Table of Contents

March 2007

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: March 31, 2007

OR

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

For the transition period from _____ to _____.

Commission File No. 000-24657

MANNATECH, INCORPORATED

(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" or "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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 April 30, 2007, the number of shares outstanding of the registrant's sole class of common stock, par value $0.0001 per share, was 26,426,487.

Table of Contents

Mannatech, Incorporated
TABLE OF CONTENTS

Forward-Looking Statements

Certain disclosure and analysis in this report, including information incorporated by reference, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, or 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. These forward-looking statements are subject to certain events, risks, and uncertainties that may be outside of Mannatech's control. 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;
- expanding international operations;
- global statutory tax rates remaining unchanged;
- the impact of future market changes due to exposure to foreign currency translations;
- effect of consumer uncertainty;
- 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.

Actual results and developments could materially differ from those expressed in or implied by such statements due to a number of factors, including:

- overall expected 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 any changes to global associate career and compensation plan or incentives;
- the ability to attract and retain independent associates and members;
- new regulatory changes that may affect operations and/or products;
- any impact of competition, competitive products, and pricing;
- any impact related to media or publicity;
- the political, social, and economic climate; and
- the risk factors described in this report, as well as other reports filed with the United States Securities and Exchange Commission.

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 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
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2006	March 31, 2007 (unaudited)
ASSETS		
Cash and cash equivalents	$ 45,701	$ 39,718
Restricted cash	2,251	2,267
Accounts receivable, net of allowance of $0.2 million in 2006 and 2007	999	119
Income tax receivable	2,155	1,759
Inventories, net	23,923	25,057
Prepaid expenses and other current assets	4,323	5,654
Deferred tax assets	1,478	951
Total current assets	**80,830**	**75,525**
Long-term investments	25,375	25,375
Property and equipment, net	16,523	16,839
Construction in progress	24,725	29,469
Long-term restricted cash	3,132	3,771
Other assets	1,372	1,511
Long-term deferred tax assets	278	304
Total assets	**$ 152,235**	**$ 152,794**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of capital lease	$ 92	$ 94
Accounts payable	3,339	7,956
Accrued expenses	26,841	17,306
Commissions and incentives payable	15,511	18,298
Taxes payable	3,556	2,435
Deferred revenue	2,697	275
Total current liabilities	**52,036**	**46,364**
Capital lease, excluding current portion	349	314
Long-term royalties due to an affiliate	2,879	2,768
Long-term deferred tax liabilities	7,444	7,986
Other long-term liabilities	730	2,413
Total liabilities	**63,438**	**59,845**
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.0001 par value, 99,000,000 shares authorized, 27,507,048 shares issued and 26,840,899 shares outstanding in 2006 and 27,628,581 shares issued and 26,421,487 shares outstanding in 2007	3	3
Additional paid-in capital	38,941	39,292
Retained earnings	66,393	70,059
Accumulated other comprehensive loss	(1,749)	(1,614)
	103,588	107,740
Less treasury stock, at cost, 1,207,094 shares in 2006 and 2007	(14,791)	(14,791)
Total shareholders' equity	**88,797**	**92,949**
Total liabilities and shareholders' equity	**$ 152,235**	**$ 152,794**

See accompanying notes to unaudited consolidated financial statements.

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

	Three months ended March 31,	
	2006	2007
Net sales	**$98,971**	**$104,799**
Cost of sales	14,561	14,693
Commissions and incentives	45,374	46,953
	59,935	61,646
Gross profit	**39,036**	**43,153**
Operating expenses:		
Selling and administrative expenses	17,777	19,719
Depreciation and amortization	998	1,465
Other operating costs	11,006	12,148
Total operating expenses	29,781	33,332
Income from operations	**9,255**	**9,821**
Interest income	572	647
Other expense, net	(514)	(36)
Income before income taxes	**9,313**	**10,432**
Provision for income taxes	(3,405)	(3,543)
Net income	**$ 5,908**	**$ 6,889**
Earnings per share:		
Basic	**$ 0.22**	**$ 0.26**
Diluted	**$ 0.22**	**$ 0.26**
Weighted-average common shares outstanding:		
Basic	**26,764**	**26,418**
Diluted	**27,392**	**26,979**

See accompanying notes to unaudited consolidated financial statements.

MANNATECH, INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
AND COMPREHENSIVE INCOME – *(UNAUDITED)*
FOR THE THREE MONTHS ENDED MARCH 31, 2006 and 2007
(in thousands, except per share information)

	Common Stock		Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock		Total shareholders' equity
	Issued Shares	Par value				Shares	Amounts	
Balance at December 31, 2005	**27,404**	**$3**	**$36,699**	**$42,505**	**($1,098)**	**666**	**($7,791)**	**$70,318**
Proceeds from stock options exercised	103	—	668	—	—	—	—	668
Tax benefit from exercise of stock options	—	—	275	—	—	—	—	275
Charge related to stock-based compensation	—	—	158	—	—	—	—	158
Charge related to stock warrants	—	—	48	—	—	—	—	48
Declared dividends of $0.08 per share	—	—	—	(2,147)	—	—	—	(2,147)
Components of comprehensive income:								
Foreign currency translations	—	—	—	—	100	—	—	100
Unrealized gain from investments classified as available-for-sale, net of tax of $4	—	—	—	—	6	—	—	6
Net income	—	—	—	5,908	—	—	—	5,908
Total comprehensive income								6,014
Balance at March 31, 2006	**27,507**	**$3**	**$37,848**	**$46,266**	**($992)**	**666**	**($7,791)**	**$75,334**

	Common Stock		Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock		Total shareholders' equity
	Issued shares	Par value				Shares	Amounts	
Balance at December 31, 2006	**27,617**	**$3**	**$38,941**	**$66,393**	**($1,749)**	**1,207**	**($14,791)**	**$88,797**
Cumulative impact of a change in accounting for income tax uncertainties pursuant to FIN 48	—	—	—	(845)	—	—	—	(845)
Proceeds from stock options exercised	12	—	25	—	—	—	—	25
Charge related to stock-based compensation	—	—	308	—	—	—	—	308
Charge related to stock warrants	—	—	18	—	—	—	—	18
Declared dividends of $0.09 per share	—	—	—	(2,378)	—	—	—	(2,378)
Components of comprehensive income:								
Foreign currency translation	—	—	—	—	134	—	—	134
Unrealized gain from investments classified as available-for-sale, net of tax of $1	—	—	—	—	1	—	—	1
Net income	—	—	—	6,889	—	—	—	6,889
Total comprehensive income								7,024
Balance at March 31, 2007	**27,629**	**$3**	**$39,292**	**$70,059**	**($1,614)**	**1,207**	**($14,791)**	**$92,949**

See accompanying notes to unaudited consolidated financial statements.

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

	Three months ended March 31,	
	2006	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 5,908	$ 6,889
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	998	1,465
Write-down of inventories	104	26
Loss on disposal of assets	28	1
Accounting charge related to stock warrants	48	18
Accounting charge related to stock-based compensation	158	308
Deferred income taxes	1,225	1,048
Accrued interest on note receivable	(2)	—
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(373)	879
(Increase) decrease in income tax receivable	(2,389)	406
(Increase) decrease in inventories	2,666	(1,120)
Increase in prepaid expenses and other current assets	(2,920)	(1,331)
Decrease in other assets	(43)	(138)
Increase (decrease) in accounts payable	(1,980)	4,616
Decrease in accrued expenses and taxes payable	(1,861)	(9,926)
Increase in commissions and incentives payable	2,742	2,785
Increase (decrease) in deferred revenue	818	(2,422)
Net cash provided by operating activities	**5,127**	**3,504**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,890)	(6,534)
Increase in restricted cash	(9)	(696)
Net cash used in investing activities	**(5,899)**	**(7,230)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Tax benefit from exercise of stock options	275	—
Payment of cash dividends	(2,147)	(2,378)
Proceeds from stock options exercised	668	25
Repayment of capital lease obligations	(3)	(33)
Net cash used in financing activities	**(1,207)**	**(2,386)**
Effect of exchange rate changes on cash and cash equivalents	34	129
Net decrease in cash and cash equivalents	**(1,945)**	**(5,983)**
Cash and cash equivalents at the beginning of period	56,207	45,701
Cash and cash equivalents at the end of period	**$54,262**	**$39,718**
SUMMARY OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Declaration of dividends	$ 2,147	$ 2,378
Unrealized losses from investments	$ 10	$ —

See accompanying notes to unaudited consolidated financial statements.

MANNATECH, INCORPORATED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mannatech, Incorporated (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 National Market under the symbol "MTEX". The Company develops high-quality, proprietary, nutritional supplements, skin care and topical products, and weight-management products that are primarily sold to independent associates and members located in the United States, Canada, Australia, the United Kingdom, Japan, New Zealand, the Republic of Korea, Taiwan, Denmark, and Germany.

Independent associates ("associates") purchase the Company's products at published wholesale prices for the primary purpose of personal consumption or sale to retail customers. Members ("members") purchase the Company's products at a discount from published retail prices primarily for personal consumption. The Company cannot distinguish its personal consumption sales from its other sales because it has no involvement in its products after delivery other than usual and customary product returns. Only independent associates are eligible to earn commissions and incentives. The Company has fifteen wholly-owned subsidiaries; however, only the following subsidiaries are currently active:

Wholly-owned subsidiary name	Date incorporated	Location of subsidiary	Date operations began
Mannatech Australia Pty Limited	April 1998	St. Leonards, Australia	October 1998
Mannatech Limited	November 1998	Didcot, Oxfordshire, United Kingdom	November 1999
Mannatech Japan, Inc.	January 2000	Tokyo, Japan	June 2000
Mannatech Korea Ltd.	February 2004	Seoul, Republic of Korea	September 2004
Mannatech Taiwan Corporation	June 2004	Coppell, Texas*	June 2005
Mannatech (International) Limited	December 2005	Gibraltar	December 2005

*MannatechTaiwan Corporation operates a branch office in Taipei, Taiwan.

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 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 statement 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. For further information, refer to the Company's consolidated financial statements and accompanying footnotes included in its annual report on Form 10-K for the year ended December 31, 2006 and filed with the United States Securities and Exchange Commission on March 16, 2007.

Principles of Consolidation

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

Use of Estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make certain estimates and assumptions that could affect its reported amounts of assets, liabilities, revenues, and expenses during the reporting periods, as well as disclosures about its contingent assets and liabilities. Significant estimates for the Company include inventory obsolescence, deferred revenue, sales returns, and valuation allowance for deferred tax assets. Actual results could differ from such estimates.

Cash and Cash Equivalents

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

As of December 31, 2006 and March 31, 2007, the Company included in its cash and cash equivalents credit card receivables due from its credit card processor because the cash proceeds from credit card receivables are received within 24 to 72 hours after receiving the approval code from the credit card processor. As of December 31, 2006 and March 31, 2007, credit card receivables were $3.7 million and $2.0 million, respectively. As of December 31, 2006 and March 31, 2007, cash and cash equivalents held in bank accounts in foreign countries totaled $33.8 million and $24.6 million, respectively.

Restricted Cash

The Company is required to restrict cash related to direct selling and credit card sales in the Republic of Korea, which, as of December 31, 2006 and March, 31, 2007, was $2.9 million and $3.6 million, respectively. In addition, the Company is required to restrict cash related to its Canada operations, which, as of December 31, 2006 and March 31, 2007, was $0.4 million. The Company also restricts cash related to a term deposit in an Australian bank, totaling $0.2 million, as collateral for its Australian building lease. The restricted term deposit is expected to be renewed through March 2008, when the Australian building lease expires.

The Company offers an annual travel incentive for its independent associates who qualify for its annual travel incentive. The United States travel incentive for 2007 is a cruise on a Royal Caribbean International® cruise ship. Royal Caribbean requires its customers to provide a letter of credit as a security deposit against damages to the ship. At December 31, 2006 and March 31, 2007, the Company restricted cash related to the letter of credit totaling $1.9 million as collateral for its travel incentive.

Accounts Receivable

At December 31, 2006 and March 31, 2007, account receivables were carried at their estimated collectible amounts, and consisted of a receivable due from a bank, payments due from manufacturers for purchases of raw material inventories, and a note receivable due from an affiliate. During 2006, the Company recorded an allowance for doubtful accounts of $0.2 million. In addition, at December 31, 2006 and March 31, 2007, accounts receivable included a receivable due from MannaRelief, a related party, of $0.2 million and $0.1 million, respectively. The Company writes off receivables when they become uncollectible.

Other Assets

At December 31, 2006 and March 31, 2007, other assets primarily consisted of deposits for building leases in various locations totaling $1.3 million.

Commissions and Incentives

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

Long-Term Liabilities

Other long-term liabilities consisted of a liability associated with income tax uncertainty, long-term management non-equity incentive bonus, deferred benefit obligation, and liabilities related to its building leases.

At December 31, 2006 and March 31, 2007, the Company maintained building operating leases for its subsidiary office facilities located in the United Kingdom, Japan, the Republic of Korea, and Taiwan and accrued restoration costs related to certain of these leases totaling $0.2 million. At December 31, 2006 and March 31, 2007, the Company also recorded a long-term liability for an estimated deferred benefit obligation related to its deferred benefit plan for its Japan operations of $0.4 million. In addition, as of March 31, 2007, the Company recorded a $0.2 million accrual related to its management non-equity incentive bonus. See income tax footnote discussion for the liability related to the Company’s adoption of FIN 48.

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 nonowner 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, and Taiwan operations, and unrealized gains/losses from its investments classified as available-for-sale, net of income taxes.

Revenue Recognition

The Company's revenues are derived from sales of its products, sales of its starter and renewal packs, and shipping fees. Substantially all of the Company's product sales are sold to independent associates at published wholesale prices and to members at discounted published retail prices. The Company recognizes revenue upon receipt of packs and products by its customers. The Company records revenue net of any sales taxes and records a reserve for expected sales refunds based on its historical experience.

The Company defers certain of its revenue. Total deferred revenue consists of i) revenue received from sales of packs and products, which were shipped but not received by customers by period end; ii) revenue received related to a one-year magazine subscription; iii) revenue received from pack sales when the pack sale price exceeded the wholesale value of all individual components within the pack; and iv) revenue received related to prepaid registration fees from customers planning to attend a future corporate-sponsored event. The Company recognizes deferred revenue related to shipped packs and products upon receipt of payment, by the customer. All other deferred revenue is recognized over one year. Components of deferred revenue are as follows:

	December 31, 2006	March 31, 2007
Revenue related to undelivered packs and products	$ 1.9 million	$ —million
Revenue related to a one-year magazine subscription and pack sales exceeding the wholesale value of individual components sold	0.5 million	0.3 million
Revenue related to future corporate-sponsored events	0.3 million	— million
Total deferred revenue	**$ 2.7 million**	**$ 0.3 million**

Shipping and Handling Costs

The Company records freight and shipping fees collected from its customers as revenue. The Company records inbound freight as cost of sales and records shipping and handling costs associated with shipping products to its customers as selling and administrative expenses. Total shipping and handling costs included in selling and administrative expenses were approximately $4.5 million and $4.4 million for the three months ended March 31, 2006 and 2007, respectively.

