangements	518	641	—	—	—	—	1,159
Employment agreements	495	495	—	—	—	—	990
Royalty agreement	30	59	59	59	6	—	213
Tax liability ⁽³⁾	605	—	—	—	—	161	766
Other obligations ⁽⁴⁾	350	23	141	87	38	967	1,606
Total commitments and obligations	\$ 6,566	\$ 8,938	\$ 6,829	\$ 5,002	\$ 92	\$ 1,148	\$ 28,575

⁽¹⁾For purposes of the table, a purchase obligation is defined as an agreement to purchase goods or services that is non-cancelable, enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

⁽²⁾Excludes approximately \$10.3 million of finished product purchase orders that may be canceled or with delivery dates that have changed as of June 30, 2017.

⁽³⁾Represents the tax liability associated with uncertain tax positions, see Note 3 "*Income Taxes*" to our Consolidated Financial Statements.

⁽⁴⁾Other obligations are composed of pension obligations related to the Company's international operations (approximately \$1.1 million) and lease restoration obligations (approximately \$0.5 million).

We have maintained purchase commitments with certain raw material suppliers to purchase minimum quantities and to ensure exclusivity of our raw materials and the proprietary nature of our products. Currently, we have one supply agreement that requires minimum purchase commitments. We also maintain other supply agreements and manufacturing agreements to protect our products, regulate product costs, and help ensure quality control standards. These other agreements do not require us to purchase any set minimums. We have no present commitments or agreements with respect to acquisitions or purchases of any manufacturing facilities; however, management from time to time explores the possible benefits of purchasing a raw material manufacturing facility to help control costs of our raw materials and help ensure quality control standards.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any special-purpose entity arrangements, nor do we have any off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The application of GAAP requires us to make estimates and assumptions that affect the reported values of assets and liabilities at the date of our financial statements, the reported amounts of revenues and expenses during the reporting period, and the related disclosures of contingent assets and liabilities. We use estimates throughout our financial statements, which are influenced by management's judgment and uncertainties. Our estimates are based on historical trends, industry standards, and various other assumptions that we believe are applicable and reasonable under the circumstances at the time the consolidated financial statements are prepared. Our Audit Committee reviews our critical accounting policies and estimates. We continually evaluate and review our policies related to the portrayal of our consolidated financial position and consolidated results of operations that require the application of significant judgment by our management. We also analyze the need for certain estimates, including the need for such items as allowance for doubtful accounts, inventory reserves, long-lived fixed assets and capitalization of internal-use software development costs, reserve for uncertain income tax positions and tax valuation allowances, revenue recognition, sales returns, deferred revenues, accounting for stock-based compensation, and contingencies and litigation. Historically, actual results have not materially deviated from our estimates. However, we caution readers that actual results could differ from our estimates and assumptions applied in the preparation of our consolidated financial statements. If circumstances change relating to the various assumptions or conditions used in our estimates, we could experience an adverse effect on our financial position, results of operations, and cash flows. We have identified the following applicable critical accounting policies and estimates as of June 30, 2017.

Inventory Reserves

Inventory consists of raw materials, finished goods, and promotional materials that are stated at the lower of cost (using standard costs that approximate average costs) or market. We record the amounts charged by the vendors as the costs of inventory. Typically, the net realizable value of our inventory is higher than the aggregate cost. Determination of net realizable value can be complex and, therefore, requires a high degree of judgment. In order for management to make the appropriate determination of net realizable value, the following items are considered: inventory turnover statistics, current selling prices, seasonality factors, consumer demand, regulatory changes, competitive pricing, and performance of similar products. If we determine the carrying value of inventory is in excess of estimated net realizable value, we write down the value of inventory to the estimated net realizable value.

We also review inventory for obsolescence in a similar manner and any inventory identified as obsolete is reserved or written off. Our determination of obsolescence is based on assumptions about the demand for our products, product expiration dates, estimated future sales, and general future plans. We monitor actual sales compared to original projections, and if actual sales are less favorable than those originally projected by us, we record an additional inventory reserve or write-down. Historically, our estimates have been close to our actual reported amounts. However, if our estimates regarding inventory obsolescence are inaccurate or consumer demand for our products changes in an unforeseen manner, we may be exposed to additional material losses or gains in excess of our established estimated inventory reserves.

Long Lived Fixed Assets and Capitalization of Software Development Costs

In addition to capitalizing long lived fixed asset costs, we also capitalize costs associated with internally-developed software projects (collectively "fixed assets") and amortize such costs over the estimated useful lives of such fixed assets. Fixed assets are carried at cost, less accumulated depreciation computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized over the shorter of the remaining lease terms or the estimated useful lives of the improvements. Expenditures for maintenance and repairs are charged to operations as incurred. If a fixed asset is sold or otherwise retired or disposed of, the cost of the fixed asset and the related accumulated depreciation or amortization is written off and any resulting gain or loss is recorded in other operating costs in our consolidated statement of operations.

We review our fixed assets for impairment whenever an event or change in circumstances indicates the carrying amount of an asset or group of assets may not be recoverable, such as plans to dispose of an asset before the end of its previously estimated useful life. Our impairment review includes a comparison of future projected cash flows generated by the asset, or group of assets, with its associated net carrying value. If the net carrying value of the asset or group of assets exceeds expected cash flows (undiscounted and without interest charges), an impairment loss is recognized to the extent the carrying amount exceeds the fair value. The fair value is determined by calculating the discounted expected future cash flows using an estimated risk-free rate of interest. Any identified impairment losses are recorded in the period in which the impairment occurs. The carrying value of the fixed asset is adjusted to the new carrying value, and any subsequent increases in fair value of the fixed asset are not recorded. In addition, if we determine the estimated remaining useful life of the asset should be reduced from our original estimate, the periodic depreciation expense is adjusted prospectively, based on the new remaining useful life of the fixed asset.

The impairment calculation requires us to apply judgment and estimates concerning future cash flows, strategic plans, useful lives, and discount rates. If actual results are not consistent with our estimates and assumptions, we may be exposed to an additional impairment charge, which could be material to our results of operations. In addition, if accounting standards change, or if fixed assets become obsolete, we may be required to write off any unamortized costs of fixed assets, or if estimated useful lives change, we would be required to accelerate depreciation or amortization periods and recognize additional depreciation expense in our consolidated statement of operations.

Historically, our estimates and assumptions related to the carrying value and the estimated useful lives of our fixed assets have not materially deviated from actual results. As of June 30, 2017, the estimated useful lives and net carrying values of fixed assets were as follows:

	<u>Estimated useful life</u>	<u>Net carrying value at June 30, 2017</u>
Office furniture and equipment	5 to 7 years	\$0.6 million
Computer hardware and software	3 to 5 years	1.7 million
Leasehold improvements ⁽¹⁾	2 to 10 years	0.9 million
Total net carrying value at June 30, 2017		\$3.2 million

⁽¹⁾ We amortize leasehold improvements over the shorter of the useful estimated life of the leased asset or the lease term.

The net carrying costs of fixed assets are exposed to impairment losses if our assumptions and estimates of their carrying values change, there is a change in estimated future cash flow, or there is a change in the estimated useful life of the fixed asset. Based on management's analysis, no impairment indicators existed for the six months ended June 30, 2017 and the year ended December 31, 2016.

Uncertain Income Tax Positions and Tax Valuation Allowances

As of June 30, 2017, we recorded \$0.2 million in other long-term liabilities and \$0.6 million in taxes payable on our consolidated balance sheet related to uncertain income tax positions. As required by FASB ASC Topic 740, *Income Taxes*, we use judgments and make estimates and assumptions related to evaluating the probability of uncertain income tax positions. We base our estimates and assumptions on the potential liability related to an assessment of whether the income tax position will "more likely than not" be sustained in an income tax audit. We are also subject to periodic audits from multiple domestic and foreign tax authorities related to income tax and other forms of taxation. These audits examine our tax positions, timing of income and deductions, and allocation procedures across multiple jurisdictions. As part of our evaluation of these tax issues, we establish reserves in our consolidated financial statements based on our estimate of current probable tax exposures. Depending on the nature of the tax issue, we could be subject to audit over several years. Therefore, our estimated reserve balances and liability related to uncertain income tax positions may exist for multiple years before the applicable statute of limitations expires or before an issue is resolved by the taxing authority. Additionally, we may be requested to extend the statute of limitations for tax years under audit. It is reasonably possible the tax jurisdiction may request that the statute of limitations be extended, which may cause the classification between current and long-term to change. We believe our tax liabilities related to uncertain tax positions are based upon reasonable judgment and estimates; however, if actual results materially differ, our effective income tax rate and cash flows could be affected in the period of discovery or resolution. There are ongoing income tax audits in various international jurisdictions that we believe are not material to our financial statements.

We also review the estimates and assumptions used in evaluating the probability of realizing the future benefits of our deferred tax assets and record a valuation allowance when we believe that a portion or all of the deferred tax assets may not be realized. If we are unable to realize the expected future benefits of our deferred tax assets, we are required to provide a valuation allowance. We use our past history and experience, overall profitability, future management plans, and current economic information to evaluate the amount of valuation allowance to record. As of June 30, 2017, we had valuation allowance for deferred tax assets arising from our operations of \$8.3 million because they did not meet the “more likely than not” criteria as defined by the recognition and measurement provisions of FASB ASC Topic 740, *Income Taxes*. In addition, as of June 30, 2017, we had deferred tax assets, after valuation allowance, totaling \$5.6 million, which may not be realized if our assumptions and estimates change, which would affect our effective income tax rate and cash flows in the period of discovery or resolution.

Revenue Recognition and Deferred Commissions

Our revenue is derived from sales of individual products, sales of starter and renewal packs, and shipping fees. Substantially all of our product and pack sales are to associates at published wholesale prices and to members at discounted published retail prices. We record revenue net of any sales taxes and record a reserve for expected sales returns based on historical experience.

We recognize revenue from shipped packs and products upon receipt by the customer. Corporate-sponsored event revenue is recognized when the event is held. We defer certain components of revenue. At June 30, 2017 and December 31, 2016, deferred revenue was \$8.3 million and \$8.2 million, respectively. When participating in the Company’s loyalty program, customers earn loyalty points from qualified automatic orders that can be applied to future purchases. We defer the dollar equivalent in revenue of these points until the points are applied, forfeited or expired, which includes an estimate of the percentage of the unvested loyalty points that are expected to be forfeited or expired. The deferred revenue associated with the loyalty program at June 30, 2017 and December 31, 2016, was \$6.2 million and \$7.0 million, respectively. Deferred revenue consisted primarily of: (i) sales of packs and products shipped but not received by the customers by the end of the respective period; (ii) revenue from the loyalty program; and (iii) prepaid registration fees from customers planning to attend a future corporate-sponsored event. In total current assets, the Company defers commissions on (i) the sales of packs and products shipped but not received by the customers by the end of the respective period and (ii) the loyalty program. Deferred commissions were \$3.2 million at each of June 30, 2017 and December 31, 2016.

Loyalty program

	<i>(in thousands)</i>
Loyalty deferred revenue as of January 1, 2016	\$ 8,073
Loyalty points forfeited or expired	(6,963)
Loyalty points used	(15,451)
Loyalty points vested	20,085
Loyalty points unvested	1,289
Loyalty deferred revenue as of December 31, 2016	<u>\$ 7,033</u>
Loyalty deferred revenue as of January 1, 2017	\$ 7,033
Loyalty points forfeited or expired	(3,370)
Loyalty points used	(6,957)
Loyalty points vested	7,585
Loyalty points unvested	1,916
Loyalty deferred revenue as of June 30, 2017	<u>\$ 6,207</u>

Product Return Policy

We stand behind our packs and products and believe we offer a reasonable and industry-standard product return policy to all of our customers. We do not resell returned products. Refunds are not processed until proper approval is obtained. Refunds are processed and returned in the same form of payment that was originally used in the sale. Each country in which we operate has specific product return guidelines. However, we allow our associates and members to exchange products as long as the products are unopened and in good condition. Our return policies for our retail customers and our associates and members are as follows:

- **Retail Customer Product Return Policy.** This policy allows a retail customer to return any of our products to the original associate who sold the product and receive a full cash refund from the associate for the first 180 days following the product's purchase if located in the United States and Canada, and for the first 90 days following the product's purchase in other countries where we sell our products. The associate may then return or exchange the product based on the associate product return policy.
- **Associate and Member Product Return Policy.** This policy allows the associate or member to return an order within one year of the purchase date upon terminating his/her account. If an associate or member returns a product unopened and in good condition, he/she may receive a full refund minus a 10% restocking fee. We may also allow the associate or member to receive a full satisfaction guarantee refund if they have tried the product and are not satisfied for any reason, excluding promotional materials. This satisfaction guarantee refund applies in the United States and Canada, only for the first 180 days following the product's purchase, and applies in other countries where we sell our products for the first 90 days following the product's purchase; however, any commissions earned by an associate will be deducted from the refund. If we discover abuse of the refund policy, we may terminate the associate's or member's account.

Historically, sales returns estimates have not materially deviated from actual sales returns, as the majority of our customers who return merchandise do so within the first 90 days after the original sale. Based upon our return policies and historical experience, we estimate a sales return reserve for expected sales refunds over a rolling six-month period. If actual results differ from our estimated sales returns reserves due to various factors, the amount of revenue recorded each period could be materially affected. Historically, our sales returns have not materially changed through the years and have averaged 1.5% or less of our gross sales.

Accounting for Stock-Based Compensation

We grant stock options to our employees, board members, and consultants. At the date of grant, we determine the fair value of a stock option award and recognize compensation expense over the requisite service period, or the vesting period of such stock option award, which is two or three years. The fair value of the stock option award is calculated using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires us to apply judgment and use highly subjective assumptions, including expected stock option life, expected volatility, expected average risk-free interest rates, and expected forfeiture rates. For the six months ended June 30, 2017, our assumptions and estimates used for the estimated fair value of stock options granted were as follows:

	June 2017 Grant
Estimated fair value per share of options granted:	\$ 5.87
Assumptions:	
Annualized dividend yield	3.5%
Risk-free rate of return	1.7%
Common stock price volatility	64.4%
Expected average life of stock options (in years)	4.5

The assumptions we use are based on our best estimates and involve inherent uncertainties related to market conditions that are outside of our control. If actual results are not consistent with the assumptions we use, the stock-based compensation expense reported in our consolidated financial statements may not be representative of the actual economic cost of stock-based compensation. For example, if actual employee forfeitures significantly differ from our estimated forfeitures, we may be required to make an adjustment to our consolidated financial statements in future periods.

If we grant additional stock options in the future, we would be required to recognize additional compensation expense over the vesting period of such stock options in our consolidated statement of operations. As of June 30, 2017, we had 240,000 shares available for grant in the future. During three months ended June 30, 2017, the Company granted 10,000 stock options.

Contingencies and Litigation

Each quarter, we evaluate the need to establish a reserve for any legal claims or assessments. We base our evaluation on our best estimates of the potential liability in such matters. The legal reserve includes an estimated amount for any damages and the probability of losing any threatened legal claims or assessments. We consult with our general and outside counsel to determine the legal reserve, which is based upon a combination of litigation and settlement strategies. Although we believe that our legal reserve and accruals are based on reasonable judgments and estimates, actual results could differ, which may expose us to material gains or losses in future periods. If actual results differ, if circumstances change, or if we experience an unanticipated adverse outcome of any legal action, including any claim or assessment, we would be required to recognize the estimated amount which could reduce net income, earnings per share, and cash flows.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This new standard requires companies to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. Under the new standard, revenue is recognized when a customer obtains control of a good or service. The standard allows for two transition methods - entities can either apply the new standard (i) retrospectively to each prior reporting period presented, or (ii) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial adoption. In July 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers*, which defers the effective date by one year to December 15, 2017 for fiscal years, and interim periods within those fiscal years, beginning after that date. In March 2016, the FASB issued ASU 2016-08 *Revenue from Contracts with Customers, Principal versus Agent Considerations (Reporting Revenue versus Net)*, in April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing*, and in May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers, Narrow-Scope Improvements and Practical Expedients*, which provide additional clarification on certain topics addressed in ASU 2014-09. ASU 2016-08, ASU 2016-10, and ASU 2016-12 follow the same implementation guidelines as ASU 2014-09 and ASU 2015-14. We are still evaluating the ASU for potential impacts to our consolidated financial statements. All of these aforementioned ASUs have been codified under ASC 606, *Revenue from Contracts with Customers*. We plan to adopt the guidance as of January 1, 2018 and expect to utilize the modified retrospective transition method. We have a project plan in place for the transition to revenue recognition in accordance with ASC 606, including necessary changes to accounting processes, procedures and internal controls. We are evaluating the impact of adopting this standard and the overall financial impact is unknown at this time.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. For public companies, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. We are in the process of evaluating the impact the amendment will have on our *Consolidated Financial Statements*. The overall financial impact of adopting this standard is unknown at this time.

See Note 1 to our Consolidated Financial Statements for further information on recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not engage in trading market risk sensitive instruments and do not purchase investments as hedges or for purposes “other than trading” that are likely to expose us to certain types of market risk, including interest rate, commodity price, or equity price risk. Although we have investments, we believe there has been no material change in our exposure to interest rate risk. We have not issued any debt instruments, entered into any forward or futures contracts, purchased any options, or entered into any swap agreements.

We are exposed, however, to other market risks, including changes in currency exchange rates as measured against the United States dollar. Because the change in value of the United States dollar measured against foreign currency may affect our consolidated financial results, changes in foreign currency exchange rates could positively or negatively affect our results as expressed in United States dollars. For example, when the United States dollar strengthens against foreign currencies in which our products are sold or weakens against foreign currencies in which we may incur costs, our consolidated net sales or related costs and expenses could be adversely affected. We translate our revenues and expenses in foreign markets using an average rate. We believe inflation has not had a material impact on our consolidated operations or profitability.

We maintain policies, procedures, and internal processes in an effort to help monitor any significant market risks and we do not use any financial instruments to manage our exposure to such risks. We assess the anticipated foreign currency working capital requirements of our foreign operations and maintain a portion of our cash and cash equivalents denominated in foreign currencies sufficient to satisfy most of these anticipated requirements.

We caution that we cannot predict with any certainty our future exposure to such currency exchange rate fluctuations or the impact, if any, such fluctuations may have on our future business, product pricing, operating expenses, and on our consolidated financial position, results of operations, or cash flows. However, to combat such market risk, we closely monitor our exposure to currency fluctuations. The regions and countries in which we currently have exposure to foreign currency exchange rate risk include (i) the Americas (Canada, Colombia and Mexico); (ii) EMEA (Austria, the Czech Republic, Denmark, Estonia, Finland, Germany, the Republic of Ireland, the Netherlands, Norway, South Africa, Spain, Sweden, Switzerland and the United Kingdom); and (iii) Asia/Pacific (Australia, Japan, New Zealand, the Republic of Korea, Singapore, Taiwan, Hong Kong, and China). The current (spot) rate, average currency exchange rates, and the low and high of such currency exchange rates as compared to the United States dollar, for each of these countries as of and for the six months ended June 30, 2017 were as follows:

Country (foreign currency name)	Six months ended June 30, 2017			As of June 30, 2017
	Low	High	Average	Spot
Australia (Australian Dollar)	0.72066	0.77228	0.75408	0.76640
Canada (Canadian Dollar)	0.72759	0.76839	0.74946	0.76785
China (Renminbi)	0.14383	0.14742	0.14545	0.14742
Colombia (Peso)	0.00033	0.00036	0.00034	0.00033
Czech Republic (Koruna)	0.03863	0.04345	0.04044	0.04345
Denmark (Kroner)	0.14032	0.15343	0.14556	0.15343
Hong Kong (Hong Kong Dollar)	0.12813	0.12896	0.12865	0.12813
Japan (Yen)	0.00850	0.00922	0.00890	0.00890
Mexico (Peso)	0.04562	0.05593	0.05162	0.05584
New Zealand (New Zealand Dollar)	0.68445	0.73257	0.70789	0.73040
Norway (Krone)	0.11542	0.12213	0.11803	0.11902
Republic of Korea (Won)	0.00083	0.00091	0.00088	0.00088
Singapore (Singapore Dollar)	0.69018	0.72560	0.71207	0.72447
South Africa (Rand)	0.07210	0.08044	0.07580	0.07717
Sweden (Krona)	0.10943	0.11752	0.11283	0.11752
Switzerland (Franc)	0.97481	1.04402	1.00554	1.04402
Taiwan (New Taiwan Dollar)	0.03084	0.03401	0.03264	0.03289
United Kingdom (British Pound)	1.20519	1.30427	1.25854	1.29707
Various countries ⁽¹⁾ (Euro)	1.04322	1.14106	1.08243	1.14106

⁽¹⁾Austria, Germany, the Netherlands, Estonia, Finland, the Republic of Ireland and Spain

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial officer), have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2017, there were no changes in our internal control over our financial reporting that we believe materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note 7, "Litigation," of our Notes to Unaudited Consolidated Financial Statements, which is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, which could materially affect our business or our consolidated financial position, results of operations, and cash flows. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be insignificant also may become materially adverse or may affect our business in the future or our consolidated financial position, results of operations, or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

During the three-month period ended June 30, 2017, we repurchased the following shares of our common stock:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs ^(a)	Dollar value of shares that may yet be purchased ^(b) (in thousands)
April 1, 2017 - April 30, 2017	—	\$ —	—	\$ —
May 1, 2017 - May 31, 2017	—	\$ —	—	\$ —
June 1, 2017 - June 30, 2017	4,486	\$ 14.28	4,486	\$ 19,665
Total	4,486		4,486	

^(a)We have an ongoing authorization, originally approved by our Board of Directors on August 28, 2006, and subsequently reactivated by our Board of Directors in August of 2016, to repurchase up to \$0.5 million (of the original \$20.0 million authorization) in shares of our common stock in the open market.

^(b)Remaining value of the original \$20.0 million approved on August 28, 2006 (the "August 2006 Plan").

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6 Exhibits

See Index to Exhibits following the signature page of this Quarterly Report on Form 10-Q.

SIGNATURES

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

MANNATECH, INCORPORATED

Dated: August 8, 2017

By: /s/ **Alfredo Bala**
Alfredo Bala
Chief Executive Officer
(principal executive officer)

Dated: August 8, 2017

By: /s/ **David A. Johnson**
David A. Johnson
Chief Financial Officer
(principal financial officer)

INDEX TO EXHIBITS

Incorporated by Reference

Exhibit Number	Exhibit Description	Form	File No.	Exhibit (s)	Filing Date
3.1	Amended and Restated Articles of Incorporation of Mannatech, dated May 19, 1998.	S-1	333-63133	3.1	October 28, 1998
3.2	Certificate of Amendment to the Amended and Restated Articles of Incorporation of Mannatech, dated January 13, 2012.	8-K	000-24657	3.1	January 17, 2012
3.3	Fifth Amended and Restated Bylaws of Mannatech, dated August 25, 2014.	8-K	000-24657	3.1	August 27, 2014
4.1	Specimen Certificate representing Mannatech's common stock, par value \$0.0001 per share.	S-1	333-63133	4.1	October 28, 1998
10.1	Mannatech, Incorporated 2017 Stock Incentive Plan	*	*	*	*
10.2	Form of Performance Stock Unit Award Agreement	*	*	*	*
10.3	Form of Stock Option Award Agreement	*	*	*	*
10.4	Form of Restricted Stock Unit Award Agreement	*	*	*	*
10.5	Form of Stock Appreciation Rights Award Agreement	*	*	*	*
10.6	Form of Restricted Stock Award Agreement	*	*	*	*
10.7	Form of Performance Stock Award Agreement	*	*	*	*
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer of Mannatech.	*	*	*	*
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer of Mannatech.	*	*	*	*
32.1*	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer of Mannatech.	*	*	*	*
32.2*	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer of Mannatech.	*	*	*	*
101.INS*	XBRL Instance Document	*	*	*	*
101.SCH*	XBRL Taxonomy Extension Schema Document	*	*	*	*
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document	*	*	*	*
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document	*	*	*	*
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document	*	*	*	*
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document	*	*	*	*

* Filed herewith.

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Alfredo Bala, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mannatech, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2017

/s/ Alfredo Bala

Alfredo Bala

Chief Executive Officer

(principal executive officer)

**CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David A. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mannatech, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2017

/s/ David A. Johnson

David A. Johnson
Chief Financial Officer
(principal financial officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Mannatech, Incorporated (the "Company") on Form 10-Q for the period ending June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alfredo Bala, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2017

/s/ Alfredo Bala

Alfredo Bala
Chief Executive Officer
(principal executive officer)

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO MANNATECH, INCORPORATED AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Mannatech, Incorporated (the "Company") on Form 10-Q for the period ending June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Johnson, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2017

/s/ David A. Johnson

David A. Johnson
Chief Financial Officer
(principal financial officer)

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO MANNATECH, INCORPORATED AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

**MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN**

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MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN

1. **Purpose.** The purpose of the Mannatech, Incorporated 2017 Stock Incentive Plan is to promote the success and enhance the value of the Company and its Affiliates by linking the personal interests of Employees, Directors and Consultants of the Company and its Affiliates to those of Company shareholders and by providing such individuals with an incentive for outstanding performance. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of the types of Employees, Directors and Consultants who will contribute to the Company's long range success. The Plan is intended to be an "employee benefit plan" as such term is defined under Rule 405 of the Securities Act.

2. **Definitions.**

(a) "**Administrator**" means the Board or the Committee appointed by the Board in accordance with Section 3(e).

(b) "**Affiliate**" means any parent or direct or indirect subsidiary of the Company, whether now or hereafter existing.

(c) "**Award**" means any Option, Restricted Award, Performance Award or SAR granted under the Plan.

(d) "**Award Agreement**" means a written agreement between the Company and a Participant evidencing the terms and conditions of an individual Award. Each Award Agreement will be subject to the terms and conditions of the Plan and need not be identical.

(e) "**Board**" means the Board of Directors of the Company.

(f) "**Cause**"¹ means (i) with respect to any Participant who is a party to a Service Agreement which provides for a definition of Cause, as defined therein; and (ii) with respect to any other Participant, (1) the commission of, or plea of guilty or no contest to, a felony or a crime involving moral turpitude or the commission of any other act involving willful malfeasance or material fiduciary breach with respect to the Company or an Affiliate, (2) conduct tending to bring the Company into substantial public disgrace, or disrepute, (3) gross negligence or willful misconduct with respect to the Company or an Affiliate or (4) material violation of state or federal securities laws. The Administrator, in its absolute discretion, will determine the effect of all matters and questions relating to whether a Participant has been discharged for Cause.

(g) "**Change in Control**" means, unless an applicable Award Agreement or Service Agreement states otherwise or contains a different definition, the first to occur of the following events:

¹ Please confirm – this is the same definition as in the 2008 Plan.

(i) The direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) to any Person, in one or a series of related transactions occurring within a 12-month period, of assets of the Company having a total gross fair market value of 40% or more of the total gross fair market value of all of the Company's assets immediately before such transaction or series of transactions;

(ii) The following individuals cease for any reason to constitute a majority of the number of Directors then serving: individuals who, on the Effective Date, constitute the Board and any new Director (other than a Director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of Directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any Person other than the Board) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which that individual is named as a nominee for Director without objection to the nomination) who either were Directors on the Effective Date or whose appointment, election or nomination for election was previously so approved or recommended;

(iii) The approval by the Company's shareholders of a plan of complete liquidation or dissolution of the Company.

(iv) Any Person (other than (1) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Affiliate or (2) any Person that is beneficially owned by the shareholders of the Company in substantially the same proportion as their beneficial ownership of Company securities immediately before the acquisition) acquires "beneficial ownership" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities, or in the case of a merger or consolidation in which the Surviving Entity becomes a subsidiary of another entity, the then outstanding securities of such parent entity; or

Notwithstanding the foregoing, a transaction will not be a Change in Control if (1) its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the Persons who held the Company's securities immediately before the transaction; (2) it constitutes a public offering that results in any security of the Company being listed (or approved for listing), or designated (or approved for designation) as a security, on any Established Securities Market; (3) it results solely from a change in ownership of an existing shareholder.

(h) "**Change in Control Value**" means, (i) in the event of a Change in Control described in Section 2(g)(ii) or (iii), the Fair Market Value; and (ii) in the event of any other Change in Control or other transaction described under Section 13(c), the price per Share paid or payable to the Company's shareholders in such transaction.

(i) "**Code**" means the Internal Revenue Code of 1986, as amended.

(j) “**Committee**” means a committee of one or more members of the Board appointed by the Board to administer the Plan in accordance with Section 3(e).

(k) “**Common Stock**” means the Company’s common stock, par value \$0.0001 per Share.

(l) “**Company**” means Mannatech, Incorporated, a Texas corporation.

(m) “**Consultant**” means any natural person who provides bona fide consulting or advisory services to the Company or an Affiliate under a written agreement, which services are not in connection with the offer or sale of securities in a capital raising transaction and do not directly or indirectly promote or maintain a market for the Company’s securities.

(n) “**Continuous Service**” means the uninterrupted service of a Participant with the Company or an Affiliate as an Employee, Director or Consultant. A Participant’s Continuous Service will not be deemed interrupted or terminated merely because of a change in the capacity in which the Participant renders service, such as a change in status from Employee to Consultant or Director, or a change in the entity for which the Participant renders service, such as from the Company to an Affiliate, so long as there is no interruption or termination of the Participant’s service. The Administrator or its delegate, in its sole discretion, may determine whether Continuous Service will be considered interrupted in the case of any approved leave of absence, including sick leave, military leave or any other personal or family leave of absence.

(o) “**Covered Employee**” means a “covered employee” as defined in Code Section 162(m)(3), as modified by regulations and interpretive guidance issued thereunder.

(a) “**Date of Grant**” means the first date on which all necessary corporate action has been taken by the Administrator to approve the grant of an Award to a Participant as provided under the Plan, provided the key terms and conditions of the Award are communicated to the Participant within a reasonable period thereafter; or such later date as is designated by the Administrator and specified in the Award Agreement. In any situation where the terms of the Award are subject to negotiation with the Participant, the Date of Grant will not be earlier than the date the key terms and conditions of the Award are communicated to the Participant.

(b) “**Detrimental Activity**” means any of the following: (i) disclosure of the Company’s confidential information to any Person outside the Company, without prior written authorization from the Company or in conflict with the interests of the Company, whether the confidential information was acquired or disclosed by the Participant during or after service to the Company; (ii) failure or refusal to disclose promptly or assign to the Company all right, title, and interest in any invention, work product or idea, patentable or not, made or conceived by the Participant during service with the Company, relating in any manner to the interests of the Company or, the failure or refusal to do anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in other countries; (iii) activity that is discovered to be grounds for or results in termination of the Participant’s Continuous Service for Cause; (iv) violation or breach of a non-disclosure, confidentiality, intellectual property, privacy, exclusivity or other restrictive covenant in any, Award Agreement, Service Agreement or other agreement between the Participant and the Company; (v) any direct or indirect attempt to induce

any Employee of the Company to be employed or perform services or acts in conflict with the interests of the Company; (vi) any direct or indirect attempt, in conflict with the interests of the Company, to solicit the trade or business of any current or prospective customer, client, supplier or partner of the Company; (vii) the conviction of, or guilty plea entered by, the Participant for any felony or a crime involving moral turpitude whether or not connected with the Company; or (viii) the commission of any other act involving willful malfeasance or material fiduciary breach with respect to the Company. All references to “the Company” in this definition refer to the Company and any Affiliate.

(c) “**Director**” means a member of the Board.

(d) “**Disability**” means (i) with respect to any Participant who is a party to a Service Agreement that provides for a definition of Disability, as defined therein; and (ii) with respect to any other Participant, the Participant’s inability to substantially perform his or her duties to the Company or any Affiliate by reason of a medically determinable physical or mental impairment that is expected to last for a period of six months or longer or to result in death. Notwithstanding the foregoing, for purposes of determining the term of an Incentive Stock Option under Section 10(b)(iii), “**Disability**” means permanent and total disability as defined in Code Section 22(e)(3). The Administrator will determine whether an individual is Disabled under procedures established by the Administrator. Other than for determinations of Disability for purposes of the term of an Incentive Stock Option under Section 10(b)(iii), the Administrator may rely on any determination that a Participant is disabled for purposes of benefits under any long-term disability plan maintained by the Company or any Affiliate in which a Participant participates.

(e) “**Effective Date**” means [_____], 2017, the date of the approval of the Plan by the Company’s shareholders.

(f) “**Eligible Director**” means a person who is both a “non-employee director” as defined in Rule 16b-3(b)(3) under the Exchange Act and an “outside director” as defined in Treasury Regulation section 1.162-27(e)(3).

(g) “**Employee**” means a common law or statutory employee of the Company or an Affiliate. Mere service as a Director or payment of a Director’s fee by the Company or an Affiliate is not sufficient by itself to constitute being an Employee.

(h) “**Established Securities Market**” means a national securities exchange that is registered under Section 6 of the Exchange Act, a foreign national securities exchange that is officially recognized, sanctioned or supervised by governmental authority or any over-the-counter market that is reflected by the existence of an interdealer quotation system.

(i) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(j) “**Exercise Price**” means the price per Share at which the holder of an Option may buy an underlying Share on exercise of the Option.

(k) “**Fair Market Value**” means, as of the date of any valuation event, the value per Share determined using a presumptively reasonable valuation method under Treasury Regulation section 1.409A-1(b)(5)(iv), as follows:

(i) On any date on which the Common Stock is readily tradable on an Established Securities Market, if the Common Stock is admitted to trading on an exchange or market for which closing prices are reported on any date, Fair Market Value may be determined based on (1) the last sale before or the first sale after the Date of Grant of an Award or any other valuation event; (2) the closing price on the last trading day before the Date of Grant of an Award or any other valuation event; (3) the closing price on the Date of Grant or any other valuation event; or (4) an average selling price during a specified period that is within 30 days before or 30 days after the Date of Grant of an Award, on condition that the commitment to grant an Award based on an average selling price during a specified period must be irrevocable before the beginning of the specified period, and the valuation method must be used consistently for grants of Awards under the Plan and substantially similar programs.

(ii) If the Common Stock is readily tradable on an Established Securities Market but closing prices are not reported, Fair Market Value may be determined based on (1) the average of the highest bid and lowest asked prices of the Common Stock reported on the last trading day before the Date of Grant of an Award or any other valuation event or on the Date of Grant of an Award or any other valuation event; or (2) an average of the highest bid and lowest asked prices during a specified period that is within 30 days before or 30 days after the Date of Grant of an Award, on condition that the commitment to grant an Award based on an average selling price during a specified period must be irrevocable before the beginning of the specified period, and the valuation method must be used consistently for grants of Awards under the same and substantially similar programs.

(iii) At any time the Common Stock is not readily tradable on an Established Securities Market, the Administrator will determine the Fair Market Value through the reasonable application of a reasonable valuation method based on the facts and circumstances as of the valuation date, including, at the election of the Administrator, by an independent appraisal that meets the requirements of Code Section 401(a)(28)(C) and the regulations issued thereunder as of a date that is no more than 12 months before the relevant transaction to which the valuation is applied (for example, an Option's Date of Grant), and that determination will be conclusive and binding on all Persons.

(l) "**Incentive Stock Option**" means an Option intended to qualify as an incentive stock option under Section 422 of the Code and the regulations issued thereunder.

(m) "**Nonqualified Stock Option**" means an Option not intended to qualify as an Incentive Stock Option.

(n) "**Officer**" means an individual who is an officer of the Company as defined in Rule 16a-1(f) under the Exchange Act.

(o) "**Option**" means an Incentive Stock Option or a Nonqualified Stock Option granted under the Plan.

(p) "**Participant**" means an individual to whom an Award is granted under the Plan or, if applicable, such other Person who holds an outstanding Award.

(q) "**Performance Award**" means an Award granted under Section 8.

(r) “**Performance Stock**” means Restricted Stock granted under a Performance Award.

(s) “**Performance Stock Unit**” means a Restricted Stock Unit granted under a Performance Award.

(t) “**Permitted Transferee**” means a Participant’s child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law (including adoptive relationships), any individual sharing the Participant’s household (other than a tenant or employee), a trust in which these individuals (or the Participant) have more than 50% of the beneficial interest, a foundation in which these individuals (or the Participant) control the management of assets, any other entity in which these individuals (or the Participant) own more than 50% of the voting interests, or such other transferee as may be permitted by the Administrator in its sole discretion.

(u) “**Person**” means an individual, partnership, limited liability company, corporation, association, joint stock company, trust, joint venture, labor organization, unincorporated organization, governmental entity or political subdivision thereof or any other entity, and includes a syndicate or group as those terms are used in Section 13(d)(3) or 14(d)(2) of the Exchange Act.

(v) “**Plan**” means this Mannatech, Incorporated 2017 Stock Incentive Plan, as amended from time to time.

(w) “**Restricted Award**” means an Award of Restricted Stock or Restricted Stock Units granted under Section 7.

(x) “**Restricted Period**” has the meaning set forth in Section 7.

(y) “**Restricted Stock**” means Shares granted under an Award that are subject to certain restrictions and risk of forfeiture.

(z) “**Restricted Stock Unit**” means a hypothetical unit granted under an Award evidencing the right to receive one Share or an equivalent value in cash equal to the Fair Market Value (as determined by the Administrator) in the future, which right is subject to certain restrictions and risk of forfeiture.

(aa) “**SAR**” or “**Stock Appreciation Right**” means the right under an Award to receive an amount equal to the difference between the Fair Market Value as of the date of exercise and the Strike Price, multiplied by the number of Shares for which the Award is exercised, all as determined under Section 9.

(bb) “**Securities Act**” means the Securities Act of 1933, as amended.

(cc) “**Service Agreement**” means a written employment agreement, consulting or other service agreement or an employment policy manual, the terms of which have been approved by

the Administrator, applicable to a Participant's employment or service with the Company or an Affiliate.

(dd) "**Share**" means one share of Common Stock.

(ee) "**Strike Price**" means the base value per Share of a SAR, as determined by the Administrator and as set forth in the Award Agreement.

(ff) "**Surviving Entity**" means the Company, if immediately following any merger, consolidation or similar transaction, the holders of outstanding voting securities of the Company immediately before the merger or consolidation own equity securities possessing more than 50% of the voting power of the entity existing following the merger, consolidation or similar transaction. In all other cases, the other entity to the transaction and not the Company will be the Surviving Entity. In making the determination of ownership by the shareholders of an entity immediately after the merger, consolidation or similar transaction, equity securities that the shareholders owned immediately before the merger, consolidation or similar transaction as shareholders of another party to the transaction will be disregarded. Further, outstanding voting securities of an entity will be calculated by assuming the conversion of all equity securities convertible (immediately or at some future time whether or not contingent on the satisfaction of performance goals) into securities entitled to vote.

3. **Administration.**

(a) **Administration by Board.** The Board will administer the Plan unless and until the Board delegates administration to a Committee, as provided in Section 3(e).

(b) **Authority of Administrator.** The Administrator will have the power and authority to select Participants and grant Awards under the terms of the Plan.

(c) **Specific Authority.** In particular, the Administrator will have the authority to (i) construe and interpret the Plan and apply its provisions; (ii) promulgate, amend, and rescind rules and regulations relating to the administration of the Plan; (iii) authorize any Person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan; (iv) delegate its authority to one or more Officers of the Company with respect to Awards that do not involve any individual who is subject to Section 16 of the Exchange Act or who is a Covered Employee or is reasonably anticipated to become a Covered Employee during the term of an Award, which delegation will be by a resolution that specifies the total number of Shares that may be subject to Awards by the Officer and the Officer may not make an Award to himself or herself; (v) determine when Awards are to be granted under the Plan; (vi) select, subject to the limitations set forth in the Plan, those Participants to whom Awards will be granted; (vii) determine the number of Shares to be made subject to each Award; (viii) determine whether each Option is to be an Incentive Stock Option or a Nonqualified Stock Option; (ix) prescribe the terms and conditions of each Award, including, without limitation, the Strike Price or Exercise Price and medium of payment, vesting provisions (provided that no Award will be granted with a vesting provision that permits any portion of the Award to vest sooner than 12 months after the

Date of Grant)², and to specify the provisions of the Award Agreement relating to the grant or sale; (x) subject to the restrictions applicable under Sections 8(c) and 15, amend any outstanding Awards, including for the purpose of modifying the purchase price, Exercise Price or Strike Price or the term of any outstanding Award; (xi) determine the duration and purpose of leaves of absences that may be granted to a Participant without constituting termination of their Continuous Service for purposes of the Plan, which periods will be no shorter than the periods generally applicable to Employees under the Company's employment policies or as required under applicable law; (xii) make decisions with respect to outstanding Awards that may become necessary on a Change in Control or an event that triggers capital adjustments; and (xiii) exercise discretion to make any and all other determinations that it may determine to be necessary or advisable for administration of the Plan.

(d) **Decisions Final.** All decisions made by the Administrator under the provisions of the Plan will be final and binding on the Company and the Participants, unless a decision is determined by a court having jurisdiction to be arbitrary and capricious.

(e) **Committee.**

(i) **In General.** The Board may delegate administration of the Plan to a Committee or Committees of one or more members of the Board, and the term "**Committee**" applies to any Person or Persons to whom that authority has been delegated. If administration is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in the Plan to the Administrator will thereafter be to the Committee or subcommittee), subject, however, to such resolutions, consistent with the provisions of the Plan, as the Board may adopt. The Board may abolish the Committee at any time and re-vest in the Board the administration of the Plan. The members of the Committee will be appointed by and serve at the pleasure of the Board. The Board may increase or decrease the size of the Committee, add additional members to, remove members (with or without Cause) from, appoint new members in substitution therefor, and fill vacancies, however caused, in the Committee. The Committee shall act by a vote of the majority of its members or, in the case of a Committee comprised of only two members, the unanimous consent of its members, whether present or not, or by the written consent of the majority of its members and shall keep minutes of all of its meetings. Subject to the limitations prescribed by the Plan and the Board, the Committee shall establish and follow such rules and regulations for the conduct of its business as it may determine to be advisable.

(ii) **Committee Composition when Registration is Required.** Whenever any class of the Company's common equity securities is required to be registered under Section 12 of the Exchange Act, in the discretion of the Board, a Committee may consist solely of two or more Eligible Directors. The Board has sole discretion to determine whether it intends to comply with the exemption requirements of either Rule 16b-3 under the Exchange Act or Code Section 162(m). However, if the Board intends to satisfy such exemption requirements, with respect to Awards to any Participant who is a Covered Employee or is reasonably anticipated to become a

² A minimum 12-month vesting period is a factor on the ISS scorecard.

Covered Employee during the term of the Award, or to any Officer or Director, the Committee will at all times consist solely of two or more Eligible Directors. Within the scope of that authority, the Board or the Committee may (1) delegate to a committee of one or more members of the Board who are not “*outside directors*” within the meaning of Code Section 162(m) the authority to grant Awards to eligible individuals who are not Covered Employees and not expected to be Covered Employees at the time of recognition of income resulting from the Award or with respect to whom the Company does not wish to comply with Code Section 162(m), or (2) delegate to a committee of one or more members of the Board who are not “*non-employee directors*” within the meaning of Rule 16b-3 under the Exchange Act the authority to grant Awards to eligible individuals who are not Officers, Directors, “*beneficial owners*” (as defined in Rule 16a-1(a)(1) under the Exchange Act) of more than 10% of any class of equity securities of the Company registered under Section 12 of the Exchange Act or otherwise subject to Section 16 of the Exchange Act. Nothing in this Section 3(e) is intended to create an inference that an Award granted other than by a committee of the Board consisting at all times solely of two or more Eligible Directors is not validly granted under the Plan.