NOTE 2 INVESTMENTS

The Company classifies its investments as available-for-sale. At December 31, 2006 and March 31, 2007, the Company's investments consisted of the following:

	December 31, 2006 and March 31,2007		
	Amortized cost	Gross unrealized loss	Fair value
		(in thousands)	
State or federal agency backed obligations	$ 25,375	$ —	$25,375
Total investments, classified as long-term	**$ 25,375**	**$ —**	**$25,375**

The fair values of the Company's investments by contractual maturity at December 31, 2006 and March 31, 2007, were as follows:

	December 31, 2006	March 31, 2007
	(in thousands)	
Due in one year or less	$ —	$ —
Due between one and five years	—	—
Due after ten years	25,375	25,375
	$ 25,375	**$ 25,375**

NOTE 3 INVENTORIES

Inventories consist of raw materials, work in progress, finished goods, and sales aids that are stated at the lower of cost (using standard costs that approximate average costs) or market. Work in progress includes raw materials shipped to a third-party manufacturer to process for further use into certain finished goods. The Company provides an allowance for any slow-moving or obsolete inventories. Inventories at December 31, 2006 and March 31, 2007, consisted of the following:

	December 31, 2006	March 31, 2007
	(in thousands)	
Raw materials	$ 5,188	$ 4,739
Work in progress	2,598	2,673
Finished goods, less inventory reserves for obsolescence of $392 in 2006 and $338 in 2007	16,137	17,645
	$ 23,923	**$ 25,057**

NOTE 4 SHAREHOLDERS' EQUITY

Treasury Stock

On June 30, 2004, the Company's Board of Directors authorized the Company to repurchase up to 5% of its outstanding shares, or approximately 1.3 million shares, of its common stock in the open market. 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 its Board of Directors. During the three months ended March 31, 2006 and 2007, the Company did not repurchase any of its shares in the open market. However, as of March 31, 2007, the Company can repurchase in the open market up to 196,124 of its shares under the June 2004 plan and is also authorized to purchase up to $20 million of its outstanding shares in the open market under its August 2006 plan.

Earnings Per Share

Basic Earnings Per Share ("EPS") calculations are based on the calculated weighted-average number of shares of the Company's common stock outstanding during the period. Diluted EPS calculations are based on calculated weighted-average number of shares of common stock and dilutive common stock equivalents outstanding during each period.

The following summarizes the amounts used in computing the Company's EPS and its effect on the Company's weighted-average number of common shares and dilutive common share equivalents for the three months ended March 31, 2006 and 2007. For 2006, 61,757 shares of the Company's common stock subject to options were excluded from diluted EPS calculations using a weighted-average close price of $13.54 per share, as their effect was antidilutive. For 2007, 68,616 shares of the Company's common stock subject to options were excluded from its diluted EPS calculations using a weighted-average close price of $15.21 per share, as their effect was antidilutive. The amounts below are rounded to the nearest thousands, except for per share amounts.

	As of March 31,					
	2006			2007		
	Income (numerator)	Shares (denominator)	Per share amount	Income (numerator)	Shares (denominator)	Per share amount
Basic EPS:						
Net income available to common shareholders	$ 5,908	26,764	$ 0.22	$ 6,889	26,418	$ 0.26
Effect of dilutive securities:						
Stock options	—	523	—	—	453	—
Warrants	—	105	—	—	108	—
Diluted EPS:						
Net income available to common shareholders plus assumed conversions	$ 5,908	27,392	$ 0.22	$ 6,889	26,979	$ 0.26

NOTE 5 STOCK-BASED COMPENSATION

The Company has three stock-based compensation plans, all of which were approved by its shareholders (collectively, the "Stock Option Plans"). In February 2007, the Company's Board of Directors approved its 2007 Stock Incentive Plan ("the 2007 Plan"), which reserves for issuance up to 1,000,000 shares of its common stock for stock options and restricted stock to its employees, board members, and consultants. The 2007 Plan will be submitted for approval to the Company's shareholders at its Annual Shareholders' Meeting to be held on June 14, 2007.

The Company generally grants stock options to its employees and board members at the fair market value of its common stock on the date of grant, with a term no greater than ten years. The Company has not granted any stock options to non-employees other than its non-employee board members. The stock options generally vest over two or three years. Shareholders who own 10% or more of the Company's outstanding stock may be granted incentive stock options at an exercise price that may not be less than 110% of the fair market value of the Company's common stock on the date of grant, have a term no greater than five years, and vest over four years.

For the three months ended March 31, 2006 and 2007, the Company recorded in selling, general and administrative expenses, compensation expense related to its stock-based compensation of $0.2 million and $0.3 million, respectively. This compensation expense related to existing unvested stock options outstanding and the granting of 36,000 stock options in 2007. For the three months ended March 31, 2006 and 2007, the Company recorded a tax benefit related to stock option exercises of $0.3 million and $0.1 million, respectively. As of March 31, 2007, the Company expects to record compensation expense, in the future, as follows:

	Total gross unrecognized compensation expense	Total tax benefit associated with unrecognized compensation expense	Total net unrecognized compensation expense
For the nine months ended December 31, 2007	$ 0.6 million	$ 0.2 million	$ 0.4 million
For the twelve months ended December 31, 2008	0.4 million	0.2 million	0.2 million
For the twelve months ended December 31, 2009	0.2 million	0.1 million	0.1 million
	$1.2 million	**$ 0.5 million**	**$0.7 million**

On February 20, 2007, the Company granted each of its independent directors, Mr. Gilbert, Mr. Kennedy, Professor Axford, and Ms. Wier, 8,000 stock options, and granted 4,000 stock options to Mr. Jobe. One-third of the stock options vest immediately and the remaining two-thirds vest on the second and third anniversary dates of grant. The exercise price of the stock options is $15.60 per share and the options expire in ten years.

NOTE 6 TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Agreement with J. Stanley Fredrick

In November 2003, the Company entered into a Lock-Up Agreement whereby the Company pays Mr. J. Stanley Fredrick, the Company's Lead Director on its Board of Directors and a major shareholder, $185,000 per year for his agreement not to sell or transfer his shares to an outside party unless approved by the Company's Board of Directors. In June 2004, the Company's Board of Directors authorized Mr. Fredrick to sell up to 350,000 shares of his stock and as a result, during 2004, Mr. Fredrick sold 350,000 shares of his common stock in the open market. In December 2006, Mr. Fredrick transferred 1,250,000 shares of his Company stock to a family partnership, JSF Resources, LTD, for estate planning purposes. As of March 31, 2007, Mr. Fredrick beneficially owned 3,150,000 shares of the Company's common stock.

In November 2003, the Company also agreed to pay Mr. Fredrick $0.1 million annually to act as its Lead Director for its Board of Directors. In 2006, the Company agreed to pay Mr. Fredrick for attendance at its Board of Directors and Committee meetings. For the three months ending March 2006 and 2007, the Company paid Mr. Fredrick approximately $10,000 and $10,500, respectively, related to attendance at its Board meetings.

Consulting Fees with Professor Axford and Clinical Studies with St. George's Hospital

St. George's Hospital & Medical School, located in London, England, employs Professor John Axford, one of the Company's board members. Professor Axford serves as the principal investigator in the Company's funded clinical trials for St. George's Hospital & Medical School. In June 2004, the Company signed a three-year agreement totaling $0.7 million with St. George's Hospital & Medical School to fund research costs related to a clinical trial involving one of its products. As of March 31, 2007, the Company accrued fees of $0.1 million related to this clinical trial.

In January 2007, the Company entered into another agreement with St. George's Hospital & Medical School to fund costs totaling $0.4 million related to a three-year clinical trial called "Ambrotose® Dosing and Optimization Studies." Professor Axford will also serve as principal investigator for this clinical trial. As of December 31, 2006, the Company accrued fees of $0.2 million and as of March 31, 2007, the Company accrued fees of $0.2 million related to this clinical trial.

Agreements with Dr. Bill McAnalley

On August 7, 2005, the two-year employment agreement with Dr. Bill McAnalley, who served as the Company's Chief Science Officer, expired. As a result, the Company entered into a release agreement and a consulting agreement, in which the Company was required to pay Dr. McAnalley a total of $0.9 million. In August 2006, the Company extended this consulting agreement to reduce the monthly payments and extend the agreement terms through August 8, 2007. For the first three months ended March 31, 2006 and 2007, the Company paid Dr. McAnalley $0.6 million and $0.2 million, respectively, in connection with services provided under this Consulting Agreement.

In August 2003, the Company also entered into a long-term post-employment royalty agreement with Dr. McAnalley, pursuant to which the Company is required to pay Dr. McAnalley or his heirs' royalties for ten years, beginning September 2005 through August 2015. Quarterly payments related to this long-term post-employment royalty agreement are based on certain applicable annual global product sales, by the Company, in excess of $105.4 million. At the time the Company entered into this long-term post-employment royalty agreement, it was considered a post-employment benefit and the Company was required to measure and accrue the present value of the estimated future royalty payments related to the post-employment royalty benefit and recognize it over the life of Dr. McAnalley's employment agreement, which was 2 years. As of December 31, 2006, the Company accrued a long-term liability related to this royalty agreement of $3.4 million, of which $0.5 million was currently due and included in accrued expenses at December 31, 2006. As of March 31, 2007, the Company accrued $3.3 million related to this royalty agreement, of which $0.5 million was currently due and included in accrued expenses at March 31, 2007.

Transactions involving MannaRelief Ministries

Mr. Samuel Caster, the Company's Chairman of the Board and Chief Executive Officer, founded MannaRelief Ministries in 1999 and has served as its Chairman since inception. Defined under the United States Internal Revenue Code, MannaRelief Ministries is a 501(c)(3) charitable organization that provides charitable services for children. Donald Herndon, the Company's Vice President of Field Services, also serves on MannaRelief's board of directors. Mr. Herndon is the brother-in-law of Mr. Caster and the brother-in-law of Terry L. Persinger, who is the Company's President and Chief Operating Officer, and a member of the Company's Board of Directors.

Historically, Company transactions with MannaRelief Ministries have included making cash donations, selling products at cost plus shipping and handling charges, and shipping products purchased by MannaRelief Ministries to its chosen recipients. In addition, certain Company employees and consultants periodically volunteer to work or host various fund raising projects and events for MannaRelief Ministries at no cost to MannaRelief Ministries. The Company has made cash donations and sold products to MannaRelief Ministries, at cost plus shipping and handling, as follows:

	Three months ended March 31,	
	2006	2007
Sold Products	$ 0.3 million	$ 0.2 million
Cash Donations	$ 0.1 million	$ 0.2 million

Certain Transactions with Ray Robbins

Mr. Ray Robbins is a member of the Company's Board of Directors and a major shareholder. Mr. Robbins holds four positions in the Company's associate global downline network-marketing system related to the cancellation of an agreement between the Company and Mr. Robbins in June 1999. Mr. Robbins also holds other positions in the Company's associate global downline network-marketing system. The Company pays commissions and incentives to its independent associates and for the three months ended March 31, 2006 and 2007, the Company paid commissions and incentives to Mr. Robbins totaling $0.8 million and $1.0 million, respectively. In addition, several of Mr. Robbin's family members hold positions in the Company's associate global downline network-marketing system and were paid associate commissions and earned incentives of approximately $25,000 and $0.1 million for the three months ended March 31, 2006 and 2007, respectively. All commissions and incentives paid to Mr. Robbins and his family members were paid in accordance with the Company's global associate career and compensation plan.

NOTE 7 INCOME TAXES

In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109", ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FAS 109 and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on an income tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 requires a company to record the cumulative effect as an adjustment to its retained earnings at the beginning of the period in which it is adopted.

Effective January 1, 2007, the Company adopted FIN 48 and recognized a cumulative effect of $0.8 million to retained earnings. As of March 31, 2007, the Company had approximately $1.5 million of total gross unrecognized tax benefits, recorded as other long-term liability on its balance sheet, which, if recognized, would impact the Company's effective income tax rate. The following table summarized the incremental effects of adopting FIN 48 on the Company's Consolidated Financial Statements:

	Pre FIN 48 adoption	FIN 48 adjustment	Post FIN 48 adoption
	(in thousands, except per share information)		
Liabilities:			
Accrued expenses	$ 17,934	($ 628)	$ 17,306
Taxes payable	$ 2,433	$ 2	$ 2,435
Other long-term liabilities	$ 942	$ 1,471	$ 2,413
Shareholders' Equity:			
Retained earnings	$ 66,393	$ 845	$ 65,548

The Company accrues interest and penalties related to unrecognized income tax benefits in its provision for income taxes. At the adoption date of FIN 48, the Company had approximately $0.2 million accrued for interest and penalties.

The Company files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. As of January 1, 2007, the tax years that remain subject to examination by major tax jurisdiction for the Company's most significant subsidiaries were as follows:

Jurisdiction	Open Years
Japan	2001-2006
United States	2002-2006

The Company anticipates that it is reasonably possible that the total amount of unrecognized income tax benefits could decrease in 2007 due to the closure of tax years by expiration of the statute of limitations. However, the decrease would not have a material impact to its consolidated financial statements.

NOTE 8 LITIGATION

The Company has been sued in three securities class action lawsuits, which remain pending at March 31, 2007:

- First, on August 1, 2005, Mr. Jonathan Crowell filed a putative class action lawsuit against the Company and Mr. Samuel L. Caster, its Chief Executive Officer, on behalf of himself and all others who purchased or otherwise acquired the Company's common stock between August 10, 2004 and May 9, 2005, inclusive, and who were damaged thereby.
- Second, on August 30, 2005, Mr. Richard McMurry filed a class action lawsuit against the Company, Mr. Caster, Mr. Terry L. Persinger, its President and Chief Operating Officer, and Mr. Stephen D. Fenstermacher, its Chief Financial Officer.
- Third, on September 5, 2005, Mr. Michael Bruce Zeller filed a class action lawsuit against the Company, Mr. Caster, Mr. Persinger, and Mr. Fenstermacher.

These three lawsuits were initially filed in the District of New Mexico and consolidated on December 12, 2005 into the civil action styled "In re Mannatech, Incorporated Securities Litigation." The Mannatech Group, consisting of Mr. Austin Chang, Ms. Naomi S. Miller, Mr. John Ogden, and the Plumbers and Pipefitters Local 51 Pension Fund, has been appointed as lead plaintiffs, Lerach Coughlin Stoia Geller Rudman & Robbins LLP has been appointed as lead counsel and Claxton & Hill, PLLC has been appointed local counsel, for the putative class.

On January 29, 2007, the Court in the District of New Mexico granted the Company's motion to transfer venue to the United States District Court for the Northern District of Texas, Dallas Division. On March 9, 2007, an unopposed Motion for Leave to File Amended Consolidated Class Action Complaint for Securities Fraud was filed by lead plaintiffs for the putative class. The Amended Consolidated Complaint proposed by the lead plaintiffs is substantively similar to the Consolidated Class Action Complaint filed on March 3, 2006. Lead plaintiffs allege the Company violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, by artificially inflating the value of the Company's common stock by knowingly allowing independent contractors to recklessly misrepresent the efficacy of its products during the purported class period. The Amended Complaint expands the class period, as alleged in the Consolidated Class Action Complaint, to October 27, 2006, and also adds new allegations based on news reports of potential regulatory or enforcement actions by the State of Texas involving selling and promotional activities of the Company and/or its independent associates. The Company is required to answer or move to dismiss the Amended Complaint by May 21, 2007.

Shortly after the commencement of the class action litigation, the Company was sued in three shareholder derivative lawsuits, which remain pending at March 31, 2007:

- First, on October 18, 2005, a shareholder derivative lawsuit was filed by Norma Middleton, Derivatively and on Behalf of Nominal Defendant, Mannatech, Incorporated against Samuel L. Caster, Terry L. Persinger, Donald A. Buchholz, J. Stanley Fredrick, Gerald E. Gilbert, Alan D. Kennedy, Marlin Ray Robbins, and Patricia A. Wier, in the United States District Court for the Northern District of Texas, Dallas Division.
- Second, on January 11, 2006, a shareholder derivative action was filed by Kelly Schrimpf, Derivatively and on Behalf of Nominal Defendant Mannatech, Incorporated against Samuel L. Caster, Terry L. Persinger, Steven W. Lemme, and Stephen D. Fenstermacher in the 162nd District Court of Dallas County, Texas, Dallas Division.
- Third, on January 13, 2006, a shareholder derivative action was filed by Frances Nystrom, Derivatively and on Behalf of Nominal Defendant Mannatech, Incorporated against Samuel L. Caster, Terry L. Persinger, Stephen D. Fenstermacher, John Stuart Axford, J. Stanley Fredrick, Gerald E. Gilbert, Alan D. Kennedy, Marlin Ray Robbins, Patricia A. Wier, and Donald A. Buchholz in the United States District Court for the Northern District of Texas.

Each of these shareholder derivative lawsuits makes allegations similar to the allegations of the shareholder class action litigation described above.

In 2005, the Company's independent directors appointed a Special Litigation Committee ("SLC") to review the initial three derivative actions and determine the proper corporate response. This review was completed on August 26, 2006 and the SLC issued its report, determining that it is in the Company's best interest to dismiss the derivative lawsuits. Statements by the Company to this effect were filed with the courts in the respective derivative cases on September 13, 2006.

The Company filed motions to dismiss the Middleton and Nystrom complaints on March 12, 2007. The motions seek dismissal under Texas Business Corporation Act Article 5.14 for the failure to properly meet the Texas derivative demand requirements, and on the basis of the SLC's determination that the derivative lawsuits are not in the best interest of the Company and should be dismissed.

The Schrimpf state court lawsuit has been stayed pending the outcome of the Middleton federal lawsuit, the first-filed derivative action. On February 5, 2007, the Court administratively closed the Schrimpf action, subject to being reopened when the case again becomes active. Additionally, on January 30, 2007, the Court in the Middleton and Nystrom lawsuits denied without prejudice the motions to consolidate the two actions, as well as the competing motions to appoint lead derivative plaintiff and lead counsel. Mediated settlement discussions were conducted on December 20, 2006 and March 7, 2007 involving the Company and its lead counsel in the putative securities class action litigation, and counsel for each of the derivative plaintiffs. These discussions did not produce a settlement.

Following the mediation in December 2006, the Company received separate derivative demand letters on behalf of shareholders Frances Nystrom, one of the derivative plaintiffs noted above, and Duncan Gardner, a separate shareholder represented by the same law firm that represents derivative plaintiff Kelly Schrimpf. These demand letters were received on January 9, 2007 and January 19, 2007, respectively. Both demand letters request that the Company initiate legal proceedings against unnamed directors and officers with regard to the Company's funding of various scientific research projects.

On April 25, 2007, Mr. Gardner filed suit Derivatively and on Behalf of Nominal Defendant Mannatech, Incorporated against Samuel L. Caster, Terry L. Persinger, Stephen D. Fenstermacher, J. Stanley Fredrick, Patricia A. Wier, Alan D. Kennedy, John Stewart Axford, Marlin Ray Robbins, Gerald E. Gilbert, and Larry A. Jobe in the 162nd District Court of Dallas County, Texas. Mr. Gardner alleges that the Company's directors and officers have violated their fiduciary duties by approving funding for unsubstantiated scientific research projects.

The SLC has begun an inquiry into the allegations of Ms. Nystrom and Mr. Gardner regarding the Company's funding of scientific research projects.

Plaintiffs in the consolidated putative class actions and in the shareholder derivative actions seek an unspecified amount of compensatory damages, interest, and costs, including legal and expert fees.

In response to these actions, the Company continues to work with its experienced securities litigation counsel to vigorously defend itself and its officers and directors. The Company also believes this type of litigation is inherently unpredictable. It should be noted that a court must certify a class before a case can proceed as a class action lawsuit and that the determination has not been made in the consolidated securities cases. The Company believes these types of repetitive lawsuits (seeking class action status) are common in today's litigious society and many reputable companies have successfully defended themselves against such litigation. It is not possible at this time to predict whether the Company will incur any liability, or to estimate the damages or the range of damages, if any, that it might incur in connection with any of these above mentioned securities and derivative lawsuits.

On March 16, 2006, the Company filed a patent infringement lawsuit against Glycobiotics International, Inc. for alleged infringement of its utility United States Patent No. 6,929,807 ("Compositions of Plant Carbohydrates as Dietary Supplements") in the United States District Court of the Northern District of Texas, Dallas Division. On February 9, 2007, the Company filed an Amended Complaint, adding patent infringement claims related to its recently issued United States Patent No. 7,157,431 ("Compositions of Plant Carbohydrates as Dietary Supplements"). The Company's Amended Complaint, it seeks to force Glycobiotics to cease the manufacture, sale, and use of its glyconutritional product marketed under its brand name "Glycomannan," and alleges additional claims for unfair competition and business disparagement due to false and misleading statements about the Company and its flagship product Ambrotose® complex. On February 20, 2007, Glycobiotics filed its Original Answer and Counterclaims to the Company's Amended Complaint. The Counterclaims allege various antitrust claims based on the Company's exclusive contract to purchase a proprietary

formula of arabinogalactan used in Ambrotose® complex. The Company filed its answer on March 12, 2007, denying all of the claims.

On December 22, 2006, Glycobiotics filed a Motion for Claim Construction (i.e., Markman motion) and a Partial Motion for Summary Judgment. Those motions were amended on March 2, 2007 to address the claims added in the Amended Complaint. The Company's response to those motions was due on March 21, 2007. On March 2, 2007, the Company filed a Motion for Partial Summary Judgment on Glycobiotics' infringement of its United States Patent No. 7,157,431. All motions for summary judgment, as well as the Defendant's motion for claim construction, are fully briefed and pending determination by the Court. The Company continues to vigorously prosecute this case, and is actively pursuing discovery relating to the defendant's conduct and its infringement of both patents. The case is currently set for trial in June 2007.

By April 27, 2007, the parties had fully briefed the Court on Glycobiotics' Motion for *Markman* Claim Construction, the cross Motions for Partial Summary Judgment, and related evidentiary issues, in anticipation of a trial setting in June 2007. However, at the beginning of May 2007, the case was transferred to another court, which set aside the June trial date. The new court has issued a new scheduling order to address the outstanding motions and the remaining discovery on the Company's patent infringement claims and Glycobiotics' antitrust counterclaims. It is expected that the new court will rule on the Motion for *Markman* Claim Construction by July 2007 and the Motions for Partial Summary Judgment by August 2007, with a new trial setting expected for late fall 2007.

On May 5, 2006, the Company also filed a patent infringement lawsuit against Techmedica Health™ Inc., or Techmedica, for alleged infringement of its utility United States Patent No. 6,929,807 in the United States District Court of the Northern District of Texas, Dallas Division. The Company sued Techmedica to cease the manufacture, sale, and use of its glyconutritional product marketed under their brand name "Nutratose" and for alleged unfair competition due to false and misleading statements. In June 2006, the Company filed its response to the motion to transfer venue filed by Techmedica. The Court agreed with its position and denied Techmedica's motion to transfer on August 3, 2006.

After discovering that Triton Nutra, Inc. manufactures Nutratose for Techmedica, the Company filed an Amended Complaint on February 6, 2007 to add Triton Nutra as a named defendant and to assert patent infringement claims against both Techmedica and Triton Nutra related to the Company's United States Patent No. 6,929,807 and its recently issued United States Patent No. 7,157,431. The Company and Techmedica agreed to lift the Scheduling Order pending Triton Nutra's answer and appearance in the case. But when Triton Nutra failed to answer the Amended Complaint, the Company filed a Motion for Default against Triton Nutra, which was entered by the clerk of the court on May 3, 2007. Techmedica has resisted continuing with the case and on May 2, 2007, it filed a Motion to Stay the case pending Triton Nutra's appearance and a ruling on the *Markman* motion in the Glycobiotics' case. The Company's response to Techmedica's motion is due at the end of this month, and the Company intends to oppose the motion and continue the proceedings against Techmedica in order to maintain the anticipated March 2008 trial date.

The Company also has several other pending claims incurred in the normal course of business. In the Company's opinion, such claims can be resolved without any material affect on its consolidated financial position, results of operations, or cash flows.

The Company maintains certain liability insurance; however, certain costs of defending lawsuits, such as those below the insurance deductible amount, are not covered by or only partially covered by its insurance policies, or its insurance carriers could refuse to cover certain of these claims in whole or in part. The Company accrues costs to defend itself from litigation as it is incurred or as it becomes determinable.

NOTE 9 RECENT ACCOUNTING PRONOUNCEMENTS

FAS 159. In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115", ("FAS 159"). FAS 159 allows measurement at fair value of eligible financial assets and liabilities that are not otherwise measured at fair value. If the fair value option for an eligible item is elected, unrealized gains and losses on that item shall be reported in current earnings at each subsequent reporting date. FAS 159 also establishes presentation and disclosure requirements designed to draw comparison between the different measurement attributes the company elects for similar types of assets and liabilities. FAS 159 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted. The Company is currently assessing the impact of FAS 159 on its consolidated financial statements.

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board or other standards setting bodies, which the Company adopts as of the specified effective date. Unless otherwise discussed, the Company believes the impact of recently issued standards that are not yet effective will not have a material impact on its consolidated financial statements upon adoption.

NOTE 10 SEGMENT INFORMATION

The Company conducts its business within one industry segment. No single independent associate has ever accounted for more than 10% of the Company's total sales.

The Company aggregates all of its operating units because it operates as a single reportable segment as a seller of nutritional supplements through its network-marketing distribution channels operating in ten countries. 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 and distributes its products through similar distribution channels in each country. Each of the Company's operations sells similar packs and products and possesses similar economic characteristics, such as selling prices and gross margins.

The Company has six active subsidiaries that operate in six physical locations and sells products in ten different countries around the world. The six physical locations include the United States, Australia, the United Kingdom, Japan, the Republic of Korea, and Taiwan. Each of the Company's physical locations service different geographical areas. The United States parent processes orders for Canada; however, products and packs sold in Canada are shipped through a third-party distribution facility located in Canada. The Company's Australian location processes orders for both Australia and New Zealand, and the orders are shipped for Australia and New Zealand through a third-party distribution facility located in Australia. The Company's United Kingdom location processes and ships orders for the United Kingdom, Denmark, and Germany.

All of the Company's six active subsidiaries are fully operating subsidiaries, except for Australia and the United Kingdom. The Company's Australian and United Kingdom subsidiaries operate as limited-risk service providers and are responsible for providing management, marketing and administrative services, processing and shipping orders, and overseeing the payment of cost of sales and commissions for processed orders on behalf of the parent operating in the United States. For these services, the limited-risk service providers are paid a management fee from its United States parent, which is eliminated in the Company's consolidated financial statements. In addition to the processing and shipping of orders in the United States and Canada, the United States parent owns all of the sales and inventories and accrues all commissions and costs related to activities in New Zealand, Australia, the United Kingdom, Denmark, and Germany.

By country of operation, consolidated net sales shipped to customers in these locations, along with pack and product information for the three months ended March 31, 2006 and 2007 are as follows:

	Three months ended March 31,			
	2006		2007	
	(in millions)			
United States	$67.1	67.8%	$ 68.5	65.4%
Canada	7.3	7.4%	6.7	6.4%
Australia	7.9	8.0%	7.3	7.0%
United Kingdom	2.0	2.0%	1.7	1.6%
Japan	9.2	9.3%	9.7	9.3%
New Zealand	2.5	2.5%	1.9	1.8%
Republic of Korea	1.6	1.6%	6.3	6.0%
Taiwan	0.8	0.8%	1.1	1.0%
Denmark	0.6	0.6%	0.5	0.5%
Germany*	—	—%	1.1	1.0%
Totals	**$99.0**	**100%**	**$104.8**	**100%**

* United Kingdom began shipping packs and products to Germany in March 2006.

	Three months ended March 31,	
	2006	2007
	(in millions)	
Consolidated product sales	$ 74.6	$ 77.1
Consolidated pack sales	20.6	20.7
Consolidated other, including freight	3.8	7.0
Consolidated total net sales	**$ 99.0**	**$ 104.8**

Long-lived assets, which include property, plant and equipment and construction in progress for the Company and its subsidiaries, are as follows:

Country	December 31, 2006	March 31, 2007
	(in millions)	
Australia	$ 0.2	$ 0.2
Japan	0.3	0.3
Republic of Korea	0.6	0.7
Taiwan	0.2	0.2
United Kingdom	0.5	0.4
United States	39.4	44.5
Total long-lived assets	**$ 41.2**	**$ 46.3**

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 the consolidated financial position and results of operations for the three months ended March 31, 2007 as compared to the same period in 2006. Unless stated otherwise, all financial information presented below, throughout this report, and in the consolidated financial statements and related notes includes Mannatech, Incorporated and all of our subsidiaries on a consolidated basis.