(f) **Indemnification.** In addition to such other rights of indemnification as they may have as Directors or members of the Committee, and to the extent allowed by applicable law, the Company will indemnify the Administrator against the reasonable expenses, including attorney’s fees, actually incurred in connection with any action, suit or proceeding or in connection with any appeal thereof, to which the Administrator may be party by reason of any action taken or failure to act under or in connection with the Plan or any Award granted under the Plan, and against all amounts paid by the Administrator in settlement thereof (subject, however, to the Company’s approval of the settlement, which approval the Company will not unreasonably withhold) or paid by the Administrator in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it is adjudged in the action, suit or proceeding that the Administrator did not act in good faith and in a manner that the Person reasonably believed to be in the best interests of the Company, and in the case of a criminal proceeding, had no reason to believe that the conduct complained of was lawful. Notwithstanding the foregoing, it is a condition precedent to the Company’s obligations in this Section 3(f) that within 60 days after institution of any such action, suit or proceeding, the Administrator or Committee member offer the Company in writing the opportunity at its own expense to handle and defend the action, suit or proceeding.

4. **Shares Subject to the Plan.**

(a) **Share Reserve.** Subject to adjustment under Section 13(a), the maximum aggregate number of Shares that may be issued on exercise of all Awards under the Plan is [400,000]³ Shares, all of which may be used for any Awards. Any Shares underlying Option or SAR Awards will be counted against this limit as one Share for every one Share granted. Any

³ TBD. Note that rolling over unused shares from a prior plan is a negative factor on the ISS scorecard.

Shares underlying Restricted Awards or Performance Awards will be counted against this limit as []⁴ Shares for every one Share granted.

(b) **Return of Shares to the Share Reserve.** If any Option or SAR⁵ for any reason is forfeited, cancelled, expires or otherwise terminates, in whole or in part, the unexercised Shares left under the Option or SAR will revert to and again become available for issuance under the Plan. Notwithstanding anything in the Plan to the contrary, Shares used to pay the required Exercise Price or tax obligations or Shares not issued in connection with settlement of an Option or SAR or that are used or withheld to satisfy tax obligations of the Participant, will not be available again for other Awards under the Plan. Awards or portions thereof that are settled in cash and not in Shares will be counted against the foregoing maximum Share limitations. Notwithstanding anything in this Section 4 to the contrary and subject to adjustment under Section 13(a), the maximum number of Shares that may be issued on the exercise of Incentive Stock Options will equal the aggregate number of Shares stated in Section 4(a) plus, to the extent permitted under Section 422 of the Code and the Treasury regulations thereunder, any Shares that become available for issuance under the Plan under this Section 4(b).

(c) **Source of Shares.** Shares issued under an Award may consist of authorized and unissued Shares, Shares held by the Company as treasury shares or Shares purchased on the open market, and may be subject to restrictions deemed appropriate by the Administrator.

5. Eligibility.

(a) **For Awards other than Options and SARs.** Restricted Awards and Performance Awards may be granted to any Employee, Director or Consultant of the Company or any Affiliate.

(b) **For Nonqualified Stock Options and SARs.** Nonqualified Stock Options and SARs may be granted to any Employee, Director or Consultant of the Company or of a direct or indirect majority-owned subsidiary of the Company with respect to which the Company, on the Date of Grant, is an “*eligible issuer*” under Treasury Regulation section 1.409A-1(b)(5)(iii)(E)(1).

(c) **For Incentive Stock Options.** Incentive Stock Options may be granted only to an Employee of the Company or a corporation that, on the Date of Grant, is a “*parent corporation*” or “*subsidiary corporation*” of the Company, as those terms are defined in Code Sections 424(e) and 424(f), respectively.

(d) **Code Section 162(m) Limitation.** Subject to capitalization adjustment under Section 13(a), no individual Employee may be granted Options, SARs or Performance Awards

⁴ TBD. Flexible share-counting (counting “full value awards” more heavily than options and SARs) is a favorable factor on the ISS scorecard.

⁵ Recycling of full value awards is a negative factor on the ISS scorecard.

covering, individually or in combination, more than [50,000]⁶ Shares in the aggregate during any fiscal year.

(e) **Director Awards.**

(i) If the Board or the compensation committee of the Board separately has adopted or in the future adopts a compensation policy covering some or all non-employee Directors that provides for a predetermined formula grant that specifies the type of Award, the timing of the Date of Grant and the number of Shares to be awarded under the terms of the Plan, that formula grant will be incorporated herein by reference and will be administered as if provided under the terms of the Plan without any requirement that the Administrator separately take action to determine the terms of those Awards.

(ii) Subject to capitalization adjustment under Section 13(a), the aggregate dollar value of Awards (calculated as the Date of Grant fair value of such Awards for financial reporting purposes) and cash compensation granted under this Plan or otherwise during any calendar year to any non-employee Director shall not exceed \$[_____] ⁷, rounded up to the nearest full Share. The foregoing limit may be multiplied by two with respect to Awards granted in the calendar year in which a non-employee Director first joins the Board.

6. **Stock Options.** Each Option will be in such form and will contain such terms and conditions as the Administrator deems appropriate. All Options will be separately designated Incentive Stock Options or Nonqualified Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for Shares purchased on exercise of each type of Option. Notwithstanding the foregoing, the Company will have no liability to any Participant or any other Person if an Option designated as an Incentive Stock Option fails to qualify as an Incentive Stock Option at any time. The provisions of separate Options need not be identical, but each Option will include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) **Term and Expiration.** The term during which an Option is exercisable shall be that period determined by the Administrator as set forth in the applicable Option Agreement, provided that no Option may be exercisable later than 10 years after the Date of Grant.

(b) **Exercise Price.** The Exercise Price for each Option will be equal to or greater than the Fair Market Value on the Date of Grant; provided that an Option granted under an assumption or substitution for another stock option in a manner satisfying the provisions of Section 424(a) of the Code, as if the Option was a statutory stock option, may be granted with an Exercise Price lower than the Fair Market Value on the Date of Grant. No dividends or dividend equivalents will be paid on any outstanding Option.

⁶ Please confirm. This is the limit in the 2008 Plan, but it may be higher (or different for each type of award).

⁷ This provision is not required, but is considered a "best practice" in light of recent shareholder lawsuits claiming excess director compensation.

(c) **Term and Exercise Price of Incentive Stock Options Granted to Ten Percent Shareholders.** Notwithstanding the foregoing, no Incentive Stock Option granted to an Employee who owns (or is deemed to own under Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or of any “parent corporation” or “subsidiary corporation” of the Company, as those terms are defined in Code Sections 424(e) and 424(f), respectively, may be exercisable later than five years after the Date of Grant or have an exercise price that is less than 110% of the Fair Market Value on the Date of Grant.

(d) **Repricing Prohibited.** Except as otherwise provided in Section 13, without the prior approval of the Company’s shareholders: (i) the Exercise Price of an Option may not be directly or indirectly reduced; (ii) an Option may not be cancelled in exchange for cash, an Option or SAR with an Exercise Price or Strike Price that is less than the Exercise Price of the original Option, any other Award or otherwise; and (iii) the Company may not purchase an Option for value from a Participant if the current Fair Market Value of the Shares underlying the Option is lower than the Option’s Exercise Price.

(e) **Consideration.** The Exercise Price for Shares purchased under an Option will be paid in cash or by certified or bank check at the time the Option is exercised, or, to the extent permitted by applicable laws and regulations, in the Administrator’s sole discretion and on such terms as the Administrator approves: (i) by delivery (by actual delivery or by attestation) to the Company of previously-acquired Shares, duly endorsed for transfer to the Company, with a Fair Market Value on the date of delivery equal to the aggregate Exercise Price due for the number of Shares being purchased; (ii) if the Common Stock is readily tradable on an Established Securities Market, by a copy of instructions directing a broker to sell Shares for which the Option is exercised and to remit to the Company the aggregate Exercise Price due for the number of Shares being purchased; (iii) by directing the Company to withhold from transfer the number of Shares that otherwise would have been delivered by the Company on exercise of the Option having a Fair Market Value equal to all or part of the aggregate Exercise Price due on exercise (provided that to the extent such direction would result in the Company withholding fractional Shares, the number of Shares to be withheld will be rounded down to the nearest whole and the Participant shall be required to pay the remainder of the Exercise Price in cash or by certified or bank check), in which case the Option will be surrendered and cancelled with respect to the Shares retained as well as the Shares delivered; or (iv) in any other form of legal consideration that may be acceptable to the Administrator, including without limitation with a full-recourse promissory note, subject to any requirements of applicable law that the par value of Shares, if newly issued, be paid in cash or cash equivalents.

The interest rate payable under the terms of a promissory note will not be less than the minimum rate (if any) required to avoid the imputation of additional interest under the Code. Subject to the foregoing, the Administrator (in its sole discretion) will specify the term, interest rate, amortization requirements (if any) and other provisions of the note. Unless the Administrator determines otherwise, the holder will be required to pledge to the Company Shares having an aggregate Fair Market Value equal to or greater than the principal amount of the loan as security for payment of the unpaid balance of the loan, which pledge must be evidenced by a pledge agreement, the terms of which the Administrator will determine, in its discretion; except that each loan must comply with all applicable laws, regulations and rules of the Board of

Governors of the Federal Reserve System and any other governmental agency having jurisdiction. Unless the Administrator determines otherwise, the purchase price of Shares acquired under an Option that is paid by delivery (or attestation) to the Company of other Shares acquired, directly or indirectly, from the Company, will be paid only by Shares that satisfy any requirements necessary to avoid liability award accounting treatment.

Notwithstanding the foregoing, at any time that the Company is an “*issuer*” as defined in Section 2 of the Sarbanes-Oxley Act of 2002, no Director or executive officer (or equivalent thereof) of the Company or its Affiliates will be permitted to pay any part of the Exercise Price with a promissory note or in any other form that could be deemed a prohibited personal loan under Section 13(k) of the Exchange Act. Unless otherwise provided in the terms of an Award Agreement, payment of the Exercise Price by a Participant who is an Officer, a Director or otherwise subject to Section 16 of the Exchange Act, by delivery or attestation to the Company of other Shares acquired, directly or indirectly, from the Company is subject to pre-approval by the Administrator, in its sole discretion. The Administrator will document any such pre-approval in a manner that complies with the specificity requirements of Rule 16b-3 under the Exchange Act.

(f) **Vesting.** The Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal; provided, however, that no Option may provide for or permit any portion of the Option to vest sooner than 12 months after the Date of Grant. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Administrator determines to be appropriate. The vesting provisions of individual Options may vary. The Administrator may, but will not be required to, provide that no Option may be exercised for a fraction of a Share. The Administrator may, but will not be required to, provide for an acceleration of vesting and exercisability in the terms of the Award Agreement for any Option on the occurrence of the death or Disability of a Participant or the occurrence of a Change in Control that does not provide for the continuation, assumption or substitution of the Option by the Surviving Entity.

(g) **Incentive Stock Option \$100,000 Limitation.** To the extent that the aggregate Fair Market Value of Shares on the Date of Grant with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company and any “*parent corporation*” or “*subsidiary corporation*” of the Company, as those terms are defined in Code Sections 424(e) and 424(f), respectively) exceeds \$100,000, the Options or portions thereof which exceed that limit (according to the order in which they were granted) will be treated as Nonqualified Stock Options.

(h) **Early Exercise.** The Option may, but need not, include a provision whereby the Participant may elect at any time before the Participant’s Continuous Service terminates to exercise the Option as to any part or all of the Shares subject to the Option before the full vesting of the Option. In that case, the Shares acquired on exercise will be subject to the vesting schedule that otherwise would apply to determine the exercisability of the Option. Any unvested Shares so purchased may be subject to any other restriction the Administrator determines to be appropriate.

(i) **Employee Transfer, Approved Leave of Absence.** For purposes of Incentive Stock Options, no termination of employment by an Employee will be deemed to result from either (i) a transfer to the employment of the Company from a “*parent corporation*” or “*subsidiary corporation*” of the Company, as those terms are defined in Code Sections 424(e) and 424(f), respectively, from the Company to a parent corporation or subsidiary corporation or from one parent corporation or subsidiary corporation to another; or (ii) an approved leave of absence for military service or sickness or for any other purpose approved by the Company, if the period of leave does not exceed three months or, if longer, the Employee’s right to re-employment is guaranteed either by a statute or by contract.

(j) **Disqualifying Dispositions.** Each Participant awarded an Incentive Stock Option will be required to immediately notify the Company in writing as to the occurrence of a disqualifying disposition of any Shares acquired by exercise of the Incentive Stock Option, and the price realized on the disqualifying disposition of those Shares. A “*disqualifying disposition*” is any disposition (including, without limitation, any sale or transfer) before the later of (i) two years after the Date of Grant of the Incentive Stock Option or (ii) one year after the issuance of the Shares acquired by exercise of the Incentive Stock Option. The Company may, if determined by the Administrator and in accordance with procedures established by the Administrator, retain possession of any Shares acquired by exercise of an Incentive Stock Option as agent for the applicable Participant until the end of the period described in the preceding sentence.

7. **Restricted Awards.** A Restricted Award is an Award of Restricted Stock or Restricted Stock Units, which provides that, except as otherwise provided in Section 16(d)(i) with respect to Permitted Transferees, the Restricted Award may not be sold, assigned, transferred or otherwise disposed of, pledged or otherwise encumbered for the period (the “*Restricted Period*”) determined by the Administrator. Each Restricted Award will be in such form and will contain such terms, conditions, and Restricted Periods as the Administrator determines to be appropriate, including the treatment of dividends or dividend equivalents, as the case may be. The Administrator in its discretion may provide for the acceleration of the end of the Restricted Period in the terms of any Restricted Award upon the death or Disability of a Participant or in the event of a Change in Control that does not provide for the continuation, assumption or substitution of the Award by the Surviving Entity. The terms and conditions of the Restricted Award may change from time to time, and the terms and conditions of separate Restricted Awards need not be identical, but each Restricted Award must include (through incorporation of provisions hereof by reference in the Award Agreement or otherwise) the substance of each of the following provisions:

(a) **Payment for Restricted Awards.** The purchase price of Shares acquired under a Restricted Award, if any, will be determined by the Administrator, and may be stated as cash, property or services rendered or to be rendered to the Company for its benefit or an Affiliate or for its benefit. Shares acquired in connection with a Restricted Award may be issued for such consideration, having a value not less than the par value thereof, as may be determined by the Administrator. Required consideration for Shares acquired in connection with a Restricted Award may be paid: (i) in cash at the time of purchase; or (ii) in any other form of legal consideration that may be acceptable to the Administrator in its discretion including, without limitation, a recourse promissory note, property or services that the Administrator determines have a value at least equal to the purchase price of the Restricted Award. Notwithstanding the

foregoing, at any time that the Company is an “*issuer*” as defined in Section 2 of the Sarbanes-Oxley Act of 2002, no Director or executive officer (or equivalent thereof) of the Company or an Affiliate will be permitted to pay any portion of the purchase price for Shares acquired under a Restricted Award with a promissory note or in any other form that could be deemed prohibited personal loan under Section 13(k) of the Exchange Act.

(b) **Vesting.** The Restricted Award, and any Shares acquired thereunder, will be subject to a Restricted Period that specifies a right of repurchase in favor of the Company, or forfeiture where the consideration was in the form of services, in accordance with a vesting schedule to be determined by the Administrator; provided, however, that no Award may provide for or permit any portion of the Award to vest sooner than 12 months after the Date of Grant. No Restricted Award may be granted that is, in whole or in part, vested on the Date of Grant and not subject to a Restricted Period.

(c) **Lapse of Restrictions.** Subject to the Participant’s Continuous Service, on the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Administrator (including, without limitation, the Participant’s satisfaction of applicable tax withholding obligations attributable to the Award), the restrictions applicable to the Restricted Award will lapse and the number of Shares with respect to which the restrictions have lapsed will be issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), free of any restrictions except those that may be imposed by law, the terms of the Plan or the terms of a Restricted Award, to the Participant or the Participant’s beneficiary or estate, as the case may be, unless the Restricted Award is subject to a deferral condition that complies with Section 409A of the Code and the regulations thereunder as may be allowed or required by the Administrator in its sole discretion. The Company will not be required to deliver any fractional Share but will pay, in lieu thereof, the Fair Market Value of the fractional Share in cash to the Participant or the Participant’s beneficiary or estate, as the case may be. With respect only to Restricted Stock Units, unless otherwise subject to a deferral condition that complies with Section 409A of the Code, the Shares (or cash, as applicable) will be issued and the Participant will be entitled to the beneficial ownership rights of the Shares not later than (i) the date that is 2½ months after the end of the Participant’s taxable year (or the end of the Company’s taxable year, if later) for which the Restricted Period ends and the Restricted Stock Unit is no longer subject to a substantial risk of forfeiture, or (ii) such earlier date as may be necessary to avoid application of Section 409A of the Code to the Award.

(d) **Shareholder Rights.** Unless otherwise provided by the Administrator in an Award Agreement, the holder of Shares of Restricted Stock shall be entitled to vote such Shares. Dividends, if any, paid on Shares of Restricted Stock shall be held in escrow,⁸ without interest, until such time as the restrictions lapse on the related Shares of Restricted Stock. Dividends for Shares of Restricted Stock that are forfeited shall also be forfeited to the Company.

⁸ Payment of dividends on restricted stock before vesting is a negative factor on the ISS scorecard.

(e) **Dividends on Restricted Stock Units.** In the case of Restricted Stock Units, the Participant will not be entitled to receive dividends or dividend equivalents unless the Award Agreement specifically provides for such dividends or dividend equivalents.

(f) **Delivery of Restricted Stock.** Shares of Restricted Stock will be delivered to the Participant at the Date of Grant either by book-entry registration or by delivering to the Participant, or a custodian or escrow agent (including, without limitation, the Company or one or more of its Employees) designated by the Administrator, a stock certificate or certificates registered in the name of the Participant. If physical certificates representing Shares of the Restricted Stock are registered in the name of the Participant, such certificates must bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Shares.

8. **[Performance Awards.]**⁹ A Performance Award is an Award that will vest only on the attainment of specified performance goals, and may consist of Performance Stock or Performance Stock Units. The Administrator may make Performance Awards independent of or in connection with the granting of any other Award under the Plan. A Performance Award may be granted under the Plan to any Participant, including a Participant who qualifies for awards under other performance plans of the Company. The Administrator in its sole discretion will determine whether and to whom Performance Awards will be made, the performance goals applicable under each Performance Award, the period or periods during which performance is to be measured, and all other limitations and conditions applicable to Performance Awards. The Administrator, in its discretion, may rely on the performance goals and other standards applicable to other performance plans of the Company in setting the standards for Performance Awards under the Plan.

(a) **Performance Goals.**

(i) A performance goal will be based on a pre-established objective formula or standard that specifies the manner of determining the number of Shares under the Performance Award that will be granted or will vest if the performance goal is attained; provided, however, that no Performance Award may provide for or permit any portion of the Performance Award to vest sooner than 12 months after the Date of Grant. The Administrator will determine the performance goal before the time that 25% of the service period has elapsed, but not later than 90 days after the commencement of the service period to which the performance goal relates.

(ii) Performance goals may be based on one or more of the following business criteria, which may be applied to a Participant, a business unit or the Company and its Affiliates:

- (1) [revenue (net or gross);
- (2) revenue growth;
- (3) sales (net or gross), including growth in sales measured by product line, territory, facility, customer or customers or other category;

⁹ Performance Awards are Restricted Awards intended to meet the requirements under Code section 162(m) for the "performance-based compensation" exemption from the \$1 million annual deduction limitation on compensation paid to the NEOs. If this deduction limit is not expected to become an issue that Section 8 and all references to Performance Awards may be removed. (All Awards under the Plan may use performance vesting.)

(4) earnings (net or gross), including earnings before all or any of interest expense, taxes, depreciation and amortization (“EBIT,” “EBITA,” or “EBITDA”), earnings per share or earnings from continuous operations;

(5) profits, including profits before or after taxes or other expenses or adjustments, maintenance or improvement of profit margins, or profitability of an identifiable business unit, product line or facility;

(6) operating income, including operating income per share, pre-tax or after-tax income, net cash provided by operating activities, funds from operations or funds from operations per share;

(7) operating expenses;

(8) cash flow, including cash available for distribution, cash available for distribution per share, improvement in cash-flow (before or after tax) or free cash flow;

(9) working capital and components thereof, including improvement in capital structure;

(10) credit rating, independent industry rating or assessments;

(11) stock price or share price performance, return on shareholders’ equity or average shareholders’ equity or total shareholders’ return;

(12) return on assets, return on capital, return on invested capital, changes in net assets, enterprise value or economic value added, net worth, or return on investment before or after the cost of capital;

(13) costs, improvement in the attainment of expense levels, expense management, capital expenditures, and levels of expense, cost or liability by category, operating unit, facility or any other delineation;

(14) implementation or completion of critical projects; or

(15) strategic plan development and implementation, closing of corporate transactions.]¹⁰

(iii) A performance goal may be measured over a performance period on a periodic, annual, cumulative or average basis and may be established on a corporate-wide basis or with respect to one or more operating units, divisions, subsidiaries, acquired businesses, minority investments, facilities, partnerships or joint ventures. More than one performance goal may be incorporated in a performance objective, in which case achievement with respect to each performance goal may be assessed individually or in combination with each other. The Administrator may, in connection with the establishment of performance goals for a performance period, establish a matrix setting forth the relationship between performance on two or more performance goals and the amount of the Performance Award payable for that performance period. The level or levels of performance specified with respect to a performance goal may be established in absolute terms, as objectives relative to performance in prior periods, as an objective compared to the performance of one or more comparable companies or an index covering multiple companies on a per Share basis, against the performance of the Company as a whole or against particular entities, segments, operating units or products of the Company, on a pre-tax or after-tax basis, in tandem with any other performance goal, or otherwise as the Administrator may determine. The Administrator may, in connection with the establishment of

¹⁰ TBD. Mannatech to confirm, revise or add business criteria as needed or desired.

performance goals for a performance period, specify one or more adjustments to any of the business criteria specified in Section 8(a)(ii).