Company Overview

Since November 1993, we have developed innovative, high-quality, proprietary nutritional supplements, topical and skin care products, and weight-management products that are sold through a global network-marketing system operating in the United States, Canada, Australia, the United Kingdom, Japan, New Zealand, the Republic of Korea, Taiwan, Denmark, and Germany. New Zealand is serviced by our Australian subsidiary and Denmark and Germany are serviced by our United Kingdom subsidiary. Our Australian and United Kingdom subsidiaries each operate as limited-risk service providers for the United States parent. The United States parent owns all of the sales and inventories and accrues all commissions and cost of sales in New Zealand, Australia, the United Kingdom, Denmark, and Germany. The United States parent pays the limited-risk service providers a management fee for processing and shipping orders in Australia, New Zealand, the United Kingdom, Denmark, and Germany.

We operate as a single segment and primarily sell our products through a network of approximately 553,000 independent associates and members who have purchased our products or packs within the last 12 months, which we refer to as *current independent associates and members*. We operate as a seller of nutritional supplements through our network-marketing distribution channels operating in ten different countries. We review and analyze our net sales by geographical location and further analyze our net sales by packs and by products. Each of our subsidiaries sells the same type of products and possesses similar economic characteristics, such as selling prices and gross margins.

At the end of March 2007, we had to delay processing orders for approximately one week, as we began implementing Phase II of Globalview, our internally-developed software system. Although we communicated this to our independent associates and members in order to avoid any unanticipated delays associated with shipments, this one week delay decreased our cash and deferred revenue at March 31, 2007, and may have attributed to the decline in the number of new independent associates and members.

For the three months ended March 31, 2007, our net sales, net income, and diluted earnings per share increased; however, the number of new independent associates and members has slowed as compared to the percentage increases in prior periods. To help increase the number of new independent associates and members, we plan to launch new products and continue to register our products in all countries in which we operate. In the future, we also plan to expand into additional countries.

Critical Accounting Policies and Estimates

In response to SEC Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," we 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 management. We also analyze the need for certain estimates, including the need for such items as inventory reserves, capitalization of software development costs, tax valuation allowances, revenue recognition and deferred revenue, accounting for stock-based compensation, and contingencies and litigation. Our estimates are based on historical experience, industry standards, and various other assumptions that we believe are applicable and reasonable under the circumstances. We caution readers that actual results could differ from estimates under different assumptions or conditions, and if circumstances change relating to the various assumptions or conditions used in our estimates, we could experience an adverse effect on our consolidated financial position, consolidated results of operations, and consolidated cash flows. We have identified the following applicable critical accounting policies and estimates as of March 31, 2007:

Inventory Reserves

We review our inventory carrying value and compare it to its estimated fair market value. Any inventory value in excess of estimated fair market value is written down. In addition, we review our inventory for obsolescence 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 future plans. If actual sales are less favorable than those originally projected by us, additional inventory reserves or write-downs may be required. At March 31, 2007, our net inventories were valued at $25.1 million, which included an inventory reserve for slow-moving and obsolete inventories of approximately $0.3 million.

Capitalization of Software Development Costs

We capitalize costs associated with internally-developed software projects and amortize costs associated with these projects over their useful lives, which is usually five years. If accounting standards change or if the capitalized software becomes obsolete, we may be required to write-off our unamortized capitalized software or accelerate the amortization period.

During 2004, we began the development and/or configuration of several large-scaled information technology projects that are intended to increase functionality of our operations and expand our reporting capabilities. One of these projects was the configuration of our internally-developed global re-architecture software project, also called our Globalview our fully-integrated internally-developed software project. As of March 31, 2007, we had approximately $3.3 million of unamortized capitalized software development costs included in property and equipment and $29.2 million included in construction in progress, which we plan to put in service in April 2007 and amortize ratably over 5 years.

Tax Valuation Allowances

We evaluate 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 our 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. As of March 31, 2007, our total gross deferred tax assets were $5.8 million, and we recorded a valuation allowance of $0.9 million related to certain deferred tax assets for our operations in Taiwan and the Republic of Korea as they do not meet the *"more likely than not"* criteria, as defined by the recognition and measurement provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

Revenue Recognition and Deferred Revenue

We defer all revenues until our customers receive their shipments. We also defer a portion of our revenues from the sales of certain starter and renewal packs that contain a one-year magazine subscription and defer a portion of revenue from each pack in which the total price of the pack exceeds the total wholesale value of all individual components included in such packs. We amortize deferred revenue associated with our one-year magazine subscriptions and any pack sales that exceed the total wholesale value of the individual components included in such packs over one year. Although we have no immediate plans to significantly change the contents of our packs or our shipping methods, any such change in the future could result in additional revenue deferrals or cause us to recognize deferred revenue over a longer period of time. For example, if we were to decrease the number of items included in our packs but not change the sales price of our packs, we would have to defer additional revenue and recognize the additional deferred revenue over one year.

In June 2006, the Financial Accounting Standards Board Emerging Issues Task Force reached a consensus on Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That Is, Gross versus Net Presentation)", ("EITF 06-3"). EITF 06-3 requires disclosure of an entity's accounting policy regarding the presentation of taxes assessed by a governmental authority that are directly imposed on a revenue-producing transaction between a seller and a customer, including sales, use, value added and some excise taxes. Our policy is to exclude all such taxes from revenue on a net reporting basis.

Accounting for Stock-Based Compensation

Beginning on January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123(R), "Share Based Payments", ("FAS 123(R)"), which requires a company to measure and recognize compensation expense related to any unvested stock options outstanding as of January 1, 2006 and recognize compensation expense for any new stock options granted after December 31, 2005 over the vesting period. For the three months ended March 31, 2007, the compensation measurement is based on various assumptions, which are as follows:

- average dividend yield of 2.31%;
- expected average risk-free interest rate of 4.68%;
- expected market price volatility of 67.7%;
- expected forfeiture rate of 0%;
- expected average life of stock options of 4.5 years; and
- the calculated fair value of options granted during the period of $7.76.

Based on the above assumptions, we calculated compensation expense and will record it in our Consolidated Statements of Operations over the stock options' vesting periods, which are generally two or three years. As of March 31, 2007, we anticipate recognizing $1.2 million in gross compensation expense through 2009 related to unvested stock options outstanding. In addition, as of March 31, 2007, we had 224,687 stock options available to grant in the future.

Contingencies and Litigation

Each quarter, we evaluate the need to accrue for legal claims or assessments. We base our accrual evaluation on our estimated amount of damages and the probability of losing any threatened legal claim. If circumstances change, or we experience an unanticipated adverse outcome of any legal action, we would be required to record an estimated amount related to any potential legal action.

Results of Operations

The table below summarizes our consolidated operating results in dollars (rounded to the nearest thousand), except per share amounts, and as a percentage of net sales for the three months ended March 31, 2006 and 2007.

Consolidated Operating Results for the three months ended March 31, 2006 and 2007

	2006		2007		Change from 2006 to 2007	
	Total dollars	% of net sales	Total dollars	% of net sales	Dollar change	Percentage change
Net sales	**$98,971**	**100%**	**$104,799**	**100%**	**$5,828**	**5.9%**
Cost of sales	14,561	14.7%	14,693	14.0%	132	0.9%
Commissions and incentives	45,374	45.9%	46,953	44.8%	1,579	3.5%
	59,935	60.6%	61,646	58.8%	1,711	2.9%
Gross profit	**39,036**	**39.4%**	**43,153**	**41.2%**	**4,117**	**10.5%**
Operating expenses:						
Selling and administrative expenses	17,777	18.0%	19,719	18.8%	1,942	10.9%
Depreciation and amortization	998	1.0%	1,465	1.4%	467	46.8%
Other operating costs	11,006	11.1%	12,148	11.6%	1,142	10.4%
Total operating expenses	29,781	30.1%	33,332	31.8%	3,551	11.9%
Income from operations	**9,255**	**9.3%**	**9,821**	**9.4%**	**566**	**6.1%**
Interest income	572	0.6%	647	0.6%	75	13.1%
Other expense, net	(514)	(0.5%)	(36)	0.0%	478	(93.0%)
Income before income taxes	**9,313**	**9.4%**	**10,432**	**10.0%**	**1,119**	**12.0%**
Provision for income taxes	(3,405)	(3.4%)	(3,543)	(3.4%)	(138)	4.1%
Net income	**$ 5,908**	**6.0%**	**$ 6,889**	**6.6%**	**$ 981**	**16.6%**
Earnings per share						
Basic	$ 0.22	—	$ 0.26	—	$ 0.04	18.2%
Fully-diluted	$ 0.22	—	$ 0.26	—	$ 0.04	18.2%

Three Months Ended March 31, 2007 Compared With the Same Period in 2006

Net Sales

We sell our products through network-marketing distribution channels operating in ten different countries. We review and analyze our net sales by geographical location and further analyze our net sales by packs and products. Each of our subsidiaries sells the same types of products and possesses similar economic characteristics, such as selling prices and gross margins.

For geographical purposes, consolidated net sales primarily shipped to customers in these locations, in dollars and as a percentage of consolidated net sales, for the three months ended March 31, were as follows:

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

	Three months ended March 31,			
	2006		2007	
	(in millions)			
United States	$67.1	67.8%	$68.5	65.4%
Canada	7.3	7.4%	6.7	6.4%
Australia	7.9	8.0%	7.3	7.0%
United Kingdom	2.0	2.0%	1.7	1.6%
Japan	9.2	9.3%	9.7	9.3%
New Zealand	2.5	2.5%	1.9	1.8%
Republic of Korea	1.6	1.6%	6.3	6.0%
Taiwan	0.8	0.8%	1.1	1.0%
Denmark	0.6	0.6%	0.5	0.5%
Germany*	—	— %	1.1	1.0%
Totals	**$99.0**	**100%**	**$104.8**	**100%**

* United Kingdom began shipping packs and products to Germany in March 2006.

Overall, our consolidated net sales for the three months ended March 31, 2007 increased by $5.8 million, or 5.9%, as compared to the same period in 2006. Overall, the increase in net sales related to shipping packs and products into Germany, which generated $1.1 million in net sales, introducing Phytomatrix™ into the United States in November 2006, and our Optimal Skin Care System into Japan in May 2006, into other Asian countries in the second half of 2006, and then into the United States in March 2007. A small amount of our first quarter net sales were delayed until the second quarter because during the last week in March 2007, we began implementing Phase II of Globalview, our internally-developed software system, which fully interfaces all countries with one operation and financial database. In order to implement the new system at the end of March 2007, we delayed order processing for approximately one week. During the first quarter of 2007, we communicated the timing and effect of the implementation to our independent associates and members in order to allow them to plan for placement of their pack and product orders.

We also experienced a decline in net sales in some countries. We believe the decrease in net sales in Australia and New Zealand may be the result of consumer uncertainty related to our original Advanced Ambrotose™ introduced in the second half of 2005. To address this situation we introduced a reformulated Advanced Ambrotose™ in mid 2006, which contains a compound created using the latest technology that allows for a more potent concentration of the full size range of mannose-containing polysaccharides occurring naturally in aloe into a more stable powdered form. This process allows the compound to possess the most potent and profound immunostimulatory properties because it does not strip the compound of its natural mineral counterparts by organic solvent precipitation, and most importantly, allows the compound to retain a high proportion of molecular weight polysaccharides, which are believed to be responsible for the effective immune stimulating properties of aloe. This enhanced immune stimulating capability has been demonstrated by independent biological assays conducted by Hyperion Biotechnology. To help offset the decrease in net sales attributable to consumer uncertainty, we launched multi-faceted educational and marketing programs to better explain the science behind the superior quality and potency of our reformulated product. Additionally, with the cooperation of our independent associates, we developed a multi-faceted marketing program, which includes a number of published articles, tours, other

publications, marketing materials, web casts, and conference calls in an effort to further emphasize the advantages of our reformulated Advanced Ambrotose™.

We believe the decline in the United Kingdom and Denmark net sales resulted from heightened activities from opening the new market of Germany.

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

- changes in our sales prices;
- changes in consumer demand;
- 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;
- consumer uncertainty;
- adverse publicity; and
- changes in our commissions and incentives programs.

Our sales mix for the three months ended March 31, was as follows:

	For the three months ended March 31,		Dollar and percentage change
	2006	2007	2007 over 2006
		(in millions)	
Consolidated product sales	$ 74.6	$ 77.1	$ 2.5 3.4%
Consolidated pack sales	20.6	20.7	0.1 0.5%
Consolidated other, including freight	3.8	7.0	3.2 84.2%
Consolidated total net sales	**$ 99.0**	**$ 104.8**	**$ 5.8 5.9%**

Overall, the dollar increase in our consolidated net sales consisted of a change in mix of net sales and an increase in volume of products sold. Pack sales relate to new independent associates and members who purchase packs. Pack sales also consists of continuing independent associates who purchase upgrade or renewal packs. Although there is a correlation, we believe there is a strict direct correlation between the increase in the number of new independent associates and members purchasing packs and the amount of the increase in product sales because independent associates and members may consume different products at different consumption levels.

Product Sales

Overall product sales grew 3.4%, or $2.5 million, for the three months ended March 31, 2007 as compared to the same period in 2006. The growth of product sales was fueled by the introduction of new products which increased net sales by $6.8 million. Since March 2006, we have introduced Phytomatrix™ and Optimal Skin Care System. This increase was partially offset by a decrease in the sale of existing products of $4.3 million was due to a decrease in the number of new independent associates and members and the delay of order processing at the end of March 2007, related to implementing Phase II of Globalview, our internally-developed software system.

Pack Sales

We sell starter packs to our independent associates, which entitles the independent associate to purchase our products at wholesale prices. We also sell members a starter pack, which entitles them to purchase our products at a discount from published retail prices. Depending on the type of pack purchased, a starter pack may include certain products, promotional and educational information, and policies and procedures. Independent associates can also purchase upgrade packs, entitling the independent associate to additional promotional materials and achievement of additional commissions and incentives. Our business-building independent associates also purchase annual renewal packs.