(iv) Performance goals will be objective and will otherwise meet the requirements of Section 162(m) of the Code. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants. A Performance Award to a Participant who is a Covered Employee or is reasonably anticipated to become a Covered Employee during the term of the Performance Award will (unless the Administrator determines otherwise) provide that if the Participant's Continuous Service ceases before the end of the performance period for any reason, the Performance Award will be payable only if the applicable performance objectives are achieved and to the extent, if any, determined by the Administrator. These objective performance goals are not required to be based on increases in a specific business criterion, but may be based on maintaining the status quo or limiting economic losses. With respect to any Participant who is not a Covered Employee or expected to become a Covered Employee during the term of the Performance Award, the Administrator may establish additional objective or subjective performance goals.

(v) The Administrator may provide in any Performance Award that any evaluation of performance may include or exclude the effect, if any, on reported financial results of any of the following events that occurs during a performance period: (1) asset write-downs, (2) litigation or claim judgments or settlements, (3) changes in tax laws, accounting principles or other laws or provisions, (4) reorganization or restructuring programs, including share repurchasing programs, (5) acquisitions or divestitures, (6) foreign currency exchange translations gains and losses, (7) revenue or earnings attributable to minority ownership in another entity or (8) gains and losses that are treated as extraordinary items under Accounting Standards Codification Topic 225. To the extent such inclusions or exclusions affect a Performance Award to a Participant who is a Covered Employee or is reasonably anticipated to become a Covered Employee during the term of the Performance Award, they shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility.

(b) **Satisfaction of Performance Goals.** A Participant will be entitled to receive Shares (as evidenced either by a stock certificate or by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) or cash under a Performance Award only on satisfaction of all conditions specified in the written instrument evidencing the Performance Award (or in a performance plan adopted by the Administrator), including, without limitation, the Participant's satisfaction of applicable tax withholding obligations attributable to the Performance Award. With respect only to a Performance Stock Unit Award, a stock certificate or cash, as applicable, will be issued and delivered, and the Participant will be entitled to the beneficial ownership rights of the Shares (if any), not later than (i) the date that is 2½ months after the end of the Participant's taxable year (or the end of the Company's taxable year, if later) for which the Administrator certifies that the Performance Stock Unit Award conditions have been satisfied and the Performance Stock Unit Award is no longer subject to a substantial risk of forfeiture, and (ii) such earlier date as may be necessary to avoid application of Section 409A of the Code to the Performance Stock Unit Award.

(c) **Acceleration, Waiver, Etc.** With respect solely to a Participant who is not (and is not expected to become during the term of the Performance Award) a Covered Employee, at any

time before the Participant's termination of Continuous Service, the Administrator may in its sole discretion, and subject to Section 15, amend or modify any or all of the goals, restrictions or conditions imposed under a Performance Award. For any Participant who is, or is expected to become during the term of a Performance Award, a Covered Employee, no amendment or waiver of the performance goal will be permitted and no cash payment to be made in respect of a Performance Award may be accelerated unless the performance goal has been attained and the amount of the payment is discounted to reasonably reflect the time value of money. Notwithstanding the foregoing, the Administrator in its discretion may provide for an acceleration of vesting in the terms of any Performance Award upon the death or Disability of a Participant or in the event of a Change in Control that does not provide for the continuation, assumption or substitution of the Award by the Surviving Entity.

(d) **Certification.** Following the completion of each performance period, the Administrator will certify in writing, in accordance with the requirements of Section 162(m) of the Code, whether the performance objectives and other material terms of a Performance Award have been achieved or met. Unless the Administrator determines otherwise, Performance Awards will not be settled until the Administrator has made the certification specified under this Section 8(d).]

9. **Stock Appreciation Rights.**

(a) **Grant Requirements.** A SAR may be granted only if it does not provide for the deferral of compensation within the meaning of Section 409A of the Code. A SAR does not provide for a deferral of compensation if: (i) the Strike Price may never be less than the Fair Market Value on the Date of Grant, (ii) the compensation payable under the SAR can never be greater than the difference between the Fair Market Value on the date of exercise and the Strike Price, (iii) the number of Shares subject to the SAR is fixed on the Date of Grant, and (iv) the SAR does not include any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the right. No dividends or dividend equivalents may be paid on any outstanding SAR.

(b) **Strike Price.** The Administrator will determine the Strike Price of a SAR, which in the case of a SAR granted independent of any Option, will not be less than the Fair Market Value on the Date of Grant. The Strike Price of a SAR granted in tandem with an Option will be the Exercise Price of the related Option. A SAR granted in tandem with an Option will be exercisable only to the same extent as the related Option, provided that by its terms, such SAR will be exercisable only when the Fair Market Value exceeds the Strike Price of the SAR.

(c) **Repricing Prohibited.** Except as otherwise provided in Section 13, without the prior approval of the Company's shareholders: (i) the Strike Price of a SAR may not be directly or indirectly reduced; (ii) a SAR may not be cancelled in exchange for cash, an Option or SAR with an Exercise Price or Strike Price that is less than the Strike Price of the original SAR, any other Award or otherwise; and (iii) the Company may not purchase a SAR for value from a Participant if the current Fair Market Value is less than the SAR's Strike Price.

(d) **Vesting.** The SAR will be subject to a Restricted Period that specifies a forfeiture in accordance with a vesting schedule to be determined by the Administrator; provided, however,

that no SAR may provide for or permit any portion of the Award to vest sooner than 12 months after the Date of Grant. The Administrator in its discretion may provide for an acceleration of vesting in the terms of any SAR upon the death or Disability of a Participant or in the event of a Change in Control that does not provide for the continuation, assumption or substitution of the Award by the Surviving Entity. The Administrator may not grant a SAR that is, in whole or in part, vested on the Date of Grant and not subject to a Restricted Period.

(e) **Exercise and Settlement.** On delivery to the Administrator of a written request to exercise a SAR, the holder will be entitled to receive from the Company, an amount equal to the product of (i) the excess of the Fair Market Value on the date of exercise over the Strike Price specified in the Award Agreement, multiplied by (ii) the number of Shares for which the SAR is being exercised. Settlement with respect to the exercise of a SAR will be on the date of exercise and may be made in the form of Shares valued at Fair Market Value on the date of exercise (with or without restrictions as to substantial risk of forfeiture and transferability, as determined by the Administrator in its sole discretion), cash or a combination of Shares and cash, as determined by the Administrator in its sole discretion.

(f) **Reduction in the Underlying Option Shares.** On the exercise of a SAR granted in tandem with an Option, the number of Shares for which the related Option is exercisable will be reduced by the number of Shares for which the SAR has been exercised. The number of Shares for which a tandem SAR is exercisable will be reduced on any exercise of any related Option by the number of Shares for which the Option has been exercised.

(g) **Written Request.** Unless otherwise determined by the Administrator in its sole discretion, SARs will be settled in Shares. If permitted in the Award Agreement, a Participant may request that any exercise of a SAR be settled for cash, but a Participant will not have any right to demand a cash settlement. A request for a cash settlement may be made only by a written request filed with the Corporate Secretary of the Company during the period beginning on the third business day following the date of release for publication by the Company of quarterly or annual summary statements of earnings and ending on the twelfth business day following that date. Within 30 days of the receipt by the Company of a written request to receive cash in full or partial settlement of a SAR or to exercise the SAR for cash, the Administrator will, in its sole discretion, either consent to or disapprove, in whole or in part, the written request. A written request to receive cash in full or partial settlement of a SAR or to exercise a SAR for cash may provide that, if the Administrator disapproves the written request, the written request will be treated as an exercise of the SAR for Shares.

(h) **Disapproval by Administrator.** If the Administrator disapproves in whole or in part any request by a Participant to receive cash in full or partial settlement of a SAR or to exercise such Award for cash, the disapproval will not affect the Participant's right to exercise the SAR at a later date, to the extent that it would be otherwise exercisable, or to request a cash form of payment at a later date, in each case subject to the approval of the Administrator. Additionally, the disapproval will not affect the Participant's right to exercise any related Option.

10. **Treatment of Awards on Termination of Continuous Service.**

(a) **Unvested Awards Generally.** Unless otherwise provided in an Award Agreement or Service Agreement, if a Participant's Continuous Service terminates for any reason, the Participant will forfeit the unvested portion of any Award acquired in consideration of services, all unvested Shares held by the Participant as of the date of termination under the terms of any Award will be forfeited or, if applicable, may be repurchased by the Company at the lesser of the purchase price paid by the Participant or the current Fair Market Value, and the Participant will have no rights with respect to any Award or Shares so forfeited or repurchased.

(b) **Options and SARs.**

(i) **Other than for Cause, death or Disability.** Unless otherwise provided in an Award Agreement or Service Agreement, if a Participant's Continuous Service is terminated for any reason other than due to the Participant's death or Disability or by the Company for Cause, the Participant may exercise his or her Option or SAR (to the extent vested and exercisable as of the date of termination) during the period ending on the earlier of (1) the date that is three months after the termination of the Participant's Continuous Service or (2) the expiration of the original term of the Award as set forth in the Award Agreement. Any unexercised Option or SAR held by the Participant will automatically terminate at the close of business on the last day of such period and will thereafter not be exercisable.

(ii) **For Cause.** If the Participant's Continuous Service is terminated by the Company or an Affiliate for Cause, all outstanding Options and SARs (whether or not vested) will be forfeited and expire as of the beginning of business on the date of termination.

(iii) **Participant Death or Disability.** Unless otherwise provided in an Award Agreement or Service Agreement, if a Participant's Continuous Service is terminated as a result of the Participant's death or Disability, the Participant's Option or SAR may be exercised (to the extent the Option or SAR was vested and exercisable as of the date of termination) by the Participant or the Participant's estate, designated beneficiary or such other Person who acquired the right to exercise the Option or SAR by bequest or inheritance, but only during the period ending on the earlier of the date that is 12 months following the date of termination or the expiration of the original term of the Option or SAR as set forth in the Award Agreement. Any unexercised Option or SAR held by the Participant or such other Person will terminate at the end of such period.

(iv) **Extension of Option or SAR Termination Date.** An Award Agreement may provide that if the exercise of an Option or SAR following the termination of the Participant's Continuous Service for any reason (other than on the Participant's death or Disability or termination by the Company for Cause) would violate any applicable federal, state or local law, the Option or SAR will terminate only on the earlier of the expiration of the original term of the Award or the date that is 30 days after the exercise of the Option or SAR would no longer violate any applicable federal, state or local law.

11. **Covenants of the Company.**

(a) **Availability of Shares.** During the terms of the Awards, the Company will keep available at all times the number of Shares required to satisfy the Awards.

(b) **Securities Law Compliance.** Each Award Agreement will provide that no Shares may be purchased or sold thereunder unless and until any then applicable requirements of state, federal or applicable foreign laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Company will use reasonable efforts to seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Awards and to issue and sell Shares on exercise of Awards; however, this undertaking will not require the Company to register under the Securities Act the Plan, any Award or any Shares issued or issuable under any Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company determines to be necessary for the lawful issuance and sale of Shares under the Plan, the Company will be relieved from any liability for failure to issue and sell Shares on exercise of any Awards unless and until that authority is obtained.

12. **Company Use of Proceeds from Shares.** Proceeds from the sale of Shares under the Plan will be general funds of the Company.

13. **Adjustments for Changes in Stock.**

(a) **Capitalization Adjustments.** If any change is made in the Common Stock without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of Shares, exchange of Shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), then (i) the aggregate number of Shares or class of securities that may be purchased under Awards granted hereunder, (ii) the aggregate number of Shares or class of securities that may be purchased under Incentive Stock Options granted hereunder, (iii) the number or class of securities covered by outstanding Awards, (iv) the maximum number of Shares with respect to which Options, SARs and Performance Awards may be granted to any single Employee during any calendar year, and (v) the Exercise Price of any Option and the Strike Price of any SAR in effect before the change will be proportionately adjusted by the Administrator to reflect any increase or decrease in the number of issued Shares or change in the Fair Market Value resulting from the transaction; provided, that any fractional Shares resulting from the adjustment will be eliminated by a cash payment. The Administrator will make these adjustments in a manner that will provide an appropriate adjustment that neither increases nor decreases the value of the Award as in effect immediately before the corporate change, and its determination will be final, binding and conclusive. The conversion of any securities of the Company that are by their terms convertible will not be treated as a transaction "without receipt of consideration" by the Company.

(b) **Dissolution or Liquidation.** In the event of a dissolution or liquidation of the Company, then, subject to Section 13(c), all outstanding Awards will terminate immediately before the dissolution or liquidation.

(c) **Change in Control – Asset Sale, Merger, Consolidation or Reverse Merger.**

Unless otherwise provided in an Award Agreement or Service Agreement and to the extent permitted by applicable law, in the event of a Change in Control, a dissolution or liquidation of the Company, an exchange of securities or any corporate separation or division, including, but not limited to, a split-up, a split-off or a spin-off or a sale, in one or a series of related transactions, of all or substantially all of the assets of the Company, a merger or consolidation in which the Company is not the Surviving Entity, or a reverse merger in which the Company is the Surviving Entity but the Shares outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then the Company, to the extent permitted by applicable law, but otherwise in the sole discretion of the Administrator, may provide for: (i) the continuation of outstanding Awards by the Company (if the Company is the Surviving Entity); (ii) the assumption of the Plan and the outstanding Awards by the Surviving Entity or its parent; (iii) the substitution by the Surviving Entity or its parent of awards with substantially the same terms (including an award to acquire the same consideration paid to the shareholders in the transaction described in this Section 13(c)) for the outstanding Awards and, if appropriate, subject to the equitable adjustment provisions of Section 13(a); (iv) the cancellation of the outstanding Awards in consideration for a payment (in the form of securities, cash or such other consideration and under the same terms and conditions as is paid to the shareholders in the transaction) equal in value to the Change in Control Value of vested Awards, or in the case of an outstanding Option or SAR, the difference between the Change in Control Value and the Exercise Price or Strike Price for all Shares subject to exercise (i.e., to the extent vested) under the Option or SAR (subject in each case to withholding as required by applicable law); or (v) the cancellation of the outstanding Awards without payment of any consideration. If the Awards would be canceled without consideration for vested Options or SARs, the Participant will have the right, exercisable during the 10-day period ending on the later of the fifth day before the merger or consolidation or 10 days after the Administrator provides the Participant a notice of cancellation, to exercise the Option or SAR in whole or in part without regard to any installment exercise provisions in the applicable Award Agreement.

14. **Shareholder Approval.** The Plan shall become effective only if, within 12 months from the date the Plan is adopted by the Board, the Plan is approved by the affirmative vote of the Company's shareholders in accordance with the applicable provisions of the Certificate of Incorporation and Bylaws of the Company and applicable state law. The Board may, in its sole discretion, submit any other amendment to the Plan for shareholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

15. **Amendment of the Plan and Awards.**

(a) **Plan Amendment.** The Board at any time may amend or terminate the Plan. However, except as provided in Section 13(a) relating to adjustments on changes in the Common Stock, no amendment will be effective unless approved by the shareholders of the Company to the extent shareholder approval is necessary to satisfy any applicable law or any securities exchange listing requirements. At the time of any amendment, the Board will determine, on advice from counsel, whether the amendment will be contingent on shareholder approval.

(b) **Contemplated Amendments.** It is expressly contemplated that the Board may amend the Plan in any respect the Board determines necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations issued thereunder relating to Incentive Stock Options or to the nonqualified deferred compensation provisions of Section 409A of the Code and to bring the Plan and Awards granted hereunder into compliance therewith. Notwithstanding the foregoing, neither the Board nor the Company nor any Affiliate will have any liability to any Participant or any other Person as to (i) any tax consequences expected, but not realized, by a Participant or any other Person due to the receipt, exercise or settlement of any Award granted hereunder; or (ii) the failure of any Award to comply with Section 409A of the Code.

(c) **Award Amendment.** The Administrator at any time may amend the terms of any one or more Awards. Except as otherwise permitted under Section 13, unless shareholder approval is obtained: (i) no amendment or modification may reduce the Exercise Price of any Option or the Strike Price of any SAR; (ii) the Administrator may not cancel any outstanding Option or SAR and replace it with a new Option or SAR, another Award or cash, if doing so would be considered a “repricing” for purposes of the shareholder approval rules of the applicable securities exchange or inter-dealer quotation system on which the Common Stock is listed or quoted; and (iii) the Administrator may not take any other action that is considered a repricing for purposes of the shareholder approval rules of the applicable securities exchange or inter-dealer quotation system on which the Common Stock is listed or quoted.

(d) **No Impairment of Rights.** No amendment of the Plan or an Award may impair rights or increase a Participant’s obligations under any Award granted before the amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing. For the avoidance of doubt, a cancellation of an Award where the Participant receives a payment equal in value to the Fair Market Value or the Change in Control Value of the vested Award or, in the case of a vested Option or SAR, the difference between the Fair Market Value or the Change in Control Value of the Shares subject to the Award and the Exercise Price or Strike Price, is not an impairment of the Participant’s rights or increase in the Participant’s obligations that requires consent of the Participant.

(e) **Acceleration of Exercisability and Vesting.** The Administrator will have the power to accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest solely upon the death or Disability of the Participant or in the event of a Change in Control that does not provide for the continuation, assumption or substitution of the Award by the Surviving Entity, notwithstanding the provisions in the Award stating the time at which it may first be exercised or the time during which it will vest.

16. **General Provisions.**

(a) **Shareholder Rights.** Except as provided in Section 13(a) of the Plan or as otherwise provided in an Award Agreement, no Participant will be considered the holder of, or to have any of the rights of a holder with respect to, any Shares subject to an Award unless and until the Participant has satisfied all requirements for exercise, payment or delivery of the Award, as applicable, under its terms, and no adjustment will be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions of other rights for

which the record date is before the date of issue of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company).

(b) **Participation not a Guarantee of Service Right.** Nothing in the Plan or any instrument executed or Award granted pursuant thereto will confer on any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without Cause; (ii) the service of a Consultant under the terms of the Consultant's agreement with the Company or an Affiliate; or (iii) the service of a Director under the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(c) **Effect of Plan.** Neither the adoption of the Plan nor any action of the Board or the Administrator shall be deemed to give any Employee, Director or Consultant any right to be granted an Award or any other rights, except as may be evidenced by an Award Agreement or a Service Agreement, or any amendment thereto, duly authorized by the Administrator and executed on behalf of the Company, and then only to the extent and on the terms and conditions expressly set forth in such Award Agreement or Service Agreement. The existence of the Plan and the Awards granted hereunder shall not affect in any way the right of the Board or the shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of bonds, debentures, or shares of preferred stock ahead of or affecting the Common Stock or the rights thereof, the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding.

(d) **Limits on Transfer.** Each Award will be exercisable during the Participant's lifetime only by the Participant, or, if permissible under applicable law, by the Participant's legal guardian or representative. No Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary will not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(i) Notwithstanding the foregoing, the Administrator may, in its sole discretion, permit a Participant to transfer an Award (other than an Incentive Stock Option) by gift or domestic relations order, without consideration, to a Permitted Transferee, subject to such rules as the Administrator may adopt consistent with any applicable Award Agreement to preserve the purposes of the Plan, on condition that the Participant first gives the Administrator advance written notice describing the terms and conditions of the proposed transfer and the Administrator notifies the Participant in writing that the transfer would comply with the requirements of the Plan. If the Award Agreement does not provide for transferability, then the Award will be transferable and exercisable only as provided in the preceding Section 16(d).

(ii) The terms of an Award transferred in accordance with Section 16(d)(i) will apply to the Permitted Transferee, and any reference to a Participant in the Plan or in the Award Agreement will refer to the Permitted Transferee, except that (1) the Permitted Transferee will not be entitled to transfer the Award other than by will or the laws of descent and distribution, (2) the Permitted Transferee is not entitled to exercise a transferred Option unless there is in effect a registration statement on an appropriate form covering the Shares to be acquired by the exercise of the Option if the Administrator determines, consistent with the Award Agreement, that a registration statement is necessary or appropriate, (3) neither the Administrator nor the Company is required to provide any notice to a Permitted Transferee, whether or not notice is or would otherwise have been required to be given to the Participant, and (4) the consequences of the termination of the Participant's Continuous Service under the Plan and the Award Agreement will continue to be applied with respect to the Participant, including, without limitation, that an Option will be exercisable by the Permitted Transferee only to the extent, and for such period, specified in the Plan and the Award Agreement.

(e) **Investment Assurances.** The Company may require a Participant, as a condition of exercising or acquiring Shares under any Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Shares subject to the Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Shares. The foregoing requirements, and any assurances given under those requirements, will be inoperative if (x) the issuance of the Shares on the exercise or acquisition of Shares under the Award has been registered under a then currently effective registration statement under the Securities Act; or (y) as to any particular requirement, a determination is made by counsel for the Company that that requirement need not be met in the circumstances under the then applicable securities laws. The Company may, on advice of counsel to the Company, place legends on stock certificates, if any, issued under the Plan as that counsel considers necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Shares.

(f) **Withholding Obligations.** To the extent provided by the terms of an Award Agreement and subject to the discretion of the Administrator, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Shares under an Award by any one or combination of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company): (i) cash payment; (ii) authorizing the Company to withhold a number of Shares from the Shares otherwise issuable to the Participant as a result of the exercise or acquisition of Shares under the Award, the Fair Market Value of which does not exceed either the maximum statutory tax rates in the Participant's applicable jurisdictions or the amount of tax required to be withheld by law, and in which case the Award will be surrendered and cancelled with respect to the number of Shares retained by the Company (provided that to the extent such direction would result in the Company withholding fractional Shares, the number of Shares to be withheld will be rounded down to the nearest whole and the Participant shall be required to pay the remainder of the

Exercise Price in cash or by certified or bank check); (iii) delivering to the Company previously owned and unencumbered Shares; or (iv) by execution of a recourse promissory note by a Participant. Notwithstanding the foregoing, at any time that the Company is an “*issuer*” as defined in Section 2 of the Sarbanes-Oxley Act of 2002, no Director or executive officer (or equivalent thereof) of the Company or an Affiliate will be permitted to pay any portion of the tax withholding with respect to any Award with a promissory note or in any other form that could be deemed prohibited personal loan under Section 13(k) of the Exchange Act. Unless otherwise provided in the terms of an Award Agreement, payment of the tax withholding by a Participant who is an Officer, a Director or otherwise subject to Section 16 of the Exchange Act, by delivering previously owned and unencumbered Shares or in the form of Share withholding is subject to pre-approval by the Administrator, in its sole discretion. The Administrator will document any pre-approval in the case of a Participant who is an Officer or Director in a manner that complies with the specificity requirements of Rule 16b-3 under the Exchange Act, including the name of the Participant involved in the transaction, the nature of the transaction, the number of Shares to be acquired or disposed of by the Participant and the material terms of the Award involved in the transaction.

(g) **Other Compensation Arrangements.** Nothing contained in the Plan will prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if shareholder approval is required; and those arrangements may be either generally applicable or applicable only in specific cases.

(h) **Recapitalizations.** Each Award Agreement will contain provisions required to reflect the provisions of Section 13(a).

(i) **Delivery.** Subject to Section 16(j), on exercise of a right granted under an Award under the Plan, the Company will issue Shares or pay any amounts due within a reasonable period thereafter. Subject to any statutory or regulatory obligations the Company may otherwise have, for purposes of the Plan, 30 days will be considered a reasonable period.

(j) **Government and Other Regulations.**

(i) The Company’s obligation to settle Awards in Shares or other consideration is subject to all applicable laws, rules and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any terms or conditions of any Award to the contrary, the Company will be under no obligation to offer to sell or to sell, and is prohibited from offering to sell or selling, any Shares under an Award unless the Shares have been properly registered for sale under the Securities Act or unless the Company has received an opinion of counsel, satisfactory to the Company, that the Shares may be offered or sold without registration pursuant to an available exemption therefrom and the terms and conditions of that exemption and of all applicable state securities laws have been fully complied with. The Company will be under no obligation to register for sale under the Securities Act any of the Shares to be offered or sold under the Plan. The Administrator is authorized to provide that all certificates or book entries for Shares or other securities of the Company or any Affiliate delivered under the Plan will be subject to such stop transfer orders and other restrictions as the Administrator may consider advisable under the Plan, the applicable Award Agreement, the federal securities laws, or the rules, regulations and other requirements of the Securities and

Exchange Commission, any securities exchange or inter-dealer quotation system on which the Shares or other securities are then listed or quoted and any other applicable federal, state, local or non-U.S. laws. Notwithstanding any provision in the Plan to the contrary, the Administrator reserves the right to add any additional terms or provisions to any Award granted under the Plan that it in its sole discretion considers necessary or advisable in order that the Award complies with the legal requirements of any governmental entity to whose jurisdiction the Award is subject.

(ii) The Administrator may cancel an Award or any portion thereof if it determines, in its sole discretion, that legal or contractual restrictions, blockage or other market considerations would make the Company's acquisition of Shares from the public markets, the Company's issuance of Shares to the Participant, the Participant's acquisition of Shares from the Company or the Participant's sale of Shares to the public markets, illegal, impracticable or inadvisable. If the Administrator determines to cancel all or any portion of an Award in accordance with the foregoing, the Company will pay to the Participant an amount equal to the excess of (1) the aggregate Fair Market Value of the Shares subject to the Award or portion thereof canceled (determined as of the applicable exercise date, or the date that the Shares would have been vested or delivered, as applicable), over (2) the aggregate Exercise Price or Strike Price (in the case of an Option or SAR, respectively) or any amount payable as a condition of delivery of Shares (in the case of any other Award). The amount payable will be delivered to the Participant as soon as practicable following the cancellation of the Award or portion thereof.

(k) **Clawback or Recoupment.** Notwithstanding any provision in this Plan or any Award Agreement or Service Agreement to the contrary, Awards granted hereunder will be subject, to the extent applicable, (i) to any clawback policy adopted by the Company, and (ii) to the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Sarbanes-Oxley Act of 2002, each as amended, and rules, regulations and binding, published guidance thereunder. If the Company would not be eligible for continued listing, if applicable, under Section 10D(a) of the Exchange Act unless it adopted policies consistent with Section 10D(b) of the Exchange Act, then, in accordance with those policies that are so required, any incentive-based compensation payable to a Participant under this Plan will be subject to clawback in the circumstances, to the extent, and in the manner, required by Section 10D(b)(2) of the Exchange Act, as interpreted by rules of the Securities Exchange Commission. By accepting an Award under this Plan, the Participant consents to any clawback described under this Section 16(k).

(l) **Reliance on Reports.** Each member of the Administrator and each member of the Board will be fully justified in acting or failing to act, as the case may be, and will not be liable for having so acted or failed to act in good faith, in reliance on any report made by the independent public accountant of the Company and its Affiliates or any other information furnished in connection with the Plan by any agent of the Company or the Administrator or the Board, other than himself.

(m) **Foreign Participants.** Without amending the Plan, the Administrator may grant Awards to eligible individuals who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Administrator, be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes, the Administrator may make such modifications, amendments, procedures,

subplans and the like as may be necessary or advisable to comply with the provisions of laws and regulations in other countries or jurisdictions in which the Company or its Affiliates operate.

(n) **Other Provisions.** The Award Agreements authorized under the Plan may contain such other provisions not inconsistent with the Plan, including, without limitation, restrictions on the exercise of the Awards, as the Administrator may consider advisable.

(o) **Cancellation and Rescission of Awards for Detrimental Activity.**

(i) On exercise, payment or delivery under an Award, the Administrator will require a Participant to certify in a manner acceptable to the Company that the Participant has not engaged in any Detrimental Activity.

(ii) Unless the Award Agreement specifies otherwise, the Administrator will cancel, rescind, suspend, withhold or otherwise limit or restrict any unexpired, unpaid or deferred Awards at any time if the Participant engages in any Detrimental Activity.

(iii) If a Participant engages in Detrimental Activity after any exercise, payment or delivery under an Award, during any period for which any restrictive covenant prohibiting the activity is applicable to the Participant, that exercise, payment or delivery will be rescinded within one year thereafter. In the event of any such rescission, the Participant will be required to pay to the Company the amount of any gain realized or payment received as a result of the exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Company. The Company will be entitled to set-off against the amount of that gain any amount owed to the Participant by the Company.

(p) **Unfunded Plan.** The Plan is intended to constitute an “unfunded” plan for incentive compensation. With respect to any cash payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award gives any such Participant any rights that are greater than those of a general creditor of the Company.

17. **Market Standoff.** Each Award Agreement will provide that, in connection with any underwritten public offering by the Company of its equity securities, the Participant agrees not to sell, make any short sale of, loan, hypothecate, pledge, grant any option for the repurchase of, transfer the economic consequences of ownership or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any Shares without the prior written consent of the Company or its underwriters, for the period from and after the effective date of the registration statement as may be requested by the Company or the underwriters (the “*Market Standoff*”). In order to enforce the Market Standoff, the Company may impose stop-transfer instructions with respect to the Shares acquired under the Plan until the end of the applicable standoff period. If there is any change in the number of outstanding Shares by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination, reclassification, dissolution or liquidation of the Company, any corporate separation or division (including, but not limited to, a split-up, a split-off or a spin-off), a merger or consolidation; a reverse merger or similar transaction, then any new, substituted or additional securities that are by reason of the transaction distributed with respect to any Shares subject to the Market Standoff

or into which the Shares thereby become convertible, will immediately be subject to the Market Standoff.

18. Effective Date and Term of Plan.

(a) **Effective Date.** The Plan is effective as of the Effective Date, subject to the approval of the Plan by the shareholders of the Company, which approval must be within 12 months before or after the date the Plan is adopted by the Board.

(b) **Plan Termination or Suspension.** Unless otherwise terminated as provided herein, the Plan will continue in effect until, and automatically terminate on, [the day before the 10th anniversary of the Board's adoption of the Plan]¹¹ or, if the shareholders approve an amendment to the Plan that increases the number of Shares available under the Plan, the day before the 10th anniversary of the date of such shareholder approval. No Award may be granted under the Plan after that date, but Awards theretofore granted may extend beyond that date and will continue to be governed by the terms and conditions of the Plan. The Board may suspend or terminate the Plan at any earlier date under Section 15. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

19. Choice of Law. The laws of the State of Texas will govern all questions concerning the construction, validity and interpretation of the Plan, without regard to that state's conflict of law rules.

20. Limitation on Liability. The Company and any Affiliate that is in existence or that hereafter comes into existence will have no liability to any Participant or to any other Person as to (a) the non-issuance or sale of Shares due to the Company's inability to obtain from any regulatory body having jurisdiction the authority considered by the Company's counsel necessary for the lawful issuance and sale of any Shares hereunder; (b) any tax consequences expected, but not realized, by a Participant or any other Person due to the receipt, exercise or settlement of any Award granted hereunder; or (c) the failure of any Award that is determined to be "nonqualified deferred compensation" to comply with Section 409A of the Code and the regulations thereunder.

21. Execution. To record the adoption of the Plan by the Board, the Company has caused its authorized officer to execute the Plan as of the date specified below.

Signature page follows

¹¹ This assumes adoption by the Board prior to the date of the shareholders meeting.

IN WITNESS WHEREOF, on authorization of the Board, the undersigned has executed the Mannatech, Incorporated 2017 Stock Incentive Plan, effective as of the Effective Date.

MANNATECH, INCORPORATED

By: _____
[Name and Title]

**MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN
PERFORMANCE STOCK UNIT AWARD CERTIFICATE**

THIS IS TO CERTIFY that Mannatech, Incorporated, a Texas corporation (the “*Company*”), has granted you (the “*Participant*”) hypothetical units of Common Stock (“*Performance Stock Units*”) under the Company’s 2017 Stock Incentive Plan (the “*Plan*”), as follows:

Name of Participant: _____
 Address of Participant: _____

 Number of Performance Stock Units: _____
 Date of Grant: _____
 Performance Period: _____
 Vesting Schedule: _____

<u>Performance Goals</u>¹	<u>Performance Units Vested</u>
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By your signature and the signature of the Company’s representative below, you and the Company agree to be bound by all of the terms and conditions of the attached Performance Stock Unit Award Agreement and the Plan (both incorporated herein by this reference as if set forth in full in this document). By executing this Certificate, you hereby irrevocably elect to accept the Performance Stock Unit rights granted under this Certificate and the related Performance Stock Unit Award Agreement and to receive the Performance Stock Units designated above subject to the terms of the Plan, this Certificate and the Award Agreement.

Participant:	Mannatech, Incorporated
_____ Name: _____, an individual	By: _____ Title: _____
Dated: _____	Dated: _____

¹ Subject to certification of achievement by the Administrator.

**MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN**

PERFORMANCE STOCK UNIT AWARD AGREEMENT

This Performance Stock Unit Award Agreement (the “*Agreement*”), is entered into on the Date of Grant, subject to the Participant’s acceptance of the terms of the Agreement evidenced by the Participant’s signature on the Performance Stock Unit Award Certificate to which the Agreement is attached (the “*Certificate*”), by and between Mannatech, Incorporated, a Texas corporation (the “*Company*”), and the Participant named in the Certificate.

Under the Mannatech, Incorporated 2017 Stock Incentive Plan (the “*Plan*”), the Administrator has authorized the grant to the Participant of the number of Performance Stock Units set forth in the Certificate (the “*Award*”), under the terms and subject to the conditions set forth in this Agreement, the Certificate and the Plan. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Plan.

NOW, THEREFORE, in consideration of the premises and the benefits to be derived from the mutual observance of the covenants and promises contained in this Agreement and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Basis for Award.** This Award is granted under the Plan for valid consideration provided to the Company by the Participant. By the Participant’s execution of the Certificate, the Participant agrees to accept the Award rights granted under the Certificate and this Agreement and to receive the Performance Stock Units designated in the Certificate subject to the terms of the Plan, the Certificate and this Agreement.
 2. **Performance Stock Units Awarded.** The Company hereby awards and grants to the Participant the number of Performance Stock Units set forth in the Certificate. Each Performance Stock Unit represents a right to receive one Share (or the cash equivalent) from the Company upon vesting of the Performance Stock Unit as provided in Section 3 below. Vested Performance Stock Units will be settled as provided in Section 4 below. The Company will, in accordance with the Plan, establish and maintain an account (the “*Performance Stock Unit Account*”) for the Participant and will credit that account for the number of Performance Stock Units granted to the Participant. The value of each Performance Stock Unit on any given date will equal the Fair Market Value of one Share on that date.
 3. **Vesting.** Subject to the Administrator’s written certification pursuant to Section 8(d) of the Plan, the Performance Stock Units will vest pursuant to the Vesting Schedule set forth in the Certificate, on condition that the Participant is still in Continuous Service at the end of the Performance Period. If the Participant ceases Continuous Service for any reason before the date of the Administrator’s written certification, the Participant will immediately forfeit the Performance Stock Units.
 4. **Settlement.** The Company will settle the Award on the Settlement Date or Dates set forth in the Certificate by issuing to the Participant one Share for each Performance Stock Unit that has satisfied all vesting requirements on that Settlement Date. Upon settlement, the Performance
-

Stock Units will cease to be credited to the Performance Stock Unit Account. If the Certificate does not specify a Settlement Date, the applicable Settlement Date will be each vesting date set forth in the Vesting Schedule. Subject to the satisfaction of the withholding provisions in Section 7 below, the Administrator will cause a stock certificate to be delivered on the applicable Settlement Date to the Participant with respect to the Shares issued on that Settlement Date, free of all restrictions hereunder, except for applicable federal securities laws restrictions, and will enter the Participant's name as shareholder of record with respect to such Shares on the books of the Company. The Participant acknowledges and agrees that Shares may be issued in electronic form as a book entry with the Company's transfer agent and no physical certificates need be issued.

5. **Restrictions on Transfer.** Until the applicable Settlement Date, the Performance Stock Units may not be pledged, hypothecated or transferred in any manner other than by will or by the applicable laws of descent and distribution, or if approved in writing by the Administrator, by gift or domestic relations order to a Permitted Transferee, provided that the Performance Stock Units will remain subject to the terms of the Plan, the Certificate and this Agreement.

6. **Compliance with Laws and Regulations.** The issuance and transfer of Shares on any Settlement Date is subject to the Company's and the Participant's full compliance, to the satisfaction of the Company and its counsel, with all applicable requirements of federal, state and foreign securities laws and with all applicable requirements of any securities exchange on which the Common Stock may be listed at the time of issuance or transfer. The Participant understands that the Company is under no obligation to register or qualify the Shares with the Securities and Exchange Commission, any state securities commission, foreign securities regulatory authority or any securities exchange to effect such compliance.

7. **Tax Withholding.** As a condition to the settlement under Section 4 above, on or before the date on which any portion of the Performance Stock Units vest the Participant must pay to the Company any federal, state or local taxes required by law to be withheld with respect to the Performance Stock Units that vest. In addition to the Company's right to withhold from any compensation paid to the Participant by the Company, the Participant may provide for payment of withholding taxes in full by cash or check or, if the Administrator permits, by one or more of the alternative methods of payment set forth in the Plan.

8. **[Dividend Equivalents.** If the Company pays any cash dividend on its outstanding Common Stock for which the record date occurs after the Date of Grant, the Administrator will credit the Performance Stock Unit Account as of the dividend payment date in an amount equal to the dividend paid by the Company on a single Share multiplied by the number of Performance Stock Units under this Agreement that are unvested as of the record date ("**Dividend Equivalents**"). Dividend Equivalents will be subject to all of the terms and conditions of this Agreement, and will vest or be paid to the Participant if, and only if, the corresponding Performance Stock Unit vests and is settled. Any payment in respect of Dividend Equivalents will be subject to tax withholding by the Company.]²

² Including Dividend Equivalents is optional at the Administrator's discretion.

9. **No Right to Continued Service.** Nothing in this Agreement or in the Plan imposes or may be deemed to impose, by implication or otherwise, any limitation on any right of the Company or its Affiliates to terminate the Participant's Continuous Service at any time.

10. **Representations and Warranties of the Participant.** The Participant represents and warrants to the Company as follows:

(a) **Acknowledgement and Agreement to Terms of the Plan.** The Participant acknowledges receipt of a copy of the Plan, the Certificate, this Agreement and the prospectus dated [____], 2017 covering the Shares reserved for issuance under the Plan. The Participant has read and understands the terms of the Plan, the Certificate and this Agreement and agrees to be bound by their terms and conditions. The Participant acknowledges that there may be adverse tax consequences on the vesting and settlement of the Performance Stock Units or disposition of any Shares received on settlement of Performance Stock Units, and that the Participant should consult a tax advisor before such time. The Participant agrees to sign such additional documentation as the Company may reasonably require from time to time.

(b) **Compliance with Securities Laws.** The Participant understands and acknowledges that, notwithstanding any other provision of the Agreement to the contrary, the issuance and holding of Shares is expressly conditioned on compliance with the Securities Act and all applicable federal, state and foreign securities laws. The Participant agrees to cooperate with the Company to ensure compliance with such laws.

(c) **Consent to Market Standoff.** If an underwritten public offering by the Company of its equity securities occurs, the Participant agrees not to sell, make any short sale of, loan, hypothecate, pledge, grant any option for the repurchase of, transfer the economic consequences of ownership, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any Shares acquired under this Agreement without the prior written consent of the Company or its underwriters, for such period of time from and after the effective date of the registration statement as may be requested by the Company or the underwriters. In order to enforce the Market Standoff, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Agreement until the end of the applicable standoff period. If there is any change in the number of outstanding Shares by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination, reclassification, dissolution or liquidation of the Company, any corporate separation or division (including, but not limited to, a split-up, a split-off, or a spin-off), a merger or consolidation, a reverse merger, or similar transaction, then any new, substituted, or additional securities which are by reason of the transaction distributed with respect to any Shares subject to the Market Standoff, or into which the Shares thereby become convertible, will immediately be subject to the Market Standoff.

11. **No Interest in Company Assets.** All amounts credited to the Participant's Performance Stock Unit Account under this Agreement will continue for all purposes to be part of the general assets of the Company. The Participant's interest in the Performance Stock Unit Account will make the Participant only a general, unsecured creditor of the Company.

12. **No Shareholder Rights before Issuance.** The Participant will have no right, title or interest in, nor be entitled to vote or to receive distributions in respect of, nor otherwise be considered the owner of, any of the Shares covered by the Performance Stock Units until the Shares are issued in accordance with Section 4 hereof.

13. **General Terms**

(a) **Interpretation.** Any dispute regarding the interpretation of this Agreement must be submitted by the Participant or the Company to the Administrator for review. The Administrator's resolution of such dispute will be final and binding on the Company and the Participant.

(b) **Entire Agreement.** The Plan and the Certificate are incorporated into this Agreement by reference, and the Participant hereby acknowledges that a copy of each has been made available to the Participant. This Agreement, the Certificate and the Plan constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms and conditions of this Agreement, the Certificate and the Plan, the Plan will govern.

(c) **Modification.** This Agreement may be modified only in writing signed by both parties.

(a) **Notices.** Any notice required under this Agreement to be delivered to the Company must be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to the Participant must be in writing and addressed to the Participant at the address indicated on the Certificate or to such other address as the Participant designates in writing to the Company. All notices will be deemed to have been delivered: (i) on personal delivery, (ii) five days after deposit in the United States mail by certified or registered mail (return receipt requested), (iii) two business days after deposit with any return receipt express courier (prepaid) or (iv) one business day after transmission by fax or email.

(d) **Successors and Assigns.** The Company may assign any of its rights under this Agreement. This Agreement will be binding on and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement is binding on the Participant and the Participant's heirs, executors, administrators, legal representatives, successors and assigns.

(e) **Governing Law.** This Agreement is governed by and to be construed in accordance with the laws of the State of Texas without giving effect to its conflict of law principles. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then that provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

Stock Option Award (#) _____

**MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN
STOCK OPTION AWARD CERTIFICATE**

THIS IS TO CERTIFY that Mannatech, Incorporated, a Texas corporation (the “*Company*”), has granted you (the “*Participant*”) an option to purchase shares of its Common Stock under its 2017 Stock Incentive Plan (the “*Plan*”), as follows:

Participant: _____

Participant’s Address: _____

Total Option Shares: _____

Exercise Price per Share: \$[●]

Type of Option (check one): Incentive Stock Option Nonqualified Stock Option

Date of Grant: _____

Expiration Date: _____

Vesting Commencement Date: _____

Vesting Schedule:	<u>Anniversary of Vesting Commencement Date</u>	<u>Percentage of Option Shares Vested</u>
		%
		%
		%
		%

By your signature and the signature of the Company’s representative below, you and the Company agree to be bound by all of the terms and conditions of the attached Stock Option Award Agreement and the Plan (both incorporated herein by this reference as if set forth in full in this document). By executing this Certificate, you hereby irrevocably elect to accept the Stock Option rights granted under this Certificate and the related Stock Option Award Agreement and to receive the Option to purchase shares of Common Stock designated above subject to the terms of the Plan, this Certificate and the Stock Option Award Agreement.