The number of new and continuing independent associates and members who purchased packs during the 12-months ended March 31, 2006 and 2007 were as follows:

	For the twelve months ended March 31,					
	2006		2007		Number and percentage change	
New	228,000	45.0%	198,000	35.8%	(30,000)	(13.2%)
Continuing	282,000	55.0%	355,000	64.2%	73,000	25.9%
Total	**510,000**	**100.0%**	**553,000**	**100.0%**	**43,000**	**8.4%**

Overall, the number of independent associates and members increased by 8.4% as compared to the same period in 2006. We experienced an increase in the number of continuing independent associates who purchase our upgrade and renewal packs. However, we experienced a decrease in the number of new independent associates and members purchasing packs. We believe the decrease in new pack sales from new independent associates and members for the three months ended March 31, 2007 as compared to the same period in 2006, may have related to (i) consumer uncertainty over Advanced Ambrose®: (ii) our on-going class-action litigation; and (iii) the delay in order processing for approximately one week at the end of March 2007 to implement our internally-developed, fully-interfaced, software system. We believe we are proactively seeking ways to increase the number of independent associates and members purchasing our packs and products by the following:

- registering our new Phytomatrix™ product in all countries;
- exploring new international markets;
- launching an aggressive marketing campaign;
- expanding our 2007 annual travel incentive for two additional business periods;
- initiating additional incentives; and
- exploring new advertising tools to broaden our name recognition.

Pack sales associated with new independent associates and members and pack sales from continuing independent associates were as follows:

	For the three months ended March 31,			
	2006	2007	Dollar and percentage change of pack sales	
New	$13.1 million	$12.1 million	($1.0 million)	(7.6%)
Continuing	7.5 million	8.6 million	.1 million	14.7%
Total	**$20.6 million**	**$20.7 million**	**$0.1 million**	**0.5%**

Other Sales

Other sales primarily consist of the following:

- freight and shipping fees charged to our independent associates and members;
- sales of sales aids or promotional materials;
- training and event registration fees;
- monthly fees collected for Success Tracker™, a customized electronic business-building and educational materials database for independent associates that helps stimulate product sales and provide business management;
- a reserve for estimated sales refunds; and
- a change in deferred revenue that primarily pertains to the timing of recognition of revenue for pack and product shipments.

For the three months ended March 31, 2007, other sales increased by $3.2 million as compared to the same period in 2006. The increase in other sales was composed of a decrease of $3.3 million for deferred revenue associated with the timing of revenue recognition, a decrease in sales refund reserves of $0.2 million, partially offset by an increase of $0.3 million in training and freight fees.

Cost of Sales

Cost of sales primarily consists of products purchased from third-party manufacturers, costs of promotional materials sold to our independent associates, in-bound freight, provisions for slow-moving or obsolete inventories, and costs associated with complementary shipped products. Our cost of sales as a percentage of net sales is affected by unit costs for purchased products and the mix of products and packs sold because product sales have higher gross margins than pack sales.

At March 31, 2007, inventories increased by $1.2 million, or 0.5%, to $25.1 million as compared to $23.9 million at March 31, 2006. The increase in inventories consisted of an increase of $1.6 million in finished goods, work in process, and promotional materials on hand related to the timing of ordering inventory and the order processing interruptions at the end of March 2007. The increase in finished goods inventory related to the introduction of new products. In addition, raw materials on hand associated with required purchase commitments increased by $0.4 million. Our inventories turned at an annual rate of 2.4 times during the first three months of 2007 as compared to 3.1 times during the first three months of 2006. The decrease in inventory turnover is attributable to the increase in raw materials and an increase in finished goods.

For the three months ended March 31, 2007, cost of sales increased by 0.9%, or $0.1 million, to $14.7 million as compared to $14.6 million for the same period in 2006. The changes in our cost of sales consisted of an increase of $0.1 million in cost of sales related to sales of promotional materials and an increase of $0.4 million in deferred costs associated with timing of revenue recognition. These increases were partially offset by a decrease in costs of finished goods of $0.4 million related to efficiencies in the supply chain process achieved through the use of more economical product components created by new production technology. Cost of sales as a percentage of sales decreased by 0.7% to 14.0% from 14.7%, which was primarily related to efficiencies in the supply chain process achieved through the use of more economical product components created by new production technology.

Commissions and Incentives

Commissions and incentives are heavily dependent on the sales mix and types of incentives offered and generally account for between 41% to 46% of net sales. Commissions are earned by independent associates in accordance with our global associate career and compensation plan. Incentives consist of contests and travel incentives offered to our independent associates. Commissions and incentives are calculated using commissionable net sales, which consist of finished product and pack sales and are based on the following criteria:

- the independent associate’s earned placement and position within our overall global associate career and compensation plan;
- specific timing and sales volume of an independent associate’s direct and indirect commissionable sales; and
- the achievement of certain sales levels.

Our unique global associate career and compensation plan allows new and existing independent associates to build their individual global networks by expanding their existing downlines into international markets rather than requiring them to establish new downlines to qualify for commissions and incentives within each country of operation.

Commissions

For the three months ended March 31, 2007, commissions increased by 3.5%, or $1.6 million, to $43.8 million as compared to $42.2 million for the same period in 2006. The increase in commissions primarily related to the increase in commissionable net sales.

For the three months ended March 31, 2007, commissions as a percentage of net sales decreased to 41.7% from 42.7% for the same three month period of 2006. The decrease related to the shift in mix of net sales.

Incentives

Each year, we offer new travel incentives and contests that are designed to stimulate both pack and product sales. We accrue costs associated with the travel incentives during the months when independent associates qualify to win the trips. In 2007, the qualification period for the travel incentives started in January and has been extended until June as compared to 2006 when the travel incentive ended in May. For the three months ended March 31, 2007, the cost of incentives remained the same at $3.2 million as compared to the same period in 2006. For the three months ended March 31, 2007, the cost of incentives, as a percentage of net sales, decreased to 3.1% as compared to 3.2% for the same period in 2006. This percentage decrease was due to an increase in net sales.

Gross Profit

For the three months ended March 31, 2007, gross profit increased as compared to the same period in 2006. The increase in gross profit was the result of a shift in the mix of net commissionable sales and efficiencies gained in the supply chain process.

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, outbound shipping and freight, and marketing-related expenses, such as monthly magazine development costs and costs related to hosting our corporate-sponsored events.

For the three months ended March 31, 2007, selling and administrative expenses increased by $1.9 million, or 10.9%, to $19.7 million as compared to $17.8 million for the same period in 2006. As a percentage of net sales, selling and administrative expenses increased from 18.0% to 18.8% of net sales. The dollar increase in selling and administrative expenses consisted of the following:

- a net increase of $1.5 million in compensation and compensation-related costs, which included an increase in payroll and payroll-related costs of $1.8 million and an increase in temporary and contract labor of $0.2 million, partially offset by capitalizing $0.5 million in compensation costs were largely associated with our internally-developed software project;
- an increase of $0.3 million related to compensation expense for stock options, as required by FAS 123(R); and
- an increase of $0.1 million in freight-out and third party warehouse costs associated with a decrease in sales.

Depreciation and Amortization Expense

For the three months ended March 31, 2007, depreciation and amortization expenses increased by $0.5 million to $1.5 million as compared to $1.0 million for the same period in 2006. As a percentage of net sales, depreciation and amortization expense increased from 1.0% to 1.4% of net sales. The dollar increase in depreciation and amortization expense related to purchasing of fixed assets and capitalization of internally developed software costs.

Other Operating Costs

Other operating costs generally include accounting/legal/consulting fees, royalties, credit card processing fees, research and development costs, and other miscellaneous operating expenses such as travel, banking fees, storage fees, and utilities. Generally, changes in other operating costs are associated with the changes in our net sales.

For the three months ended March 31, 2007, other operating costs increased by $1.1 million, or 10.4%, to $12.1 million as compared to $11.0 million for the same period in 2006. For the three months ended March 31, 2007, other operating cost as a percentage of net sales increased to 11.6% compared to 11.1% for the same period in 2006. Specific changes in other operating costs include the following:

Accounting, legal, and consulting fees

For the three months ended March 31, 2007, accounting, legal, and consulting fees increased by $0.2 million to $2.5 million as compared to $2.3 million for the same period in 2006. This increase included an increase of $0.3 million in activity related to legal fees associated with ongoing lawsuits and regulatory matters and an increase of $0.5 million in accounting fees related to tax related services. These increases were partially offset by a decrease in consulting fees of $0.6 million primarily related to capitalizing costs associated with our Globalview internally-developed software project.

Royalties

For the three months ended March 31, 2007, royalty expense decreased by $0.1 million to $0.2 million as compared to $0.3 million for the same period in 2006. The decrease in royalty expense related to change in mix of net sales.

Credit card processing fees

For the three months ended March 31, 2007, credit card processing fees increased by $0.2 million to $2.3 million as compared to $2.1 million for the same period in 2006. The increase is the result of an increase in net sales.

Research and development costs

For the three months ended March 31, 2007, research and development costs increased by $0.4 million to $0.5 million as compared to $0.1 million for the same period in 2006. The increase was directly related to the development of our skin care formulation and timing of other research and development activities.

Other miscellaneous operating expenses

The remaining miscellaneous operating expenses are primarily variable in nature and relate directly to the change in net sales. Variable costs included in other miscellaneous operating expenses consist of bank charges, telephone, postage, insurance, and offsite storage fees. For the three months ended March 31, 2007, other miscellaneous operating expenses increased by $0.4 million to $6.6 million as compared to $6.2 million in 2006.

Interest Income

We maintain interest-bearing accounts for certain of our cash equivalents and investments. For the three months ended March 31, 2007, interest income remained the same at $0.6 million as compared to the same period in 2006.

Other Expense, Net

Other expense, net consists of foreign currency transaction gains and losses related to translating our foreign subsidiaries' assets, liabilities, revenues, and expenses to the United States dollar and translating the United States parent's monetary accounts held in foreign locations using current and weighted-average currency exchange rates. Net foreign currency transaction gains and losses are the result of the United States dollar fluctuating in value against foreign currencies. For the three months ended March 31, 2007, we recorded a net transaction gain from our foreign operations of $0.1 million as compared to $0.5 million for the same period in 2006.

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:

Country	For the three months ended March 31, 2006	For the three months ended March 31, 2007
United States*	37.5%	37.5%
Australia	30%	30%
United Kingdom	30%	30%
Japan	42%	42%
Republic of Korea	30%	27.5%
Taiwan	25%	25%

* For 2007 and 2006, the United States statutory income tax rates include a federal income tax rate of 35% and an average state income tax rate of 2.5% for 2007 and 2006.

Approximately one-third of our total consolidated net sales are derived from our international operations and subject to applicable country-specific statutory income tax rates. 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 Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", ("FAS 109"), to account for income taxes. The provisions of FAS 109 require a company to record a valuation allowance when the "*more likely than not*" criteria 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 review 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 both March 31, 2007 and 2006, we maintained a valuation allowance for deferred tax assets in the Republic of Korea and Taiwan collectively totaling $0.9 million, respectively. We believe the "*more likely than not*" criteria for recognition and realization purposes, as defined in FAS 109, has not been met.

The dollar amount of the provision for income taxes increased due to an increase in our profitability for the three months ended March 31, 2007 compared to the three months ended March 31, 2006. For the three months ended March 31, 2007, our effective income tax rate decreased to 34.0% from 36.6% for the same period in 2006. The decrease in our effective income tax rate is related to a change in the mix of taxable income between countries as compared to the three months ended March 31, 2006 and a partial relieving of the valuation allowance in the Republic of Korea due to reporting a profit during the first quarter of 2007.

Net Income and Earnings Per Share

Net income primarily increased as a result of an increase in gross profit and a reduction of our effective income tax rate. Diluted earnings per share for the three months ended March 31, 2007, increased by 18.2%, or $0.04 per share, to $0.26 per share for 2007 as compared to $0.22 per share for the same period in 2006. The increase in diluted earnings per share primarily related to an increase in gross profit and a reduction in our effective income tax rate.

Our quarterly cash dividend for 2007 increased to $0.09 per share as compared to $0.08 per share for 2006. Historically, we have declared and paid the following dividends:

Date dividends declared	Date dividends paid	Total amount of dividends	Dividend paid per common share
November 2004	January 2005	$1.9 million	$0.07
March 2005	April 2005	$1.9 million	$0.07
June 2005	July 2005	$1.9 million	$0.07
September 2005	October 2005	$1.9 million	$0.07
November 2005	January 2006	$2.1 million	$0.08
March 2006	April 2006	$2.1 million	$0.08
June 2006	July 2006	$2.1 million	$0.08
October 2006	October 2006	$2.1 million	$0.08
November 2006	January 2007	$2.1 million	$0.08
March 2007	April 2006	$2.4 million	$0.09

Liquidity and Capital Resources

Our principal use of cash is to pay for operating expenses, including commissions and incentives, capital assets, inventory purchases, funding international expansion, and payment of quarterly cash dividends. We generally fund our business objectives, operations, and expansion of our operations through net cash flows from operations rather than incurring long-term debt, and we plan to continue to fund our needs through our net cash flows from operations. We have approximately $39.7 million in cash equivalents and $25.4 million in investments which can be used along with our normal cash flows from operations to fund any unanticipated shortfalls in our future cash flows.

Cash and Cash Equivalents and Investments

For the three months ended March 31, 2007, we continue to preserve a strong cash and investment position. At March 31, 2007 our investment balance remained the same at $25.4 million as compared to December 31, 2006. Our cash and cash equivalents decreased by 13.1%, or $6.0 million, to $39.7 million from $45.7 million at December 31, 2006. The decrease in cash and cash equivalents partially related to funding operations while we had to delay order processing at the end of March 2007 in order to implement Globalview, our internally-developed software system.

Working Capital

Working capital accounts include cash and cash equivalents, receivables, inventories, prepaid expenses, deferred revenue, payables, and accrued expenses. At March 31, 2007 our working capital increased by $0.4 million, or 1.4%, to $29.2 million from $28.8 million at December 31, 2006. The increase in working capital primarily related to an increase in inventories and a decrease in liabilities.

Our net consolidated cash flows consisted of the following:

Provided by (used in):	For the three months ended March 31, 2006	2007
Operating activities	$5.1 million	$3.5 million
Investing activities	($5.9 million)	($7.2 million)
Financing activities	($1.2 million)	($2.4 million)

Operating Activities

For the three months ended March 31, 2007, our net operating activities provided cash of $3.5 million compared to providing cash of $5.1 million for the same period of 2006. Net income adjusted for noncash activities provided cash of $9.8 million as compared to providing cash of $8.5 million for the same period of 2006. For the three months ended March 31, 2007, our working capital accounts used $6.3 million in net operating cash flow as compared to providing $3.4 million in net operating cash flow for the same period of 2006.

We expect that our net operating cash flows in 2007 will continue to be sufficient to fund our current operations, capital requirements, plans for international expansion, and future quarterly cash dividends.

Investing Activities

Our net investing activities for the three months ended March 31, 2007, used cash of $7.2 million compared to using cash of $5.9 million for the same period of 2006. For the first three months of 2007, we purchased $6.5 million in capital assets compared to purchasing $5.9 million in capital assets for the same period of 2006. In addition, in 2007, we restricted additional cash of $0.7 million related to the timing of holding security deposits for our annual travel incentives.

Capital asset purchases include capitalized costs associated with Globalview, our internally-developed software system. In 2004, we substantially completed the development of Phase I of this project, and in 2005, we began configuring Phase II, and in March 2007 we began implementing Phase II. A recap of the total costs associated with this internally-developed software system is as follows:

	Capitalized costs	Non-capitalized costs	Total estimated costs
2004	$3.1 million	$0.5 million	$3.6 million
2005	8.7 million	2.4 million	11.1 million
2006	18.1 million	0.5 million	18.6 million
For the three months ended March 31, 2007	3.1 million	0.4 million	3.5 million
Total costs of Globalview project	$33.0 million	$3.8 million	$36.8 million

In 2007, we anticipate using cash from between $6.0 million to $12.0 million to purchase other capital assets for use in our operations, for expansion of our corporate facilities, and for planned international expansion.

Financing Activities

For the three months ending March 31, 2007, we used cash of $2.4 million to fund our financing activities and to fund cash dividend payments.

For the three months ending March 31, 2006 we used cash of $1.2 million. We used cash of $2.1 million to fund quarterly cash dividends to our shareholders, which was partially offset by receiving $0.7 million in cash proceeds from option holders exercising stock options, and recording a tax benefit related to stock option exercises of $0.3 million.

General Liquidity and Cash Flows

We continue to generate positive cash flows from operations and believe our existing liquidity and cash flows from operations are adequate to fund our normal expected future business operations, fund our estimated payments of cash dividends, fund the repurchase of our common stock in the open market, and fund international expansion for the next 12 to 24 months. However, if our existing capital resources or cash flows become insufficient to meet current business plans, projections, and existing capital requirements, we would be required to raise additional funds, which may not be available on favorable terms, if at all.

Off-Balance Sheet Arrangements

We do not have any special-purpose entity arrangements, nor do we have any off balance-sheet arrangements. However, we do maintain certain future commitments associated with various agreements and contracts. As of March 31, 2007, our future maturities of existing commitments and obligations are as follows:

- funding various operating leases for building and equipment rental of $9.2 million through 2017;
- funding various supply agreements to purchase raw materials of $26.6 million through 2016;
- funding $2.8 million of the long-term post employment royalties payable to Dr. McAnalley through 2015; and
- funding a total of $2.2 million for non-cancellable employment agreements through June 2008, with Mr. Caster, Mr. Persinger, Mr. Price, Mr. Fenstermacher, Mr. O'Day, and Mr. Clark, who are our executive officers.

We have no present commitments or agreements with respect to acquisitions or purchases of any manufacturing facilities; however, management is continuing to explore the possibility of the benefits of purchasing a manufacturing facility to help control costs of our raw materials and help ensure quality control standards. We have maintained purchase commitments with certain of our raw material suppliers to purchase minimum quantities and help ensure exclusivity of our raw materials and proprietorship of our products. Currently, we have four supply agreements that require minimum purchase commitments. We expect to exceed our minimum monthly-required 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 agreements do not require us to purchase any set minimums.

Recent Accounting Pronouncements

FAS 159. In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115", ("FAS 159"). FAS 159 allows measurement at fair value of eligible financial assets and liabilities that are not otherwise measured at fair value. If the fair value option for an eligible item is elected, unrealized gains and losses on that item shall be reported in current earnings at each subsequent reporting date. FAS 159 also establishes presentation and disclosure requirements designed to draw comparison between the different measurement attributes the company elects for similar types of assets and liabilities. FAS 159 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted. We are currently assessing the impact of FAS 159 on our consolidated financial statements.

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board or other standards setting bodies, which we adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of recently issued standards that are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

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 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 and/or related costs and expenses could be adversely affected.

We believe inflation has not had a material impact on our consolidated operations or profitability. We expanded into Canada in 1996, into Australia in 1998, into the United Kingdom in 1999, into Japan in 2000, into New Zealand in 2002, into the Republic of Korea in 2004, into Taiwan and Denmark in 2005, and into Germany in 2006. Our United States operation services shipments to Canada, while our Australian operation services shipments to New Zealand, and our United Kingdom operation services shipments to Denmark and Germany. We translate our revenues and expenses in foreign markets using either a current (spot) rate or weighted-average rate.

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 sensitivity of our earnings and cash flows to variability in currency exchange rates by applying an appropriate range of potential rate fluctuations to our assets, obligations, and projected transactions denominated in foreign currencies.

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 foreign currencies in which we currently have exposure to foreign currency exchange rate risk include the currencies of Canada, Australia, the United Kingdom, Japan, New Zealand, the Republic of Korea, Taiwan, Denmark, and Germany. The current (spot) rate, weighted-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 three months ended March 31, 2007 were as follows:

Country (foreign currency name)	Low	High	Weighted-Average	Spot
Australia (Dollar)	$ 0.77230	$ 0.80900	$ 0.78606	$ 0.80800
Canada (Dollar)	$ 0.84380	$ 0.86550	$ 0.85365	$ 0.86550
Denmark (Krone)	$ 0.17320	$ 0.17930	$ 0.17582	$ 0.17900
Germany (Euro)	$ 1.29060	$ 1.33700	$ 1.31044	$ 1.33350
Japan (Yen)	$ 0.00821	$ 0.00863	$ 0.00838	$ 0.00848
New Zealand (Dollar)	$ 0.67920	$ 0.71770	$ 0.69576	$ 0.71410
Republic of Korea (Won)	$ 0.00107	$ 0.00112	$ 0.00108	$ 0.00108
Taiwan (Dollar)	$ 0.03014	$ 0.03087	$ 0.03037	$ 0.03022
United Kingdom (British Pound)	$ 1.92560	$ 1.98170	$ 1.95449	$ 1.96250

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chairman of the Board and 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 are effective to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934, as amended (as defined in Exchange Act Rules 13(a) and 15(d)-15(e)), is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission'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 three months ended March 31, 2007, 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. However, in March 2007, we began implementing Phase II of Globalview, our internally-developed software project, which completes the integration of our global operational systems with our financial system into the Oracle/JD Edwards Enterprise One System. We do not anticipate that completion of the implementation of the fully-integrated system will have a material affect on our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We have been sued in three securities class action lawsuits, which remain pending at March 31, 2007:

- First, on August 1, 2005, Mr. Jonathan Crowell filed a putative class action lawsuit against us and Mr. Samuel L. Caster, our Chief Executive Officer, on behalf of himself and all others who purchased or otherwise acquired our common stock between August 10, 2004 and May 9, 2005, inclusive, and who were damaged thereby.
- Second, on August 30, 2005, Mr. Richard McMurry filed a class action lawsuit against us, Mr. Caster, Mr. Terry L. Persinger, our President and Chief Operating Officer, and Mr. Stephen D. Fenstermacher, our Chief Financial Officer.
- Third, on September 5, 2005, Mr. Michael Bruce Zeller filed a class action lawsuit against us, Mr. Caster, Mr. Persinger, and Mr. Fenstermacher.

These three lawsuits were initially filed in the District of New Mexico and consolidated on December 12, 2005 into the civil action styled “In re Mannatech, Incorporated Securities Litigation.” The Mannatech Group, consisting of Mr. Austin Chang, Ms. Naomi S. Miller, Mr. John Ogden, and the Plumbers and Pipefitters Local 51 Pension Fund, has been appointed as lead plaintiffs, Lerach Coughlin Stoia Geller Rudman & Robbins LLP has been appointed as lead counsel and Claxton & Hill, PLLC has been appointed local counsel, for the putative class.

On January 29, 2007, the Court in the District of New Mexico granted our motion to transfer venue to the United States District Court for the Northern District of Texas, Dallas Division. On March 9, 2007, an unopposed Motion for Leave to File Amended Consolidated Class Action Complaint for Securities Fraud was filed by lead plaintiffs for the putative class. The Amended Consolidated Complaint proposed by the lead plaintiffs is substantively similar to the Consolidated Class Action Complaint filed on March 3, 2006. Lead plaintiffs allege we violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, by artificially inflating the value of our common stock by knowingly allowing independent contractors to recklessly misrepresent the efficacy of our products during the purported class period. The Amended Complaint expands the class period, as alleged in the Consolidated Class Action Complaint, to October 27, 2006, and also adds new allegations based on news reports of potential regulatory or enforcement actions by the State of Texas involving our selling and promotional activities and/or the selling and promotional activities of our independent associates. We are required to answer or move to discuss the Amended Complaint by May 21, 2007.

Shortly after the commencement of the class action litigation, we were sued in three shareholder derivative lawsuits, which remain pending at March 31, 2007:

- First, on October 18, 2005, a shareholder derivative lawsuit was filed by Norma Middleton, Derivatively and on Behalf of Nominal Defendant, Mannatech, Incorporated against Samuel L. Caster, Terry L. Persinger, Donald A. Buchholz, J. Stanley Fredrick, Gerald E. Gilbert, Alan D. Kennedy, Marlin Ray Robbins, and Patricia A. Wier, in the United States District Court for the Northern District of Texas, Dallas Division.
- Second, on January 11, 2006, a shareholder derivative action was filed by Kelly Schrimpf, Derivatively and on Behalf of Nominal Defendant Mannatech, Incorporated against Samuel L. Caster, Terry L. Persinger, Steven W. Lemme, and Stephen D. Fenstermacher in the 162nd District Court of Dallas County, Texas.
- Third, on January 13, 2006, a shareholder derivative action was filed by Frances Nystrom, Derivatively and on Behalf of Nominal Defendant Mannatech, Incorporated against Samuel L. Caster, Terry L. Persinger, Stephen D. Fenstermacher, John Stuart Axford, J. Stanley Fredrick, Gerald E. Gilbert, Alan D. Kennedy, Marlin Ray Robbins, Patricia A. Wier, and Donald A. Buchholz in the United States District Court for the Northern District of Texas, Dallas Division.

Each of these shareholder derivative lawsuits makes allegations similar to the allegations of the shareholder class action litigation described above.

In 2005, our independent directors appointed a Special Litigation Committee ("SLC") to review the initial three derivative actions and determine the proper corporate response. This review was completed on August 26, 2006 and the SLC issued its report, determining that it is in our best interest to dismiss the derivative lawsuits. Statements by us to this effect were filed with the courts in the respective derivative cases on September 13, 2006.

We filed motions to dismiss the Middleton and Nystrom complaints on March 12, 2007. The motions seek dismissal under Texas Business Corporation Act Article 5.14 for the failure to properly meet the Texas derivative demand requirements, and on the basis of the SLC's determination that the derivative lawsuits are not in our best interest and should be dismissed.

The Schrimpf state court lawsuit has been stayed pending the outcome of the Middleton federal lawsuit, the first-filed derivative action. On February 5, 2007, the Court administratively closed the Schrimpf action, subject to being reopened when the case again becomes active. Additionally, on January 30, 2007, the Court in the Middleton and Nystrom lawsuits denied without prejudice the motions to consolidate the two actions, as well as the competing motions to appoint lead derivative plaintiff and lead counsel. Mediated settlement discussions were conducted on December 20, 2006 and March 7, 2007 involving us and our lead counsel in the putative securities class action litigation, and counsel for each of the derivative plaintiffs. These discussions did not produce a settlement.

Following the mediation in December 2006, we received separate derivative demand letters on behalf of shareholders Frances Nystrom, one of the derivative plaintiffs noted above, and Duncan Gardner, a separate shareholder represented by the same law firm that represents derivative plaintiff Kelly Schrimpf. These demand letters were received on January 9, 2007 and January 19, 2007, respectively. Both demand letters request that we initiate legal proceedings against unnamed directors and officers with regard to our funding of various scientific research projects.

On April 25, 2007, Mr. Gardner filed suit Derivatively and on Behalf of Nominal Defendant Mannatech, Incorporated against Samuel L. Caster, Terry L. Persinger, Stephen D. Fenstermacher, J. Stanley Fredrick, Patricia A. Wier, Alan D. Kennedy, John Stewart Axford, Marlin Ray Robbins, Gerald E. Gilbert, and Larry A. Jobe in the 162nd District Court of Dallas County, Texas. Mr. Gardner alleges that our directors and officers have violated their fiduciary duties by approving funding for unsubstantiated scientific research projects.

The SLC has begun an inquiry into the allegations of Ms. Nystrom and Mr. Gardner regarding our funding of scientific research projects.

Plaintiffs in the consolidated putative class actions and in the shareholder derivative actions seek an unspecified amount of compensatory damages, interest, and costs, including legal and expert fees.

In response to these actions, we continue to work with our experienced securities litigation counsel to vigorously defend ourselves and our officers and directors. We also believe this type of litigation is inherently unpredictable. It should be noted that a court must certify a class before a case can proceed as a class action lawsuit and that the determination has not been made in the consolidated securities cases. We believe these types of repetitive lawsuits (seeking class action status) are common in today's litigious society and many reputable companies have successfully defended themselves against such litigation. It is not possible at this time to predict whether we will incur any liability, or to estimate the damages or the range of damages, if any, that we might incur in connection with any of these above mentioned securities and derivative lawsuits.

On March 16, 2006, we filed a patent infringement lawsuit against Glycobiotics International, Inc. for alleged infringement of our utility United States Patent No. 6,929,807 ("Compositions of Plant Carbohydrates as Dietary Supplements") in the United States District Court of the Northern District of Texas, Dallas Division. On February 9, 2007, we filed an Amended Complaint, adding patent infringement claims related to our recently issued United States Patent No. 7,157,431 ("Compositions of Plant Carbohydrates as Dietary Supplements"). In our Amended Complaint, we seek to force Glycobiotics to cease the manufacture, sale, and use of its glyconutritional product marketed under its brand name "Glycomannan," and allege additional claims for unfair competition and business disparagement due to false and misleading statements about us and our flagship product Ambrotose® complex. On February 20, 2007, Glycobiotics filed its Original Answer and Counterclaims to our Amended Complaint. The Counterclaims allege various antitrust claims based on our exclusive contract to purchase a proprietary formula of Arabinogalactan, used in Ambrotose® complex. We filed our answer on March 12, 2007, denying all of the claims.