Participant: **Mannatech, Incorporated**

Name: _____, an individual By: _____
Title: _____

Dated: _____ Dated: _____

MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN
STOCK OPTION AWARD AGREEMENT

This Stock Option Award Agreement (this “*Agreement*”), is made and entered into on the execution date of the Stock Option Award Certificate to which it is attached (the “*Certificate*”), by and between Mannatech, Incorporated, a Texas corporation (the “*Company*”), and the Participant named in the Certificate.

Under the Company’s 2017 Stock Incentive Plan (the “*Plan*”), the Administrator has authorized the grant to the Participant of the Option to purchase Shares (the “*Award*”), under the terms and subject to the conditions set forth in the Certificate, this Agreement and in the Plan. Capitalized terms not otherwise defined in this Agreement have the meanings ascribed to them in the Plan.

NOW, THEREFORE, in consideration of the premises and the benefits to be derived from the mutual observance of the covenants and promises contained in this Agreement and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Grant of Option.** The Company hereby grants to the Participant an Option to purchase the number of Shares (the “*Option Shares*”) set forth in the Certificate as Total Option Shares at the Exercise Price per share set forth in the Certificate, subject to all of the terms and conditions of the Certificate, this Agreement and the Plan. If designated as an Incentive Stock Option in the Certificate, the Option is intended to qualify as an “incentive stock option” (an “*ISO*”) as defined in Section 422(b) of the Code, although the Company makes no representation or guarantee that the Option will qualify as an ISO.

2. **Right to Exercise**

(a) **Vesting.** The Award will vest and become exercisable according to the Vesting Schedule set forth in the Certificate. If application of the Vesting Schedule causes a fractional Share to otherwise become exercisable, the Share will be rounded down to the nearest whole Share for each vesting period except for the last period in the Vesting Schedule, at which time the Award will become exercisable for the full remainder of the Option Shares.

(b) **Exercise Period.** Unless the Award expires as provided in Section 3, the Award may be exercised after the Date of Grant set forth in the Certificate to the extent the Award has vested. The Award cannot be exercised for fractional Option Shares. The Option Shares issued on exercise of the Award will be subject to the restrictions on transfer set forth in Section 10.

(c) **Shareholder Approval.** Notwithstanding anything in this Agreement to the contrary, no portion of this Award will be exercisable at any time before the Plan is approved by the Company’s shareholders.

3. **Expiration.** The Award will expire at 12:01 am Central Time on the Expiration Date set forth in the Certificate or earlier as provided in Section 4 below.

4. **Termination of Continuous Service.** The right to exercise the Award is subject to the following terms and conditions.

(a) **Forfeiture of Unvested Options.** If the Participant's Continuous Service terminates for any reason (including Participant's death or Disability) other than by the Company or an Affiliate for Cause, the unvested portion of the Award will terminate at the close of business on the date of termination.

(b) **For Cause.** If the Company or an Affiliate terminates the Participant's Continuous Service for Cause, then all of the Participant's rights under this Agreement will expire and the entire Award will terminate, regardless of whether or to what extent vested, as of the beginning of business on the date of the Participant's termination of Continuous Service.

(c) **For Any Reason other than Cause, Death or Disability.** If the Participant's Continuous Service terminates for any reason other than the Participant's death or Disability or by the Company or an Affiliate for Cause, the Participant may exercise the Award to the extent (and only to the extent) the Award is vested and exercisable at the time of such termination, but only during the period ending on the earlier of (i) the date that is three months following the date of such termination or (ii) the Expiration Date. The Award will immediately terminate at the end of such period and any unexercised Option will cease to be exercisable.

(d) **Death or Disability.** If the Participant's Continuous Service is terminated by reason of the Participant's death or Disability, or if the Participant dies within three months after the date of termination of the Participant's Continuous Service for any reason other than by the Company or an Affiliate for Cause, the Participant (or his or her legal representative, executor, administrator, heir, or legatee, as the case may be) may exercise the Award to the extent the Award is vested and exercisable at the time of such termination, but only during the period ending on the earlier of (i) the date that is 12 months following the date of such termination or (ii) the Expiration Date. The Award will immediately terminate at the end of such period and any unexercised Option will cease to be exercisable.

(e) **Extension of Termination Date.** Notwithstanding anything in this Section 4 to the contrary, if the exercise of the Award following the termination of the Participant's Continuous Service for any reason other than the Participant's death or Disability or by the Company or an Affiliate for Cause would violate any applicable federal, state or local law, then the Award will remain exercisable until the earlier of (i) the date that is 30 days after the exercise of the Award would no longer violate any applicable federal, state or local law or (ii) the Expiration Date. The Award will immediately terminate at the end of such period and any unexercised Option will cease to be exercisable.

(f) **Effect of Termination of Employment on ISO Status.** If permitted by this Agreement, any exercise beyond (i) three months after the date of termination of the Participant's employment with the Company and its "subsidiary corporations," as defined in Code Section 424(f), for any reason other than the Participant's death or Disability, or (ii) 12 months after the date of termination of the Participant's employment with the Company and its subsidiary corporations by reason of the Participant's death or Disability, will be treated as an exercise of a Nonqualified Stock Option and not an ISO.

5. Manner of Exercise

(a) **Exercise Notice.** To exercise this Award, the Participant (or in the case of exercise after the Participant's death or incapacity, the Participant's legal representative, executor, administrator, heir or legatee, as the case may be) must deliver to the Administrator a fully executed stock option exercise notice and agreement in the form attached hereto, or in any other form as approved by the Administrator (the "**Exercise Notice**"). The Exercise Notice must set forth, *inter alia*, (i) the Participant's election to exercise the Award; (ii) the number of Option Shares being purchased; (iii) any restrictions imposed on the Option Shares; and (iv) any representations, warranties or agreements regarding the Participant's investment intent and access to information as the Company may require to comply with applicable securities laws. The Award may be exercised by someone other than the Participant only on submission of documentation reasonably acceptable to the Administrator verifying that the Person has the legal right to exercise the Award.

(b) **Payment.** Unless otherwise permitted and under such terms as are approved by the Administrator in its sole discretion, the entire Exercise Price must be paid in full by cash or check for an amount equal to the aggregate Exercise Price for the number of Option Shares being purchased.

(c) **Tax Withholding.** As a condition to the exercise of the Award, before the issuance of the Option Shares the Participant must pay or provide for any applicable federal, state, or local tax withholding obligations of the Company. In addition to the Company's right to withhold from any compensation paid to the Participant by the Company, the Participant may provide for payment of withholding taxes in full by cash or check or, if permitted by the Administrator, by one or more of the alternative methods of payment described in the Plan.

(d) **Issuance of Option Shares.** Subject to the conditions that the Exercise Notice and payment (including applicable tax withholding) are in form and substance satisfactory to the Administrator, the Company will issue the Option Shares registered in the name of the Participant, the Participant's authorized assignee, or Participant's legal representative. The Award will be deemed exercised on the Administrator's receipt of the fully executed Exercise Notice accompanied by required payment. The Company will deliver certificates representing the Option Shares with the appropriate legends affixed thereto. If the Option Shares are not fully vested, the Company may hold the certificates in its custody until vested.

6. **Compliance with Laws and Regulations.** The exercise of the Award and the issuance and transfer of Option Shares is subject to the Company's and Participant's full compliance, to the satisfaction of the Company and its counsel, with all applicable requirements of federal, state, and foreign securities laws and with all applicable requirements of any securities exchange on which the Common Stock may be listed at the time of issuance or transfer. The Participant understands that the Company is under no obligation to register or qualify the Option Shares with the Securities and Exchange Commission, any state or foreign securities regulatory authority or any securities exchange to effect compliance.

7. **Disqualifying Disposition of ISO Shares.** If the Award is an ISO and the Participant sells or otherwise disposes of any Option Shares acquired under the Award on or before the later

of (a) the second anniversary of the Date of Grant or (b) the first anniversary of the transfer of the Option Shares to the Participant on exercise of the Award, the Participant must immediately notify the Company in writing of the disposition. If any such disposition causes Participant to be subject to income tax withholding by the Company on the income recognized by the Participant, the Participant must satisfy the withholding obligation by payment in cash or out of the current wages or other compensation payable to the Participant by the Company or any Affiliate.

8. **Non-Transferability.** If the Award is an ISO, it may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the Participant only by the Participant or, in the event of the Participant's incapacity, by the Participant's legal representative. If the Award is a Nonqualified Stock Option, on the Administrator's written approval the Award may be transferred by gift or domestic relations order to a Permitted Transferee in accordance with the Plan.

9. **Privileges of Stock Ownership.** The Participant will not have any of the rights of a shareholder with respect to any Option Shares unless and until the Option Shares are issued to the Participant.

10. **Restrictions on Transfer of Option Shares**

(a) **Securities Law Restrictions.** Regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any state or foreign jurisdiction, the Company at its discretion may impose restrictions on the sale, pledge or other transfer of the Option Shares (including the placement of appropriate legends on stock certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable to achieve compliance with the Securities Act, the securities laws of any state or foreign jurisdiction, or any other law.

(b) **Consent to Market Standoff.** If an underwritten public offering by the Company of its equity securities occurs, the Participant agrees not to sell, make any short sale of, loan, hypothecate, pledge, grant any option for the repurchase of, transfer the economic consequences of ownership, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any Option Shares without the prior written consent of the Company or its underwriters, for such period of time from and after the effective date of the registration statement as may be requested by the Company or the underwriters. In order to enforce the Market Standoff, the Company may impose stop-transfer instructions with respect to the Option Shares acquired under this Agreement until the end of the applicable standoff period. If there is any change in the number of outstanding Shares by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination, reclassification, dissolution or liquidation of the Company, any corporate separation or division (including, but not limited to, a split-up, a split-off, or a spin-off), a merger or consolidation, a reverse merger, or similar transaction, then any new, substituted, or additional securities which are by reason of the transaction distributed with respect to any Option Shares subject to the Market Standoff, or into which the Option Shares thereby become convertible, will immediately be subject to the Market Standoff.

(c) **Administration.** Any determination by the Administrator and its counsel in connection with any of the matters set forth in this Section 10 will be conclusive and binding on Participant and all other Persons.

11. **No Right to Continued Service.** Nothing in this Agreement or the Plan imposes or may be deemed to impose, by implication or otherwise, any limitation on any right of the Company and its Affiliates to terminate Participant's Continuous Service at any time.

12. **General**

(a) **Interpretation.** Any dispute regarding the interpretation of this Agreement must be submitted by the Participant or the Company to the Administrator for review. The resolution of any dispute by the Administrator will be final and binding on the Company and Participant.

(b) **Entire Agreement.** The Plan and the Certificate are incorporated into this Agreement by reference, and together with this Agreement constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms and conditions of this Agreement, the Certificate and the Plan, the Plan will govern.

(c) **Notices.** Any notice required under this Agreement to be delivered to the Company must be in writing and addressed to the Secretary of the Company at its principal corporate offices. Any notice required to be delivered to the Participant must be in writing and addressed to the Participant at the address indicated on the Certificate or to such other address as Participant designates in writing to the Company. All notices will be deemed to have been delivered: (i) on personal delivery, (ii) five days after deposit in the United States mail by certified or registered mail (return receipt requested), (iii) two business days after deposit with any return receipt express courier (prepaid) or (iv) one business day after transmission by fax.

(d) **Successors and Assigns.** The Company may assign any of its rights under this Agreement. This Agreement will be binding on and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement is binding on Participant and Participant's heirs, executors, administrators, legal representatives, successors and assigns.

(e) **Governing Law.** This Agreement is governed by and construed in accordance with the laws of the State of Texas without giving effect to its conflict of law principles. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then that provision will be enforced to the maximum extent possible and the other provisions of the Agreement will remain fully effective and enforceable.

13. **Receipt and Acceptance.** The Participant acknowledges receipt of a copy of the Plan, the Certificate, this Agreement and the prospectus dated [____], 2017 covering the Shares reserved for issuance under the Plan. The Participant has read and understands the terms of the Plan, the Certificate and this Agreement, and agrees to be bound by their terms and conditions. The Participant acknowledges that there may be adverse tax consequences on exercise of the Award or disposition of the Option Shares and that the Participant should consult a tax advisor before any exercise of the Award or disposition of the Option Shares.

STOCK OPTION EXERCISE NOTICE

Incentive Stock Option

Option Holder: _____

Nonqualified Stock Option

Date: _____

Mannatech, Incorporated
600 S. Royal Lane
Suite 200
Coppell, TX 75019
Attention: [Chief Financial Officer]

To whom it may concern:

1. **Option.** I was granted an option (the "**Option**") to purchase shares of the common stock (the "**Option Shares**") of Mannatech, Incorporated (the "**Company**"), under the Company's 2017 Stock Incentive Plan (the "**Plan**"), my Certificate of Stock Option Award (the "**Certificate**") and my Stock Option Award Agreement (the "**Award Agreement**") as follows:

Award Number: _____
Date of Grant of Award: _____
Number of Option Shares: _____
Exercise Price per Share: \$ _____

2. **Exercise of Option.** I hereby elect to exercise the Option to purchase the following number of Option Shares, all of which are vested in accordance with the Certificate and the Award Agreement:

Total Option Shares Purchased: _____
Net Exercise Price: \$ _____
(Option Shares Purchased
x Exercise Price per Share)

3. **Payments.** I enclose payment in full of the Net Exercise Price for the Option Shares in the following form or forms, as authorized by the Award Agreement:

Cash: \$ _____
Check: \$ _____
Other: Contact Administrator

4. **Tax Withholding.** As a condition of exercise, I authorize payroll withholding and otherwise will make adequate provision for the federal, state, local and foreign tax withholding

obligations of the Company, if any, in connection with my exercise of the Option in one or more of the following forms:

Cash: \$ _____
Check: \$ _____
Other: Contact Administrator

5. **Option Holder Information**

My address is: _____

My Social Security Number is: _____

6. **No Detrimental Activity.** I hereby certify that I am in compliance with the terms and conditions of the Plan and have not engaged in any Detrimental Activity as defined in the Plan.

7. **Notice of Disqualifying Disposition.** If the Option is an Incentive Stock Option, I agree that I will promptly notify [the Chief Financial Officer of] the Company if I transfer any of the Option Shares within *one year* from the date of exercise or within *two years* of the Option's Date of Grant.

8. **Acknowledgement.** I understand and agree that I am purchasing the Option Shares under the terms of the Plan, the Certificate and the Award Agreement, copies of which I have received and read carefully and understand and to all of which I hereby expressly assent. This agreement will inure to the benefit of and be binding on my heirs, executors, administrators, successors and assigns.

Signed,

(Signature)

Receipt of the above is hereby acknowledged.

Mannatech, Incorporated

By: _____
Title: _____
Date: _____

**MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN**

RESTRICTED STOCK UNIT AWARD AGREEMENT

This Restricted Stock Unit Award Agreement (the “*Agreement*”), is entered into on the Date of Grant, subject to the Participant’s acceptance of the terms of the Agreement evidenced by the Participant’s signature on the Restricted Stock Unit Award Certificate to which the Agreement is attached (the “*Certificate*”), by and between Mannatech, Incorporated, a Texas corporation (the “*Company*”), and the Participant named in the Certificate.

Under the Mannatech, Incorporated 2017 Stock Incentive Plan (the “*Plan*”), the Administrator has authorized the grant to the Participant of the number of Restricted Stock Units set forth in the Certificate (the “*Award*”), under the terms and subject to the conditions set forth in this Agreement, the Certificate and the Plan. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Plan.

NOW, THEREFORE, in consideration of the premises and the benefits to be derived from the mutual observance of the covenants and promises contained in this Agreement and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Basis for Award.** This Award is granted under the Plan for valid consideration provided to the Company by the Participant. By the Participant’s execution of the Certificate, the Participant agrees to accept the Award rights granted under the Certificate and this Agreement and to receive the Restricted Stock Units designated in the Certificate subject to the terms of the Plan, the Certificate and this Agreement.
 2. **Restricted Stock Units Awarded.** The Company hereby awards and grants to the Participant the number of Restricted Stock Units set forth in the Certificate. Each Restricted Stock Unit represents a right to receive one Share (or the cash equivalent) from the Company upon vesting of the Restricted Stock Unit as provided in Section 3 below. Vested Restricted Stock Units will be settled as provided in Section 4 below. The Company will, in accordance with the Plan, establish and maintain an account (the “*Restricted Stock Unit Account*”) for the Participant and will credit that account for the number of Restricted Stock Units granted to the Participant. The value of each Restricted Stock Unit on any given date will equal the Fair Market Value of one Share on that date.
 3. **Vesting.** The Restricted Stock Units will vest under the Vesting Schedule set forth in the Certificate, on condition that the Participant is still then in Continuous Service. If the Participant ceases Continuous Service for any reason the Participant will immediately forfeit the unvested Restricted Stock Units.
 4. **Settlement.** The Company will settle the Award on the Settlement Date or Dates set forth in the Certificate by issuing to the Participant one Share for each Restricted Stock Unit that has satisfied all vesting requirements on that Settlement Date. Upon settlement, the Restricted Stock Units will cease to be credited to the Restricted Stock Unit Account. If the Certificate does not specify a Settlement Date, the applicable Settlement Date will be each vesting date set forth in
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the Vesting Schedule. Subject to the satisfaction of the withholding provisions in Section 7 below, the Administrator will cause a stock certificate to be delivered on the applicable Settlement Date to the Participant with respect to the Shares issued on that Settlement Date, free of all restrictions hereunder, except for applicable federal securities laws restrictions, and will enter the Participant's name as shareholder of record with respect to such Shares on the books of the Company. The Participant acknowledges and agrees that Shares may be issued in electronic form as a book entry with the Company's transfer agent and no physical certificates need be issued.

5. **Restrictions on Transfer.** Until the applicable Settlement Date, the Restricted Stock Units may not be pledged, hypothecated or transferred in any manner other than by will or by the applicable laws of descent and distribution, or if approved in writing by the Administrator, by gift or domestic relations order to a Permitted Transferee, provided that the Restricted Stock Units will remain subject to the terms of the Plan, the Certificate and this Agreement.

6. **Compliance with Laws and Regulations.** The issuance and transfer of Shares on any Settlement Date is subject to the Company's and the Participant's full compliance, to the satisfaction of the Company and its counsel, with all applicable requirements of federal, state and foreign securities laws and with all applicable requirements of any securities exchange on which the Common Stock may be listed at the time of issuance or transfer. The Participant understands that the Company is under no obligation to register or qualify the Shares with the Securities and Exchange Commission, any state securities commission, foreign securities regulatory authority or any securities exchange to effect such compliance.

7. **Tax Withholding.** As a condition to settlement under Section 4 above, on or before the date on which any portion of the Restricted Stock Units vest the Participant must pay to the Company any federal, state or local taxes required by law to be withheld with respect to the Restricted Stock Units that vest. In addition to the Company's right to withhold from any compensation paid to the Participant by the Company, the Participant may provide for payment of withholding taxes in full by cash or check or, if the Administrator permits, by one or more of the alternative methods of payment set forth in the Plan.

8. **[Dividend Equivalents.** If the Company pays any cash dividend on its outstanding Common Stock for which the record date occurs after the Date of Grant, the Administrator will credit the Restricted Stock Unit Account as of the dividend payment date with an amount equal to the dividend paid by the Company on a single Share multiplied by the number of Restricted Stock Units under this Agreement that are unvested as of the record date ("*Dividend Equivalents*"). Dividend Equivalents will be subject to all of the terms and conditions of this Agreement, and will vest and be paid to the Participant if, and only if, the corresponding Restricted Stock Unit vests and is settled. Any payment in respect of Dividend Equivalents will be subject to tax withholding by the Company.]¹

9. **No Right to Continued Service.** Nothing in this Agreement or in the Plan imposes or may be deemed to impose, by implication or otherwise, any limitation on any right of the Company or its Affiliates to terminate the Participant's Continuous Service at any time.

¹ Including Dividend Equivalents is optional at the Administrator's discretion.

10. **Representations and Warranties of the Participant.** The Participant represents and warrants to the Company as follows:

(a) **Acknowledgement and Agreement to Terms of the Plan.** The Participant acknowledges receipt of a copy of the Plan, the Certificate, this Agreement and the prospectus dated [____], 2017 covering the Shares reserved for issuance under the Plan. The Participant has read and understands the terms of the Plan, the Certificate and this Agreement and agrees to be bound by their terms and conditions. The Participant acknowledges that there may be adverse tax consequences on the vesting and settlement of the Award or disposition of any Shares received on settlement of Restricted Stock Units, and that the Participant should consult a tax advisor before such time. The Participant agrees to sign such additional documentation as the Company may reasonably require from time to time.

(b) **Compliance with Securities Laws.** The Participant understands and acknowledges that, notwithstanding any other provision of the Agreement to the contrary, the issuance and holding of Shares is expressly conditioned on compliance with the Securities Act and all applicable federal, state and foreign securities laws. The Participant agrees to cooperate with the Company to ensure compliance with such laws.

(c) **Consent to Market Standoff.** If an underwritten public offering by the Company of its equity securities occurs, the Participant agrees not to sell, make any short sale of, loan, hypothecate, pledge, grant any option for the repurchase of, transfer the economic consequences of ownership, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any Shares acquired under this Agreement without the prior written consent of the Company or its underwriters, for such period of time from and after the effective date of the registration statement as may be requested by the Company or the underwriters. In order to enforce the Market Standoff, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Agreement until the end of the applicable standoff period. If there is any change in the number of outstanding Shares by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination, reclassification, dissolution or liquidation of the Company, any corporate separation or division (including, but not limited to, a split-up, a split-off, or a spin-off), a merger or consolidation, a reverse merger, or similar transaction, then any new, substituted, or additional securities which are by reason of the transaction distributed with respect to any Shares subject to the Market Standoff, or into which the Shares thereby become convertible, will immediately be subject to the Market Standoff.

11. **No Interest in Company Assets.** All amounts credited to the Participant's Restricted Stock Unit Account under this Agreement will continue for all purposes to be part of the general assets of the Company. The Participant's interest in the Restricted Stock Unit Account will make the Participant only a general, unsecured creditor of the Company.

12. **No Shareholder Rights before Issuance.** The Participant will have no right, title or interest in, nor be entitled to vote or to receive distributions in respect of, nor otherwise be considered the owner of, any of the Shares covered by the Restricted Stock Units until the Shares are issued in accordance with Section 4 hereof.

13. General Terms

(a) **Interpretation.** Any dispute regarding the interpretation of this Agreement must be submitted by the Participant or the Company to the Administrator for review. The Administrator's resolution of such dispute will be final and binding on the Company and the Participant.

(b) **Entire Agreement.** The Plan and the Certificate are incorporated into this Agreement by reference, and the Participant hereby acknowledges that a copy of each has been made available to the Participant. This Agreement, the Certificate and the Plan constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms and conditions of this Agreement, the Certificate and the Plan, the Plan will govern.

(c) **Modification.** This Agreement may be modified only in writing signed by both parties.

(a) **Notices.** Any notice required under this Agreement to be delivered to the Company must be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to the Participant must be in writing and addressed to the Participant at the address indicated on the Certificate or to such other address as the Participant designates in writing to the Company. All notices will be deemed to have been delivered: (i) on personal delivery, (ii) five days after deposit in the United States mail by certified or registered mail (return receipt requested), (iii) two business days after deposit with any return receipt express courier (prepaid) or (iv) one business day after transmission by fax or email.

(d) **Successors and Assigns.** The Company may assign any of its rights under this Agreement. This Agreement will be binding on and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement is binding on the Participant and the Participant's heirs, executors, administrators, legal representatives, successors and assigns.

(e) **Governing Law.** This Agreement is governed by and to be construed in accordance with the laws of the State of Texas without giving effect to its conflict of law principles. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then that provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

**MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN
STOCK APPRECIATION RIGHTS AWARD CERTIFICATE**

THIS IS TO CERTIFY that **Mannatech, Incorporated**, a Texas corporation (the “*Company*”), has granted you (the “*Participant*”) the following Stock Appreciation Rights (“*SARs*”) under its 2017 Stock Incentive Plan (the “*Plan*”), as follows:

Participant: _____

Participant’s Address: _____

Number of Shares: _____

Strike Price per Share: \$[●]

Date of Grant: _____

Expiration Date: _____

Vesting Commencement Date: _____

Vesting Schedule:	<u>Anniversary of Vesting Commencement Date</u>	<u>Percentage of Shares Vested</u>
		%
		%
		%
		%

By your signature and the signature of the Company’s representative below, you and the Company agree to be bound by all of the terms and conditions of the attached Stock Appreciation Rights Award Agreement and the Plan (both incorporated herein by this reference as if set forth in full in this document). By executing this Certificate, you hereby irrevocably elect to accept the SARs granted under this Certificate and the related Stock Appreciation Rights Award Agreement and to receive the SARs designated above subject to the terms of the Plan, this Certificate and the Stock Appreciation Rights Award Agreement.

Participant: **Mannatech, Incorporated**

Name: _____, an individual

By: _____
Title: _____

Dated: _____

Dated: _____

MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN
STOCK APPRECIATION RIGHTS AWARD AGREEMENT

This Stock Appreciation Rights Award Agreement (this “*Agreement*”), is made and entered into on the execution date of the Stock Appreciation Rights Award Certificate (the “*Certificate*”) to which it is attached, by and between Mannatech, Incorporated, a Texas corporation (the “*Company*”), and the Participant named in the Certificate.

Under the Company’s 2017 Stock Incentive Plan (the “*Plan*”), the Administrator has authorized the grant to the Participant of the Stock Appreciation Rights under the terms and subject to the conditions set forth in the Certificate, this Agreement and in the Plan. Capitalized terms not otherwise defined in this Agreement have the meanings ascribed to them in the Plan.

NOW, THEREFORE, in consideration of the premises and the benefits to be derived from the mutual observance of the covenants and promises contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Grant of Award.** The Company hereby grants to the Participant, as of the Date of Grant, the SARs for the Number of Shares specified in the Certificate. The SARs will be exercisable at the Strike Price from time to time on or before the Expiration Date specified in the Certificate, subject to all of the terms and conditions of the Certificate, this Agreement and the Plan.

2. **Right to Exercise**

(a) **Vesting.** The Award will vest and become exercisable according to the Vesting Schedule set forth in the Certificate. If application of the Vesting Schedule causes a fractional Share to otherwise become exercisable, the vested Shares will be rounded down to the nearest whole Share for each vesting period except for the last period in the Vesting Schedule, at which time the Award will become exercisable for the full remainder of the unexercised SARs subject to the Award.

(b) **Exercise Period.** Unless the Award expires as provided in Section 3, the Award may be exercised after the Date of Grant to the extent the Award has vested. The Award cannot be exercised for fractional Shares.

(c) **Shareholder Approval.** Notwithstanding anything in this Agreement to the contrary, no portion of the Award will be exercisable at any time before the Plan is approved by the Company’s shareholders.

3. **Expiration.** The Award will expire at 12:01 am Central Time on the Expiration Date set forth in the Certificate or earlier as provided in Section 4 below.

4. **Termination of Continuous Service.** The right to exercise the Award is subject to the following terms and conditions.



(a) **Forfeiture of Unvested SARs.** If the Participant's Continuous Service is terminated for any reason (including Participant's death or Disability) other than for Cause, the unvested portion of the Award will terminate at the close of business on the date of termination of Continuous Service.

(b) **For Any Reason other than Cause, Death or Disability.** If the Participant's Continuous Service is terminated for any reason other than the Participant's death or Disability or by the Company for Cause, the Participant may exercise the Award to the extent (and only to the extent) the Award is vested and exercisable at the time of such termination, but only during the period ending on the earlier of (i) the date three months following the termination of the Participant's Continuous Service or (ii) the Expiration Date, at the end of which period the Award will immediately terminate and the unexercised SARs will cease to be exercisable.

(c) **Death or Disability.** If the Participant's Continuous Service is terminated by reason of the Participant's death or Disability (or if the Participant dies within three months after the date of termination of the Participant's Continuous Service for any reason other than for Cause), the Participant (or his or her legal representative, executor, administrator, heir, or legatee, as the case may be) may exercise the Award to the extent the Award is vested and exercisable at the time of such termination, but only during the period ending on the earlier of (i) the date 12 months following the termination of the Participant's Continuous Service or (ii) the Expiration Date, at the end of which period the Award will immediately terminate and the unexercised SARs will cease to be exercisable.

(d) **For Cause.** If the Company, including any Affiliate, terminates the Participant's Continuous Service for Cause, then all of the Participant's rights under this Agreement will expire and the entire Award will terminate, regardless of whether or to what extent vested, as of the beginning of business on the date of termination of the Participant's Continuous Service.

(e) **Extension of Termination Date.** Notwithstanding anything in this Agreement to the contrary, if the exercise of the Award following the termination of the Participant's Continuous Service for any reason other than the Participant's death or Disability or by the Company for Cause would violate any applicable federal, state or local law, then the Award will remain exercisable until the earlier of (i) the date that is 30 days after the exercise of the Award would no longer violate any applicable federal, state or local law or (ii) the Expiration Date, at the end of which period the Award will immediately terminate and the unexercised SARs will cease to be exercisable.

5. **Manner of Exercise**

(a) **Exercise Notice.** To exercise the Award, the Participant (or in the case of exercise after the Participant's death or incapacity, the Participant's legal representative, executor, administrator, heir or legatee, as the case may be) must deliver to the Administrator a fully executed exercise notice and agreement in the form attached hereto, or in any other form as approved by the Administrator (the "**Exercise Notice**"). The Exercise Notice must set forth, *inter alia*, (i) the Participant's election to exercise the Award; (ii) the number of Shares with respect to which the Award is being exercised; (iii) any restrictions imposed on the Shares; and (iv) any representations, warranties or agreements regarding the Participant's investment intent and

access to information as the Company may require to comply with applicable securities laws. The Award may be exercised by someone other than the Participant on submission of documentation reasonably acceptable to the Administrator verifying that the Person has the legal right to exercise the Award. Notwithstanding anything herein to the contrary, to the extent the Award has not been exercised as of the Exercise Date and has not been terminated under Section 4, the unexercised SARs will automatically be exercised on the Expiration Date and paid in accordance with Section 5(b).

(b) **Payment.** On delivery to the Administrator of a signed Exercise Notice, the Company will pay the Participant the Appreciation Value of the SARs being exercised. The “*Appreciation Value*” is equal to the product of the number of Shares for which the Award is exercised multiplied by the difference between the Fair Market Value per Share on the exercise date and the Strike Price. The Appreciation Value will be divided by the Fair Market Value per Share on the exercise date to determine the number of whole Shares to be distributed. Any fractional Share will be paid in cash.

(c) **Tax Withholding.** As a condition to the exercise of the Award, before the issuance of Shares the Participant must pay or provide for any applicable federal, state, or local tax withholding obligations of the Company that may arise in connection with the payment of the Appreciation Value. In addition to the Company’s right to withhold from any compensation paid to the Participant by the Company, including any portion of the Appreciation Value that is paid in cash, the Participant may provide for payment of withholding taxes in full by cash or check or, if permitted by the Administrator, by one or more of the alternative methods of payment described in the Plan. To the extent the Appreciation Value is paid in cash

(d) **Issuance of Shares.** Subject to the Exercise Notice and withholding payment being in form and substance satisfactory to the Administrator, the Administrator will cause a stock certificate to be delivered to the Participant with respect to the Shares issued, subject to any applicable federal securities laws restrictions, and will enter the Participant’s name as shareholder of record with respect to the Shares on the books of the Company. Participant acknowledges and agrees that Shares may be issued in electronic form as a book entry with the Company’s transfer agent and that no physical certificates need be issued.

6. **Compliance with Laws and Regulations.** The exercise of the Award and the issuance and transfer of Shares is subject to the Company’s and Participant’s full compliance, to the satisfaction of the Company and its counsel, with all applicable requirements of federal, state, local and foreign tax and securities laws and with all applicable requirements of any securities exchange on which the Shares may be listed at the time of issuance or transfer. The Participant understands that the Company is under no obligation to register or qualify any Shares with the Securities and Exchange Commission, any state or foreign securities regulatory authority or any securities exchange to effect compliance.

7. **Limitations on Transfer.** Except as the Administrator may otherwise authorize in writing in accordance with the Plan and in its sole discretion, the Award may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the Participant only by the Participant or, in the event of the Participant’s

incapacity, by the Participant's legal representative. The terms of the Award will be binding upon the executors, administrators, successors and assigns of Participant.

8. **Privileges of Stock Ownership.** The Participant will have none of the rights of a shareholder with respect to any Shares underlying the Award unless and until the Shares are issued to the Participant.

9. **Restrictions on Transfer of Shares**

(a) **Securities Law Restrictions.** Regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any state or foreign jurisdiction, the Company at its discretion may impose restrictions on the sale, pledge or other transfer of Shares (including the placement of appropriate legends on stock certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable to achieve compliance with the Securities Act, the securities laws of any state or foreign jurisdiction, or any other law.

(b) **Consent to Market Standoff.** If an underwritten public offering by the Company of its equity securities occurs, the Participant agrees not to sell, make any short sale of, loan, hypothecate, pledge, grant any option for the repurchase of, transfer the economic consequences of ownership, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any Shares acquired under this Agreement without the prior written consent of the Company or its underwriters, for such period of time from and after the effective date of the registration statement as may be requested by the Company or the underwriters. In order to enforce the Market Standoff, the Company may impose stop-transfer instructions with respect to the Shares acquired under this Agreement until the end of the applicable standoff period. If there is any change in the number of outstanding Shares by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination, reclassification, dissolution or liquidation of the Company, any corporate separation or division (including, but not limited to, a split-up, a split-off, or a spin-off), a merger or consolidation, a reverse merger, or similar transaction, then any new, substituted, or additional securities which are by reason of the transaction distributed with respect to any Shares subject to the Market Standoff, or into which the Shares thereby become convertible, will immediately be subject to the Market Standoff.

(c) **Administration.** Any determination by the Administrator and its counsel in connection with any of the matters set forth in this Section 9 will be conclusive and binding on Participant and all other Persons.

10. **No Right to Continued Service.** Nothing in this Agreement or the Plan imposes or may be deemed to impose, by implication or otherwise, any limitation on any right of the Company and its Affiliates to terminate Participant's Continuous Service at any time.

11. **General**

(a) **Interpretation.** Any dispute regarding the interpretation of this Agreement must be submitted by the Participant or the Company to the Administrator for review. The resolution of any dispute by the Administrator will be final and binding on the Company and Participant.

(b) **Entire Agreement.** Each of the Plan and the Certificate are incorporated into this Agreement by reference, and together with this Agreement constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms and conditions of this Agreement, the Certificate and the Plan, the Plan will govern.

(c) **Notices.** Any notice required under this Agreement to be delivered to the Company must be in writing and addressed to the Secretary of the Company at its principal corporate offices. Any notice required to be delivered to the Participant must be in writing and addressed to the Participant at the address indicated on the Certificate or to such other address as the Participant designates in writing to the Company. All notices will be deemed to have been delivered: (i) on personal delivery, (ii) five days after deposit in the United States mail by certified or registered mail (return receipt requested), (iii) two business days after deposit with any return receipt express courier (prepaid) or (iv) one business day after transmission by fax.

(d) **Successors and Assigns.** The Company may assign any of its rights under this Agreement. This Agreement will be binding on and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement is binding on Participant and Participant's heirs, executors, administrators, legal representatives, successors and assigns.

(e) **Governing Law.** This Agreement is governed by and construed in accordance with the laws of the State of **Texas** without giving effect to its conflict of law principles. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then that provision will be enforced to the maximum extent possible and the other provisions of the Agreement will remain fully effective and enforceable.

12. **Receipt and Acceptance.** The Participant acknowledges receipt of a copy of the Plan, the Certificate, this Agreement and the prospectus dated [_____], 2017 covering the Shares reserved under the Plan. The Participant has read and understands the terms of the Plan, the Certificate and this Agreement, and agrees to be bound by their terms and conditions. The Participant acknowledges that there may be adverse tax consequences on exercise of the Award and that the Participant should consult a tax advisor before exercising the Award.

STOCK APPRECIATION RIGHTS EXERCISE NOTICE AND AGREEMENT

Participant: _____

Date: _____

Mannatech, Incorporated
600 S. Royal Lane
Suite 200
Coppell, TX 75019
Attention: [Chief Financial Officer]

To whom it may concern:

1. **Stock Appreciation Rights.** I was granted Stock Appreciation Rights (the "**SARs**") with respect to shares of the common stock (the "**Shares**") of Mannatech, Incorporated (the "**Company**") under the Company's 2017 Stock Incentive Plan (the "**Plan**"), my Stock Appreciation Rights Award Certificate (the "**Certificate**") and my Stock Appreciation Rights Agreement (the "**Award Agreement**") as follows:

Award Number: _____
Date of Grant of Award: _____
Number of Shares: _____
Strike Price per Share: \$ _____

2. **Exercise of SARs.** I hereby elect to exercise the SARs to receive the Appreciation Value attributable to the number of Shares indicated below, all of which are vested in accordance with the Certificate and the Award Agreement:

Number of Shares Exercised: _____

3. **Tax Withholding.** As a condition of exercise, I authorize payroll withholding and otherwise will make adequate provision for the federal, state, local and foreign tax withholding obligations of the Company, if any, in connection with my exercise of the SARs.

4. **Award Holder Information**

My address is: _____

My Social Security Number is: _____

5. **No Detrimental Activity.** I hereby certify that I am in compliance with the terms and conditions of the Plan and have not engaged in any Detrimental Activity as defined in the Plan.

6. **Acknowledgement.** I acknowledge that I am entitled to the Appreciation Value of the number of SARs with respect to which I am exercising the Award, and that upon the exercise of the same, I will not be entitled to any future Appreciation Value with respect to those SARs. I understand that I am exercising my SARs pursuant to the terms of the Plan, the Certificate and my Award Agreement, copies of which I have received and carefully read and understand, and to all of which I expressly assent. This agreement will inure to the benefit of and be binding on my heirs, executors, administrators, successors and assigns.

Signed,

(Signature)

Receipt of the above is hereby acknowledged.

Mannatech, Incorporated

By: _____
Title: _____
Date: _____

**MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN
RESTRICTED STOCK AWARD CERTIFICATE**

THIS IS TO CERTIFY that Mannatech, Incorporated, a Texas corporation (the “*Company*”), has granted you (the “*Participant*”) the right to receive Shares of Common Stock under its 2017 Stock Incentive Plan (the “*Plan*”), as follows:

Name of Participant: _____
 Address of Participant: _____
 Number of Shares: _____
 Purchase Price: \$0.00 per Share
 Date of Grant: _____
 Acceptance Expiration Date: 15 days after the Participant’s receipt of this Certificate and the attached Restricted Stock Award Agreement
 Vesting Commencement Date: _____
 Vesting Schedule:

<u>Anniversary of Vesting Commencement Date</u>	<u>Percentage of Shares Vested</u>
	%
	%
	%
	%

By your signature and the signature of the Company’s representative below, you and the Company agree to be bound by all of the terms and conditions of the attached Restricted Stock Award Agreement and the Plan (both incorporated herein by this reference as if set forth in full in this document). By executing this Certificate, you hereby irrevocably elect to accept the Restricted Stock rights granted under this Certificate and the related Restricted Stock Award Agreement and to receive the shares of Restricted Stock designated above subject to the terms of the Plan, this Certificate and the Award Agreement.

Participant: **Mannatech, Incorporated**

 Name: _____, an individual By: _____
 Title: _____

Dated: _____ Dated: _____

**MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT**

This Restricted Stock Award Agreement (the “*Agreement*”), is entered into on the Date of Grant, subject to the Participant’s acceptance of the terms of the Agreement evidenced by the Participant’s signature on the Restricted Stock Award Certificate to which this Agreement is attached (the “*Certificate*”), by and between Mannatech, Incorporated, a Texas corporation (the “*Company*”), and the Participant named in the Certificate.

Under the Mannatech, Incorporated 2017 Stock Incentive Plan (the “*Plan*”), the Administrator has authorized the grant to the Participant of the right to receive Shares (the “*Award*”), under the terms and subject to the conditions set forth in this Agreement and the Plan. Capitalized terms not otherwise defined in the Agreement have the meanings ascribed to them in the Plan.

NOW, THEREFORE, in consideration of the premises and the benefits to be derived from the mutual observance of the covenants and promises contained in this Agreement and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Basis for Award.** This Award is granted under the Plan for valid consideration provided to the Company by the Participant. By the Participant’s execution of the Certificate, the Participant agrees to accept the Restricted Stock Award rights granted under the Certificate and this Agreement and to receive the shares of Restricted Stock of the Company designated in the Certificate subject to the terms of the Plan, the Certificate and this Agreement.
 2. **Restricted Stock Award.** The Company hereby awards and grants to the Participant, for valid consideration with a value in excess of the aggregate par value of the Common Stock awarded to the Participant, the number of Shares set forth in the Certificate, which are subject to the restrictions and conditions set forth in the Plan, the Certificate and in this Agreement (the “*Restricted Shares*”). One or more stock certificates representing the number of Shares specified in the Certificate will hereby be registered in the Participant’s name (the “*Stock Certificate*”), but will be deposited and held in the custody of the Company for the Participant’s account as provided in Section 4 hereof until such Restricted Shares become vested and all restrictions thereon have lapsed. The Participant acknowledges and agrees that those Shares may be issued as a book entry with the Company’s transfer agent and that no physical certificates need be issued for as long as such Shares remain subject to forfeiture and restrictions on transfer.
 3. **Vesting.** The Restricted Shares will vest and restrictions on transfer will lapse under the Vesting Schedule set forth in the Certificate, on condition that the Participant is still then in Continuous Service. If the Participant ceases Continuous Service for any reason the Participant will immediately forfeit the Restricted Shares standing in the name of the Participant on the books of the Company that have not vested and as to which restrictions have not lapsed (“*Unvested Shares*”) and such Unvested Shares will be cancelled as outstanding Shares.
-

(a) **Forfeiture of Unvested Shares.** If Unvested Shares do not become vested on or before the expiration of the period during which the applicable vesting conditions must occur, such Unvested Shares will be automatically forfeited and cancelled as outstanding Shares immediately on the occurrence of the event or period after which such Unvested Shares may no longer become vested.

(b) **Restriction on Transfer of Unvested Shares.** The Participant is not permitted to transfer, assign, grant a lien or security interest in, pledge, hypothecate, encumber or otherwise dispose of any of the Unvested Shares, except as permitted by this Agreement.

4. **Deposit of the Unvested Shares.** The Participant will deposit all of the Unvested Shares with the Company to hold in its custody until they become vested, at which time such vested Restricted Shares will no longer constitute Unvested Shares. If requested by the Company, the Participant must execute and deliver to the Company, concurrently with the execution of this Agreement (or, if requested by the Company, from time to time thereafter during the Restricted Period) blank stock powers for use in connection with the transfer to the Company or its designee of Unvested Shares that do not become vested. The Company will deliver to the Participant the Stock Certificate for the Shares that become vested on the lapse of the forfeiture and non-transferability restrictions thereon.

5. **Shareholder Rights, Dividends.** Subject to the terms of this Agreement, the Participant will have the right to vote the Restricted Shares. However, any dividends paid with respect to Unvested Shares will be deposited and held in escrow, without interest, until the Unvested Shares relating to such dividends become vested and deliverable to the Participant, at which time the dividends will be released from escrow and paid to the Participant. If the Unvested Shares to which dividends held in escrow relate are subsequently forfeited, such dividends will automatically be forfeited and released from escrow and returned to the Company.