On December 22, 2006, Glycobiotics filed a Motion for Claim Construction (i.e., Markman motion) and a Partial Motion for Summary Judgment. Those motions were amended on March 2, 2007 to address the claims added in the Amended Complaint. Our response to those motions was due on March 21, 2007. On March 2, 2007, we filed a Motion for Partial Summary Judgment on Glycobiotics' infringement of our United States Patent No. 7,157,431. All motions for summary judgment, as well as the Defendant's motion for claim construction, are fully briefed and pending determination by the Court. We continue to vigorously prosecute this case, and are actively pursuing discovery relating to the defendant's conduct and its infringement of both patents. The case is currently set for trial in June 2007.

By April 27, 2007, the parties had fully briefed the Court on Glycobiotics' Motion for *Markman* Claim Construction, the cross Motions for Partial Summary Judgment, and related evidentiary issues, in anticipation of a trial setting in June 2007. However, at the beginning of May 2007, the case was transferred to another court, which set aside the June trial date. The new court has issued a new scheduling order to address the outstanding motions and the remaining discovery on our patent infringement claims and Glycobiotics' antitrust counterclaims. It is expected that the new court will rule on the Motion for *Markman* Claim Construction by July 2007 and the Motions for Partial Summary Judgment by August 2007, with a new trial setting expected for late fall 2007.

On May 5, 2006, we also filed a patent infringement lawsuit against Techmedica Health™ Inc., or Techmedica, for alleged infringement of our utility United States Patent No. 6,929,807 in the United States District Court of the Northern District of Texas, Dallas Division. We sued Techmedica to cease the manufacture, sale, and use of its glyconutritional product marketed under their brand name "Nutratose" and for alleged unfair competition due to false and misleading statements. In June 2006, we filed our response to the motion to transfer venue filed by Techmedica. The court agreed with our position and denied Techmedica's motion to transfer on August 3, 2006.

After discovering that Triton Nutra, Inc. manufactures Nutratose for Techmedica, we filed an Amended Complaint on February 6, 2007 to add Triton Nutra as a named defendant and to assert patent infringement claims against both Techmedica and Triton Nutra related to our United States Patent No. 6,929,807 and our recently issued United States Patent No. 7,157,431. We agreed with Techmedica to lift the Scheduling Order pending Triton Nutra's answer and appearance in the case. But when Triton Nutra failed to answer the Amended Complaint, we filed a Motion for Default against Triton Nutra, which was entered by the clerk of the court on May 3, 2007. Techmedica has resisted continuing with the case and on May 2, 2007, it filed a Motion to Stay the case pending Triton Nutra's appearance and a ruling on the *Markman* motion in the Glycobiotics' case. Our response to Techmedica's motion is due at the end of this month, and we intend to oppose the motion and continue the proceedings against Techmedica in order to maintain the anticipated March 2008 trial date.

We also have several other pending claims incurred in the normal course of business. In our opinion, such claims can be resolved without any material affect on our consolidated financial position, results of operations, or cash flows.

We maintain certain liability insurance; however, certain costs of defending lawsuits, such as those below the insurance deductible amount, are not covered by or only partially covered by our insurance policies, or our insurance carriers could refuse to cover certain of these claims in whole or in part. We accrue costs to defend ourselves from litigation as it is incurred or as it becomes determinable.

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, 2006, which could materially affect our business and/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 and/or our consolidated financial position, results of operations, or cash flows.

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

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

On May 8, 2007, we terminated our existing purchase agreement with Marinova Pty. Limited and entered into a two year purchase agreement to purchase a total of $9.2 million of raw materials through August 2009.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			
		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	Fourth Amended and Restated Bylaws of Mannatech, dated August 8, 2001 (Corrected).	10-K	000-24657	3.2	March 16, 2006
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	Trademark License and Supply Agreement between Mannatech and Carrington Laboratories, Inc., dated January 25, 2007, (Portions of this exhibit were omitted pursuant to a confidential treatment request submitted pursuant to Rule 24b-2 of the Exchange Act).	8-K	000-24657	10.1	January 31, 2007
10.2	Extension of the Letter of Understanding Agreement between Mannatech and Professor John Axford, dated February 18, 2007.	8-K	000-24657	99.1	February 21,2007
10.3*	Supply Agreement between Mannatech (International) Limited and Marinova Pty. Limited, effective August 9, 2007, and dated May 7, 2007, (Portions of this exhibit were omitted pursuant to a confidential treatment request submitted pursuant to Rule 24b-2 of the Exchange Act).	*	*	*	*
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.	*	*	*	*

* filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

May 10, 2007

/S/ SAMUEL L. CASTER
Samuel L. Caster
Chief Executive Officer and Chairman of the Board
(principal executive officer)

May 10, 2007

/S/ STEPHEN D. FENSTERMACHER
Stephen D. Fenstermacher
Chief Financial Officer and Senior Vice President
(principal financial officer)

Table of Contents

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* filed herewith.

***** Indicates omitted material that is the subject to a confidential treatment request filed separately with the United States Securities and Exchange Commission.**

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement") is made and entered into this 27th day of April, 2007 by and between Mannatech (International) Limited ("Buyer"), a Gibraltar corporation having its principle place of business located at 10/8 International Commercial Centre, Casemates Square, Gibraltar, and Marinova Pty. Limited ("Seller") with its principle place of business located at Level 7, 39 Murray Street, Hobart, TAS 7000 Australia. Hereinafter, Buyer and Seller shall collectively be referred to as the "Parties."

RECITALS

WHEREAS, Buyer develops and sells proprietary nutritional supplements and topical products through a network marketing system of independent distributors ("Associates") throughout the United States, Canada, Australia, New Zealand, the United Kingdom, South Korea, Japan, Denmark, Taiwan, Germany, and other countries as it expands its business internationally;

WHEREAS, Seller is a leading supplier of the bioactive fractions of galacto fucan sulphate ("GFS") glyconutrient harvested, purified, and packaged from Undaria pinnatifida, which is suitable for use in Buyer's proprietary nutritional supplements and topical products; and

WHEREAS, Buyer desires to purchase agreed amounts of *Undaria pinnatifida fucoidan* ("GFS 75% powder" or the "Product") from Seller for use in its proprietary nutritional supplements and topical products and Seller desires to supply the Product to Buyer.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements hereinafter contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows.

1. Term.

1.1 Term. The term of this Agreement will commence on 15 August 2007 and, unless sooner terminated in accordance with this Agreement, continue through 14 August 2009 (the Term). This Agreement may only be renewed upon agreement of the parties; provided, however, that any agreement to renew this Agreement must, unless otherwise agreed, be in place no later than ninety (90) days prior to the end of the Term. The Parties agree that until such renewal agreement is in place, neither party has any obligation to renew this Agreement.

2. Product.

2.1 Product. Seller shall sell Product to Buyer that shall meet or exceed the Product specifications (the "Specifications") set forth in Exhibit A along with Buyer's Quality Assurance Plan ("QAP"), which is attached hereto and incorporated by reference herein. Such Specifications may be amended by Buyer and Seller only by mutual written consent, from time to time, subject to variance within ranges of contents and other factors. From time to time, Buyer and Seller may agree on updated Specifications including but not limited to particle size and packaging preferences.

2.2 Validation of Claims. Seller shall provide to Buyer all scientific data reasonably required to substantiate product claims (if any) made by Seller. Seller and Buyer shall cooperate in all aspects as contemplated hereunder to ensure that the Product(s) comport with any and all regulatory guidelines in place by governmental authorities during the term of this Agreement but solely those regulatory guidelines relating to the supply of the Product as an ingredient and to be incorporated by Buyer for Buyer's intended end product.

2.3 The Buyer acknowledges and agrees that it is solely responsible for the process and cost of obtaining all government and other regulatory approvals existing anywhere in the world for the development, marketing, and sale of its proprietary nutritional supplements and topical products.

2.4 Specification Documentation. Seller shall provide documents, as reasonably requested by Buyer, that describe the component and/or starting material specification and processing parameters, which include but are not limited to, solvents used, concentrations, extraction ratios, temperatures, and process flow diagrams.

3. Quality Control; Inspection; Nonconforming Goods.

3.1 Quality Control Costs. Seller shall bear all responsibility for Product quality control, including, without limitation, costs, testing, written and electronic documentation and compliance with Product Specifications, the QAP, and applicable regulations and standards established by governmental agencies having jurisdiction over the manufacturing, processing, and packaging of the Product.

3.2 Buyer Right to Inspect. Buyer has the right to inspect and test all Product as contemplated herein, to the extent practicable, at all places and times, including the period of manufacture, and in any event prior to acceptance thereof. Representatives of Buyer may enter and inspect, as it pertains to the production of the Product, the Factory and any warehouse at which Seller has stored the Product, during the time of production or storage. The inspection may include all aspects of Seller's manufacturing techniques, quality control, sanitation procedures, and records. Seller may restrict access by Buyer's representatives to only those areas where the Product and ingredients and materials for the Product are processed, tested, or stored. Any such inspection or testing by Buyer shall be gratuitous and shall not (a) relieve Seller of its obligations under this Agreement; or (b) constitute acceptance by Buyer of any portion of the Product.

3.3 Replacement of Nonconforming Product. Buyer shall receive the Product subject to inspection and approval of the lot or lots, or submitted samples from the lots, by Buyer's quality control personnel within a reasonable time after receipt. If Buyer finds that a shipment of Product fails to conform to the Specifications, quality control standards as provided by Buyer to Seller, government standards or regulations, the purchase order, or the shipment sheet attached to the shipments of Product, Buyer shall, within thirty (30) days of receipt of such shipment, notify the Seller in writing detailing such non-conformity, or in case of a latent defect, Buyer shall notify Seller in writing detailing such latent defect within six (6) months of receipt of such non-conforming shipment. Payments by Buyer for any quantity of the Product shall not constitute approval or acceptance of such Product. If any quantity of the Product is defective or does not conform to the samples, Specifications, government standards or regulations, the purchase order, or the shipment sheet attached to the shipments of Product Buyer may, at its option, reject all of such quantity, accept all of such quantity, or accept any

commercial unit or units of such quantity and reject the rest. If Seller rejects all or a portion of any shipment, Seller shall, at Buyer's sole discretion, either (a) replace the non-conforming Product at no additional cost to Buyer within ten (10) days of Buyer's notice of non-conforming goods; or (b) refund the portion of the sales price pertaining to the non-conforming shipment applicable thereto with ten (10) days of Buyer's notice of non-conforming goods. Seller shall assume all costs of transportation and handling both ways and/or reimburse Buyer for any such costs paid by Buyer related to any such rejected Product.

3.4 Records and Audit. Appropriate records maintained by Seller with respect to the supply of Product shall be available at all reasonable times for inspection and verification by Buyer or any of its designated agents or representatives. Buyer reserves the right, at any time, to examine Seller's books and records related to the Product at Buyer's expense, and Seller shall cooperate with any person making such examination on behalf of Buyer.

4. Orders, Price and Payment.

4.1 Minimums. The Seller has agreed to sell to Buyer and Buyer has agreed to purchase from Seller the minimums at the price (the "Purchase Price") set forth in Exhibit B during each year of the Term (Exhibit B is attached hereto and incorporated by reference herein). The Seller agrees to produce and sell such minimums to the Buyer. Unless otherwise provided herein, the Purchase Price does not include any foreign, federal, state or local sales, value added, use or other taxes, all of which shall be borne by Buyer.

4.2 Payment. Seller shall submit invoices to Buyer for the balance due on the Products when quantities of the Products are available for shipment to Buyer. The terms of payment shall be net forty-five (45) days from the date Buyer receives such invoice.

4.3 Credit. Pursuant to the terms of that certain Termination and Mutual Release Agreement dated April 27, 2007, Seller issued a credit note (the "Credit") to Buyer. Seller shall apply the Credit by reducing the amount payable by Buyer under each Seller invoice for the Product delivered during the first twelve (12) months of this Agreement by a minimum amount of fifty percent (50%) per invoice until the Credit has been exhausted by Buyer. In the event that the Credit is not exhausted by Buyer within the first twelve (12) months of this Agreement, the Parties agree that Seller must continue to reduce the amount payable by Buyer on future invoices until the Credit is exhausted. The Parties agree that the Credit may not be redeemed by Buyer for monetary payment from Seller; provided, however, if for any reason a balance remains on the Credit at the end of the term of this Agreement, the Parties will enter into negotiations to determine how the remaining Credit balance will be disbursed to Buyer.

5. Delivery & Shipment.

5.1 Delivery. Delivery dates and quantities of the Products shall be as set forth in Buyer's form of purchase order(s). Seller shall provide Buyer with sufficient quantity for Seller's batch processing, as acknowledged and approved by Seller. All quantities of the Product purchased by Buyer hereunder shall be shipped to the "Point of Delivery" as set forth in Exhibit B.

5.2 Seller Responsibilities. Seller shall be responsible for all shipping, delivery, transportation, insurance, brokerage, handling, import duty, export fees, any taxes, any governmental charges, regulatory fees, demurrage, and other costs that

Seller may incur in delivering the Products to Buyer's Dock from Seller's place of manufacture or distribution center. Seller shall be responsible for all customs costs and proceedings at Seller's sole expense.

5.3 Seller Supplies. Seller shall hold back sufficient stock of Product to ensure continuous supply to meet Buyer's requirements.

5.4 Transfer of Title; Risk of Loss. Title and risk of loss to Product shall not transfer to Buyer until the following conditions have been met: (1) the Product has cleared all customs, including without limitation, Australian and United States customs; (2) the Product is delivered to Buyer at the Point of Delivery; (3) the Product has been inspected by Buyer; (4) the entire lot of the Product meets or exceeds the agreed upon specifications; and (5) the entire lot of the Product has been approved by Buyer. Upon acceptance, Buyer shall be able to use or sell the Product without limitation in accordance with the terms of this Agreement.

5.5 Cancellation by Buyer. Upon written notice to Seller, Buyer may cancel any order, in whole or in part, that Seller has previously accepted but not yet shipped to Buyer.

6. Exclusivity.

6.1 Buyer Exclusivity. Buyer shall have a worldwide exclusive for the Product and all GFS product ranges (all concentrations) throughout the Term of this Agreement (or any renewal thereof) in the nutritional sector provided that Buyer satisfies its obligation to purchase the minimum volume commitments set forth in Exhibit B and otherwise complies with its obligations under this Agreement. Seller shall not directly or indirectly develop, manufacture or market an "equivalent or derivative product" for any other multi-level marketing, direct-sales or similar company, or any other form of retail distributor or intermediary using the Product or other GFS product ranges during the Term of this Agreement or any renewal thereof. For the purpose of this Agreement, "equivalent or derivative product" means any product formulated by Seller that substantially replicates the Product or other GFS product ranges as to the combination of specific ingredients, nutrients, and functional features.