6. **Compliance with Laws and Regulations.** The issuance and transfer of Shares is subject to the Company's and the Participant's full compliance, to the satisfaction of the Company and its counsel, with all applicable requirements of federal, state and foreign securities laws and with all applicable requirements of any securities exchange on which the Common Stock may be listed at the time of such issuance or transfer. The Participant understands that the Company is under no obligation to register or qualify the Shares with the Securities and Exchange Commission, any state securities commission, foreign securities regulatory authority or any securities exchange to effect such compliance.

7. **Tax Withholding**

(a) As a condition to the release of Shares from escrow and lapse of restrictions on transfer, no later than the first to occur of (i) the date as of which all or any of the Restricted Shares vest and the restrictions on their transfer lapse or (ii) the date required by Section 7(b), the Participant must pay to the Company any federal, state or local taxes required by law to be withheld with respect to the Restricted Shares that vest. In addition to the Company's right to withhold from any compensation paid to the Participant by the Company, the Participant may provide for payment of withholding taxes in full by cash or check or, if the Administrator permits, by one or more of the alternative methods of payment set forth in the Plan.

(b) The Participant may elect, within 30 days of the Date of Grant, to include in gross income for federal income tax purposes under Section 83(b) of the Code, an amount equal to the aggregate Fair Market Value on the Date of Grant of the Restricted Shares (less the amount, if any, paid by the Participant (other than by prior or future services) for the Restricted Shares). In connection with any such election, the Participant must promptly provide the Company with a copy of the election as filed with the Internal Revenue Service and pay to the Company, or make such other arrangements satisfactory to the Administrator to pay to the Company based on the Fair Market Value of the Restricted Shares on the Date of Grant, any federal, state or local taxes required by law to be withheld with respect to the Restricted Shares at the time of the election. If the Participant fails to make such payments, the Company will have the right to deduct from any payment of any kind otherwise due to Participant, to the extent permitted by law, any federal, state or local taxes required to be withheld with respect to the Restricted Shares.

8. **No Right to Continued Service.** Nothing in this Agreement or in the Plan imposes or may be deemed to impose, by implication or otherwise, any limitation on any right of the Company or its Affiliates to terminate the Participant's Continuous Service at any time.

9. **Representations and Warranties of the Participant.** The Participant represents and warrants to the Company as follows:

(a) **Acknowledgment and Agreement to Terms of the Plan.** The Participant acknowledges receipt of a copy of the Plan, the Certificate, this Agreement and the prospectus dated [____], 2017 covering the Shares reserved for issuance under the Plan. The Participant has read and understands the terms of the Plan, the Certificate and this Agreement, and agrees to be bound by their terms and conditions. The Participant acknowledges that there may be adverse tax consequences on the vesting of Restricted Shares or disposition of the Shares once vested, and that the Participant should consult a tax advisor before such time.

(b) **Stock Ownership.** The Participant is the record and beneficial owner of the Restricted Shares with full right and power to transfer the Unvested Shares to the Company free and clear of any liens, claims or encumbrances and the Participant understands that the Stock Certificates evidencing the Restricted Shares will bear a legend referencing this Agreement.

(c) **Rule 144.** The Participant understands that Rule 144 issued under the Securities Act may indefinitely restrict transfer of the Shares if the Participant is an "affiliate" of the Company (as defined in Rule 144), or for up to one year if "current public information" about the Company (as defined in Rule 144) is not publicly available regardless of whether the Participant is an affiliate of the Company.

(d) **Consent to Market Standoff.** If an underwritten public offering by the Company of its equity securities occurs, the Participant agrees not to sell, make any short sale of, loan, hypothecate, pledge, grant any option for the repurchase of, transfer the economic consequences of ownership, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any Shares acquired under this Agreement without the prior written consent of the Company or its underwriters, for such period of time from and after the effective date of the registration statement as may be requested by the Company or the underwriters. In order to enforce the Market Standoff, the Company may impose stop-transfer

instructions with respect to the Shares acquired under this Agreement until the end of the applicable standoff period. If there is any change in the number of outstanding Shares by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination, reclassification, dissolution or liquidation of the Company, any corporate separation or division (including, but not limited to, a split-up, a split-off, or a spin-off), a merger or consolidation, a reverse merger, or similar transaction, then any new, substituted, or additional securities which are by reason of the transaction distributed with respect to any Shares subject to the Market Standoff, or into which the Shares thereby become convertible, will immediately be subject to the Market Standoff.

(e) **Compliance with Securities Laws.** The Participant understands and acknowledges that, notwithstanding any other provision of the Agreement to the contrary, the vesting and holding of the Restricted Shares is expressly conditioned on compliance with the Securities Act and all applicable federal, state and foreign securities laws. The Participant agrees to cooperate with the Company to ensure compliance with such laws.

10. **Capitalization Adjustments.** If, as a result of any capitalization adjustment under the Plan, the Participant becomes entitled to receive additional Shares or other securities (“*Additional Securities*”) in respect of the Unvested Shares, the Additional Securities will be Unvested Shares, and the total number of Unvested Shares will be equal to the sum of (i) the initial Unvested Shares and (ii) the number of Additional Securities issued or issuable in respect of the initial Unvested Shares and any Additional Securities previously issued to the Participant.

11. **Restrictive Legends and Stop-Transfer Orders**

(a) **Legends.** To the extent that a Stock Certificate or Certificates representing Unvested Shares is issued in physical form rather than through book entry with the Company’s transfer agent, the Participant understands and agrees that the Company will place the legends set forth below or similar legends on any Stock Certificate evidencing the Shares, together with any other legends that may be required by federal, state or foreign securities laws, the Company’s articles of incorporation or bylaws, any other agreement between the Participant and the Company or any agreement between the Participant and any third party:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON PUBLIC RESALE AND TRANSFER, AS SET FORTH IN A RESTRICTED STOCK AWARD AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES. SUCH PUBLIC RESALE AND TRANSFER RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES.

The Company will remove the above legend at such time as the Shares in question are no longer subject to restrictions on public resale and transfer under this Agreement. Any legends required by applicable federal, state or foreign securities laws will be removed at such time as such legends are no longer required.

(b) **Stop-Transfer Instructions.** To ensure compliance with the restrictions imposed by this Agreement, the Company may issue appropriate “stop-transfer” instructions to its transfer

agent, if any, and if the Company transfers its own Common Stock, it may make appropriate notations to the same effect in its own records.

(c) **Refusal to Transfer.** The Company will not be required (i) to transfer on its books any Restricted Shares that have been sold or otherwise transferred in violation of this Agreement; or (ii) to treat as owner of the Restricted Shares, or to accord the right to vote or pay dividends to, any purchaser or other transferee to whom the Restricted Shares have been transferred.

12. **General Terms**

(a) **Interpretation.** Any dispute regarding the interpretation of this Agreement must be submitted by the Participant or the Company to the Administrator for review. The Administrator's resolution of such dispute will be final and binding on the Company and the Participant.

(b) **Entire Agreement.** The Plan and the Certificate are incorporated in this Agreement by reference, and the Participant hereby acknowledges that a copy of each has been made available to the Participant. This Agreement, the Certificate and the Plan constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms and conditions of this Agreement, the Certificate and the Plan, the Plan will govern.

(c) **Modification.** The Agreement may be modified only in writing signed by both parties.

(d) **Notices.** Any notice required under this Agreement to be delivered to the Company must be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to the Participant must be in writing and addressed to the Participant at the address indicated on the Certificate or to such other address as the Participant designates in writing to the Company. All notices will be deemed to have been delivered: (i) on personal delivery, (ii) five days after deposit in the United States mail by certified or registered mail (return receipt requested), (iii) two business days after deposit with any return receipt express courier (prepaid) or (iv) one business day after transmission by fax or email.

(e) **Successors and Assigns.** The Company may assign any of its rights under this Agreement. This Agreement will be binding on and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement is binding on the Participant and the Participant's heirs, executors, administrators, legal representatives, successors and assigns.

(f) **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Texas without giving effect to its conflict of law principles. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

**MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN
PERFORMANCE STOCK AWARD CERTIFICATE**

THIS IS TO CERTIFY that Mannatech, Incorporated, a Texas corporation (the “*Company*”), has granted you (the “*Participant*”) the right to receive Shares of Common Stock under its 2017 Stock Incentive Plan (the “*Plan*”), as follows:

Name of Participant: _____

Address of Participant: _____

Number of Shares: _____

Date of Grant: _____

Acceptance Expiration Date: 15 days after the Participant’s receipt of this Certificate and the attached Performance Stock Award Agreement

Performance Period:

Vesting Schedule:

Performance Goals¹

Performance Shares Vested

By your signature and the signature of the Company’s representative below, you and the Company agree to be bound by all of the terms and conditions of the attached Performance Stock Award Agreement and the Plan (both incorporated herein by this reference as if set forth in full in this document). By executing this Certificate, you hereby irrevocably elect to accept the Award rights granted under this Certificate and the related Performance Stock Award Agreement and to receive the Performance Shares (as defined in the Performance Stock Award Agreement) designated above subject to the terms of the Plan, this Certificate and the Performance Stock Award Agreement.

Participant:

Mannatech, Incorporated

Name: _____, an individual

By: _____
Title: _____

Dated: _____

Dated: _____

¹ Subject to certification of achievement by the Administrator.



**MANNATECH, INCORPORATED
2017 STOCK INCENTIVE PLAN
PERFORMANCE STOCK AWARD AGREEMENT**

This Performance Stock Award Agreement (this "**Agreement**"), is entered into on the Date of Grant, subject to the Participant's acceptance of the terms of the Agreement evidenced by the Participant's signature on the Performance Stock Award Certificate to which this Agreement is attached (the "**Certificate**"), between Mannatech, Incorporated, a Texas corporation (the "**Company**"), and the Participant named in the Certificate.

Under the Mannatech, Incorporated 2017 Stock Incentive Plan (the "**Plan**"), the Administrator has authorized the grant to the Participant of the right to receive Shares (the "**Award**"), under the terms and subject to the conditions set forth in this Agreement and the Plan. Capitalized terms not otherwise defined in the Agreement have the meanings ascribed to them in the Plan.

NOW, THEREFORE, in consideration of the premises and the benefits to be derived from the mutual observance of the covenants and promises contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Basis for Award.** This Performance Stock Award is granted under the Plan for valid consideration provided to the Company by the Participant. By the Participant's execution of the Certificate, the Participant agrees to accept the Award rights granted under the Certificate and this Agreement and to receive the Performance Shares (defined below) designated in the Certificate subject to the terms of the Plan, the Certificate and this Agreement.

2. **Performance Stock Award.** The Company hereby awards and grants to the Participant, for valid consideration with a value in excess of the aggregate par value of the Common Stock awarded to the Participant, the number of Shares set forth in the Certificate, which are subject to the restrictions and conditions set forth in the Plan, the Certificate and in this Agreement (the "**Performance Shares**"). One or more stock certificates representing the number of Performance Shares specified in the Certificate will hereby be registered in the Participant's name (the "**Stock Certificate**"), but will be deposited and held in the custody of the Company for the Participant's account as provided in Section 4 hereof until such Performance Shares become vested and all restrictions thereon have lapsed. The Participant acknowledges and agrees that those Shares may be issued as a book entry with the Company's transfer agent and that no physical certificates need be issued for as long as such Shares remain subject to forfeiture and restrictions on transfer.

3. **Vesting.** Subject to the Administrator's written certification pursuant to Section 8(d) of the Plan, the Performance Shares will vest and restrictions on transfer will lapse pursuant to the Vesting Schedule set forth in the Certificate, on condition that the Participant is still in Continuous Service at the end of the Performance Period.

(a) **Forfeiture of Unvested Shares.** Except as otherwise provided in this Section, if the Participant ceases Continuous Service for any reason before the date of the Administrator's written certification, the Participant will immediately forfeit the Performance Shares that have

not vested and as to which restrictions have not lapsed ("*Unvested Shares*"), and such Unvested Shares will be cancelled as outstanding Shares.

(b) **Restriction on Transfer of Unvested Shares.** The Participant is not permitted to transfer, assign, grant a lien or security interest in, pledge, hypothecate, encumber, or otherwise dispose of any of the Unvested Shares, except as permitted by this Agreement.

4. **Deposit of the Unvested Shares.** The Participant must deposit all of the Unvested Shares with the Company to hold in its custody until they become vested, at which time such Performance Shares will no longer constitute Unvested Shares. If requested by the Company, the Participant must execute and deliver to the Company, concurrently with the execution of this Agreement (or, if requested by the Company, from time to time thereafter during the Performance Period) blank stock powers for use in connection with the transfer to the Company or its designee of Unvested Shares that do not become vested. Upon the Administrator's certification of the Performance Goal achievement, the Company will deliver to the Participant the Stock Certificate for the Performance Shares that become vested on the lapse of the forfeiture and non-transferability restrictions thereon.

5. **Shareholder Rights, Dividends.** Subject to the terms of this Agreement, the Participant will have the right to vote the Performance Shares. However, any dividends paid with respect to Unvested Shares will be deposited and held in escrow, without interest, until the Unvested Shares relating to such dividends become vested and deliverable to the Participant, at which time the dividends will be released from escrow and paid to the Participant. If the Unvested Shares to which dividends held in escrow relate are subsequently forfeited, such dividends will automatically be forfeited and released from escrow and returned to the Company.

6. **Compliance with Laws and Regulations.** The issuance and transfer of Common Stock is subject to the Company's and the Participant's full compliance, to the satisfaction of the Company and its counsel, with all applicable requirements of federal, state and foreign securities laws and with all applicable requirements of any securities exchange on which the Common Stock may be listed at the time of such issuance or transfer. The Participant understands that the Company is under no obligation to register or qualify the Shares with the Securities and Exchange Commission, any state securities commission, foreign securities regulatory authority or any securities exchange to effect such compliance.

7. **Tax Withholding**

(a) As a condition to the release of Performance Shares from escrow and lapse of restrictions on transfer, no later than the first to occur of (i) the date as of which all or any of the Performance Shares vest and the restrictions on their transfer lapse or (ii) the date required by Section 7(b), the Participant must pay to the Company any federal, state or local taxes required by law to be withheld with respect to the Performance Shares that vest. In addition to the Company's right to withhold from any compensation paid to the Participant by the Company, the Participant may provide for payment of withholding taxes in full by cash or check or, if the Administrator permits, by one or more of the alternative methods of payment set forth in the Plan.

(b) The Participant may elect, within 30 days of the Date of Grant, to include in gross income for federal income tax purposes under Section 83(b) of the Code, an amount equal to the aggregate Fair Market Value on the Date of Grant of the Performance Shares. In connection with any such election, the Participant must promptly provide the Company with a copy of the election as filed with the Internal Revenue Service and pay to the Company, or make such other arrangements satisfactory to the Administrator to pay to the Company based on the Fair Market Value of the Performance Shares on the Date of Grant, any federal, state or local taxes required by law to be withheld with respect to the Performance Shares at the time of the election. If the Participant fails to make such payments, the Company will have the right to deduct from any payment of any kind otherwise due to Participant, to the extent permitted by law, any federal, state or local taxes required to be withheld with respect to the Performance Shares.

8. **No Right to Continued Service.** Nothing in this Agreement or in the Plan imposes or may be deemed to impose, by implication or otherwise, any limitation on any right of the Company or its Affiliates to terminate the Participant's Continuous Service at any time.

9. **Representations and Warranties of Participant.** The Participant represents and warrants to the Company as follows:

(a) **Acknowledgment and Agreement to Terms of the Plan.** The Participant acknowledges receipt of a copy of the Plan, the Certificate, this Agreement and the prospectus dated [____], 2017 covering the Shares reserved for issuance under the Plan. The Participant has read and understands the terms of the Plan, the Certificate and this Agreement, and agrees to be bound by their terms and conditions. The Participant acknowledges that there may be adverse tax consequences on the vesting of Performance Shares or disposition of the Shares once vested, and that the Participant should consult a tax advisor before such time.

(b) **Stock Ownership.** The Participant is the record and beneficial owner of the Performance Shares with full right and power to transfer the Unvested Shares to the Company free and clear of any liens, claims or encumbrances and the Participant understands that the Stock Certificates evidencing the Performance Shares will bear a legend referencing this Agreement.

(c) **Rule 144.** The Participant understands that Rule 144 issued under the Securities Act may indefinitely restrict transfer of the Common Stock if the Participant is an "affiliate" of the Company (as defined in Rule 144), or for up to one year if "current public information" about the Company (as defined in Rule 144) is not publicly available regardless of whether the Participant is an affiliate of the Company.

(d) **Consent to Market Standoff.** If an underwritten public offering by the Company of its equity securities occurs, the Participant agrees not to sell, make any short sale of, loan, hypothecate, pledge, grant any option for the repurchase of, transfer the economic consequences of ownership, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any Shares acquired under this Agreement without the prior written consent of the Company or its underwriters, for such period of time from and after the effective date of the registration statement as may be requested by the Company or the underwriters. In order to enforce the Market Standoff, the Company may impose stop-transfer

instructions with respect to the Shares acquired under this Agreement until the end of the applicable standoff period. If there is any change in the number of outstanding Shares by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination, reclassification, dissolution or liquidation of the Company, any corporate separation or division (including, but not limited to, a split-up, a split-off, or a spin-off), a merger or consolidation, a reverse merger, or similar transaction, then any new, substituted, or additional securities which are by reason of the transaction distributed with respect to any Shares subject to the Market Standoff, or into which the Shares thereby become convertible, will immediately be subject to the Market Standoff.

(e) **Compliance with Securities Laws.** The Participant understands and acknowledges that, notwithstanding any other provision of the Agreement to the contrary, the vesting and holding of the Performance Shares is expressly conditioned on compliance with the Securities Act and all applicable federal, state, and foreign securities laws. The Participant agrees to cooperate with the Company to ensure compliance with such laws.

10. **Capitalization Adjustments.** If, as a result of any capitalization adjustment under the Plan, the Participant becomes entitled to receive any additional Shares or other securities (“*Additional Securities*”) in respect of the Unvested Shares, the Additional Securities will be Unvested Shares, and the total number of Unvested Shares will be equal to the sum of (i) the initial Unvested Shares and (ii) the number of Additional Securities issued or issuable in respect of the initial Unvested Shares and any Additional Securities previously issued to the Participant.

11. **Restrictive Legends and Stop-Transfer Orders**

(a) **Legends.** To the extent that a Stock Certificate or Certificates representing Unvested Shares is issued in physical form rather than through book entry with the Company’s transfer agent, the Participant understands and agrees that the Company will place the legends set forth below or similar legends on any Stock Certificate evidencing the Common Stock, together with any other legends that may be required by federal, state, or foreign securities laws, the Company’s articles of incorporation or bylaws, any other agreement between the Participant and the Company, or any agreement between the Participant and any third party:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON PUBLIC RESALE AND TRANSFER, AS SET FORTH IN A PERFORMANCE STOCK AWARD AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES. SUCH PUBLIC RESALE AND TRANSFER RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES.

The Company will remove the above legend at such time as the Shares in question are no longer subject to restrictions on public resale and transfer pursuant to this Agreement. Any legends required by applicable federal, state or foreign securities laws will be removed at such time as such legends are no longer required.

(b) **Stop-Transfer Instructions.** To ensure compliance with the restrictions imposed by this Agreement, the Company may issue appropriate “stop-transfer” instructions to its transfer

agent, if any, and if the Company transfers its own Common Stock, it may make appropriate notations to the same effect in its own records.

(c) **Refusal to Transfer.** The Company will not be required (i) to transfer on its books any Performance Shares that have been sold or otherwise transferred in violation of this Agreement; or (ii) to treat as owner of such shares, or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such shares have been so transferred.

12. **General Terms**

(a) **Interpretation.** Any dispute regarding the interpretation of this Agreement must be submitted by the Participant or the Company to the Administrator for review. The Administrator's resolution of such dispute will be final and binding on the Company and the Participant.

(b) **Entire Agreement.** The Plan and the Certificate are incorporated in this Agreement by reference, and the Participant hereby acknowledges that a copy of each has been made available to the Participant. This Agreement, the Certificate and the Plan constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms and conditions of this Agreement, the Certificate and the Plan, the Plan will govern.

(c) **Modification.** The Agreement may be modified only in writing signed by both parties.

(d) **Notices.** Any notice required under this Agreement to be delivered to the Company must be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to the Participant must be in writing and addressed to the Participant at the address indicated on the Certificate or to such other address as the Participant designates in writing to the Company. All notices will be deemed to have been delivered: (i) on personal delivery, (ii) five days after deposit in the United States mail by certified or registered mail (return receipt requested), (iii) two business days after deposit with any return receipt express courier (prepaid) or (iv) one business day after transmission by fax or email.

(e) **Successors and Assigns.** The Company may assign any of its rights under this Agreement. This Agreement will be binding on and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement is binding on the Participant and the Participant's heirs, executors, administrators, legal representatives, successors and assigns.

(f) **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Texas without giving effect to its conflict of law principles. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

**CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Alfredo Bala, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mannatech, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2017

/s/ Alfredo Bala

Alfredo Bala

Chief Executive Officer

(principal executive officer)

**CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David A. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mannatech, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting..

Date: August 8, 2017

/s/ David A. Johnson

David A. Johnson
Chief Financial Officer
(principal financial officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Mannatech, Incorporated (the "Company") on Form 10-Q for the period ending June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alfredo Bala, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2017

/s/ Alfredo Bala

Alfredo Bala

Chief Executive Officer

(principal executive officer)

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO MANNATECH, INCORPORATED AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Mannatech, Incorporated (the "Company") on Form 10-Q for the period ending June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Johnson, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2017

/s/ David A. Johnson

David A. Johnson
Chief Financial Officer
(principal financial officer)

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO MANNATECH, INCORPORATED AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.