6.2 Seller's Representation. Seller warrants and represents that at the time of execution of this Agreement it is in compliance with paragraph 6.1 above and further represents that it is presently under no obligation to a third party that would violate paragraph 6.1 above. Further, Buyer, subject to the terms of this Agreement, shall have an exclusive worldwide right to market the Product in the nutritional sector.

7. Intellectual Property.

7.1 Marks. The Parties recognize that the name and/or respective marks of the other are valuable, valid and that all goodwill associated with use of such names and marks shall inure to the benefit of the respective mark owner, whether the mark is registered, pending or protected under common law or any equivalent thereof. Each party has the right to terminate this Agreement immediately in the event that the other party acts in a manner which would negatively impact the reputation or goodwill of the first mentioned party and/or of its name or marks and/or would infringe or dilute the value of that first party's marks or which is not in compliance with applicable law in the United States or any other country in which that first party conducts business as the case may be.

7.2 Seller Representations. Seller represents and warrants that, to the best of its knowledge, the Product does not infringe the intellectual property of any third-party.

7.3 Seller Acquisition of Additional Rights. In the event that any third-party intellectual property is needed for Seller to sell the Product, Seller shall use best efforts to identify and secure any additional approvals or permissions required in connection with the production, manufacture, use or sale of the Product, at Seller's sole expense.

7.4 Notice of Infringement by One or Both Parties. Each Party shall promptly notify the other of its knowledge of any potential claim of infringement, whether threatened or not, of any intellectual property, including, without limitation, patents, trademarks and copyrights, owned or under the control of a third party. Each Party has the right, but not the obligation, to take reasonable legal action necessary against such infringement of third party intellectual property related to the Product. Each Party agrees to render such reasonable assistance as the enforcing Party may request at the expense of the enforcing Party. Seller shall be solely responsible for all costs of defense for any claim of infringement, including without limitations, attorney's fees, court costs, travel and related expenses, expert fees, and the like.

8. Confidential Information.

8.1 Each party may find it beneficial to disclose to the other party certain information which may include, but is not limited to, (i) patents and patent applications, (ii) trade secrets, (iii) copyrighted information, and/or (iv) proprietary information, which may include but is not limited to discoveries, ideas, techniques, concepts, know-how, techniques, designs, specifications, drawings, maps, blueprints, diagrams, flow charts, information concerning research and development, and/or other technical, financial or business information. Such information, which may be provided in written, encoded, graphic, or other tangible form shall be deemed to be confidential and proprietary if it is clearly marked "confidential." If the information is provided orally, it shall be deemed to be confidential and proprietary if it is so identified by the disclosing party at the time of such disclosure. Either party may confirm, within five (5) days of making oral confidential statements, that such information was confidential and proprietary. The information disclosed as set forth above shall be deemed "Confidential Information."

8.1.1 Seller recognizes and acknowledges that Buyer's trade name(s), trademarks, copyrights, patents, marketing plans, identity of and related information regarding its Associates, product formulations and other proprietary product information and any information relating to the management and/or operations of Buyer are valuable, proprietary assets belonging to Buyer and as such are the sole property and may constitute trade secrets of Buyer. Seller specifically agrees that it will not at any time, during or after the performance of this Agreement, in any manner, either directly or indirectly, use, divulge, disclose, or communicate to any person, firm or corporation, any Confidential Information of any kind, nature, or description concerning any matters affecting or relating to the business of Buyer. For the avoidance of doubt, in addition to the description in paragraph 8.1 above, Buyer's Confidential Information includes but is not limited to: genealogies (being the information held by Buyer or by any current or former Associate of Buyer related to its

Associates including without limitation its relationship with each of its Associates, the Associate's name, upline and downline, charts, and data reports), proprietary product information which may from time-to-time be made known to Seller, the names or practices of any of Buyer's customers or Associates; Buyer's marketing methods and related data; the names of Buyer's vendors or suppliers; costs of materials; costs of its products generally, the prices Buyer obtains or has obtained or at which it sells or has sold its products or services; manufacturing and sales costs; lists or other written records used in Buyer's business; compensation paid to its Associates; details of training methods; new products or new uses for old products, merchandising or sales techniques; contracts and licenses; business systems; computer programs; or any other confidential information of, about, or concerning the business of Buyer; its manner of operation or other confidential data of any kind, nature or description.

8.2 Buyer recognizes, acknowledges, and agrees that Seller's trade name(s), trademarks, copyrights, patents, marketing plans, product formulations, know-how, compounds, products, processes, designs, production methods and techniques and other proprietary product information and any information relating to the management and/or operations of Seller are valuable, proprietary assets and Confidential Information belonging to Seller and as such are the sole property of Seller and may constitute trade secrets of Seller. Buyer specifically agrees it will not at any time, during or after the performance of the Agreement, in any manner, either directly or indirectly, use, divulge, disclose, or communicate to any person, firm or corporation, any Confidential Information of any kind, nature, or description concerning any matters affecting or relating to the business of Seller. For the avoidance of doubt, in addition to the description in paragraph 8.1 above, Seller's Confidential Information includes but is not limited to: the names or practices of any of Seller's customers; Seller's marketing methods and related data; the names of Seller's vendors or suppliers; costs of materials; costs of its products generally; the prices Seller obtains or has obtained or at which it sells or has sold its products or services; manufacturing and sales costs; lists or other written records used in Seller's business; details of training methods, new products or new uses for old products, merchandising or sales techniques; contracts and licenses, business systems, computer programs; or any other confidential information of, about, or concerning the business of Seller, its manner of operation, or other confidential data of any kind, nature or description.

8.3 Prior to the execution of this Agreement, the Parties may have provided each other with information considered "Confidential Information." Such information supplied prior to the execution of this Agreement shall be considered in the same manner and be subject to the same treatment as the Confidential Information made available after the execution of this Agreement.

8.4 Information shall not be considered "Confidential Information" to the extent, but only to the extent, that the receiving party can establish that such information (i) is or becomes generally known or available to the public through no fault of the receiving party; (ii) was in the receiving party's possession before receipt from the disclosing party; (iii) is lawfully obtained from a third party who has the right to make such disclosure; (iv) has been independently developed by the receiving party without use of or reference to any Confidential Information of the disclosing party; or (v) is required to be disclosed in order to comply with

applicable law or regulation or with any requirement imposed by judicial or administrative process or any governmental or court order but only to the extent required and, provided that, the recipient in each instance before making such disclosure first: (a) immediately upon receipt of such order notifies the other party of such order; and (b) cooperates with the other party in making, if available under applicable law, a good faith effort to obtain a protective order or other appropriate determination against or limiting disclosure or use of the Confidential Information, at no cost to the recipient party.

8.5 All Confidential Information shall remain the exclusive property of the disclosing party. The disclosure of Confidential Information by the disclosing party shall not constitute an express or implied grant to the recipient party, of any rights to or under the disclosing party's patents, copyrights, trade secrets, trademarks or any other intellectual property rights. Each party shall protect the other's Confidential Information from unauthorized dissemination and use with the same degree of care that each such party uses to protect its own non-public and confidential information, but in no event less than a commercially reasonable degree of care.

8.6 Neither party will use the other's Confidential Information for purposes other than those necessary to directly further the purposes of this Agreement. Neither party will disclose to third parties the other's Confidential Information without prior written consent of such other party. Upon termination of this Agreement or upon written demand of the disclosing party, the recipient party shall return (or destroy upon the direction of the disclosing party) any and all copies of the Confidential Information in its possession.

9. Indemnification.

9.1 **SELLER HEREBY AGREES TO INDEMNIFY, SAVE AND HOLD BUYER HARMLESS IN RESPECT OF ALL CAUSES OF ACTION, LIABILITIES, COSTS, CHARGES AND EXPENSES, LOSS, OR DAMAGE (INCLUDING CONSEQUENTIAL LOSS) SUFFERED OR INCURRED BY BUYER (INCLUDING REASONABLE LEGAL FEES) ARISING FROM ANY WILLFUL OR NEGLIGENT ACT OR OMISSION OF SELLER OR ITS EMPLOYEES, SERVANTS AND AGENTS ARISING FROM CONTRAVENTION BY SELLER OR ANY OF ITS EMPLOYEES, SERVANTS, AND AGENTS OF ANY OF THE TERMS AND CONDITIONS IMPOSED ON SELLER PURSUANT TO THIS AGREEMENT.**

9.2 **SELLER HEREBY AGREES TO INDEMNIFY, SAVE AND HOLD BUYER HARMLESS IN RESPECT OF ALL CAUSES OF ACTION, LIABILITIES, COSTS, CHARGES AND EXPENSES, LOSS, OR DAMAGE (INCLUDING CONSEQUENTIAL LOSS) SUFFERED OR INCURRED BY BUYER (INCLUDING LEGAL FEES) ARISING FROM THE INFRINGEMENT OF ANY AND ALL THIRD PARTY INTELLECTUAL PROPERTY.**

9.3 **BUYER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS SELLER AND ITS AFFILIATES, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, FROM AND AGAINST ALL CLAIMS, LIABILITIES, DEMANDS, DAMAGES, EXPENSES AND LOSSES (INCLUDING REASONABLE ATTORNEYS' FEES AND EXPENSES) ARISING OUT OF OR CONNECTED WITH (I)**

THE MANUFACTURE, USE, SALE OR OTHER DISPOSITION OF BUYER'S GOODS THAT INCLUDE THE PRODUCT; (II) ANY BREACH BY BUYER OR ITS EMPLOYEES OF ANY OF ITS RESPECTIVE OBLIGATIONS UNDER THIS AGREEMENT. THIS SECTION WILL NOT BE CONSTRUED TO LIMIT OR EXCLUDE ANY OTHER CLAIMS OR REMEDIES THAT BUYER OR SELLER MAY ASSERT UNDER THIS AGREEMENT OR BY LAW.

10. Representations and Warranties; Insurance.

10.1 Seller warrants and represents to Buyer that it has established procedures for the manufacture and supply of the Product and that all Product sold by Seller pursuant to this Agreement will conform to the quality Specifications set forth in Exhibit A and/or the QAP.

10.2 Organization. Each of Buyer and Seller is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation as to the United States or as to the region in which it does business and has full power and authority to carry on its business as now being conducted.

10.3 Seller Authorization and Agreement. The execution, delivery and performance of this Agreement by Seller and Buyer have been authorized by all necessary corporate action. The consummation of the transactions contemplated by this Agreement will not result in the breach of, or constitute a default under, any indenture, mortgage, note, agreement or other financing agreement to which Seller or Buyer is a party or to which the properties or rights of the Seller or Buyer are subject and will not be in violation of the rights of any other party

10.4 General. Each of the Parties hereby represents and warrants: (i) the Agreement is a legal and valid obligation binding upon such party and enforceable in accordance with its terms; (ii) the execution, delivery, and performance of the Agreement by such party does not conflict with any agreement, instrument, or understanding (oral or written), to which it is a party or by which it is bound; and (iii) the Agreement does not violate any law or regulation of any court, governmental body, or administrative or other agency having jurisdiction over it.

10.5 Insurance. The Seller represents and warrants that it has in place the following insurance coverage and that if requested by the Buyer, satisfactory and acceptable evidence of such policies will be provided. The Seller agrees to nominate the Buyer and its subsidiaries as interested parties on each of the relevant policies within thirty (30) days if such request is made. All coverage is in Australian Dollars.

10.5.1 General and Public Liability. AUD$5,000,000 Combined Single Limit for Bodily Injury and Property Damage, including Product Liability applicable to Australia and New Zealand.

10.5.2 Auto Liability. AUD$30,000,000 Combined Single Limit for Bodily Injury and Property Damage. Policy shall include owned and blanket non-owned vehicles and hired coverage.

10.5.3 Worker's Compensation. Seller shall have and keep at all times a full statutory policy.

10.5.4 Commercial Umbrella Liability. If requested, the Buyer will assist the Seller in obtaining other insurances as considered necessary, including Public and Product Liability coverage in countries other than Australia and New Zealand.

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

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

10.8 Compliance with Laws. The business and operations of each party and any of their affiliates or subsidiaries, if any, have not been, and are not, conducted in violation of any applicable judgment, order, injunction, award, tariff or decree. Neither Seller nor Buyer has received notice of, nor has any knowledge of or any reasonable grounds to know after due inquiry that its business and operations have not been and are not conducted in violation of any federal, state or local law, ordinance, regulation, or any other requirement of any governmental body, court, or arbitrator applicable to either party or pursuant to which either the Seller or Buyer conducts its business and operations. Both Parties have all permits, licenses, orders, authorizations, and/or approvals of any federal, state, local or foreign governmental or regulatory body to carry on its business in the places and in the manner now and heretofore conducted, and all such licenses, authorizations and permits are in full force and effect. Neither Party has received notice of nor has any knowledge of or any reasonable grounds to know after due inquiry that its business and operations have not and are not conducted in material violation of any such licenses, authorizations, and/or permits, and no proceeding is pending or threatened to revoke or limit any such licenses, authorizations and/or permits.

10.9 Suppliers and Customers. Each Party hereby represents and warrants that its relationship with its suppliers and customers is generally good. No material customer or supplier has cancelled or otherwise terminated, or threatened to cancel or otherwise terminate its relationship with either Party or has actually notified that it will decrease its services or supplies to either Party.

11. Termination.

11.1 Termination by Seller.

11.1.1 Termination with Cure Period. Upon the occurrence of any of the events specified below, Buyer shall be in default of this Agreement and Seller shall have the right to terminate this Agreement upon ninety (90) days' prior written notice (the "Cure Period") to Buyer specifying the default. Termination shall be effective upon the expiration of the applicable Cure Period if Buyer fails to cure the default. It shall be a breach of this Agreement and constitute good cause for termination of the Agreement if Buyer:

(i) fails to purchase the quantities of Product specified in this Agreement;

(ii) refuses or otherwise fails to promptly pay when due any monetary obligation to Seller under this Agreement; or

(iii) fails to comply with any other provision of this Agreement.

11.1.1.1 Notwithstanding anything contained herein to the contrary, Seller shall not have the right to terminate this Agreement if the corrective action necessary to cure such default cannot be completed within the Cure Period; provided, however, that Buyer (i) has, within the Cure Period, initiated the necessary action required to cure such default; and (ii) shall thereafter earnestly and continuously proceed to complete the corrective action necessary to cure the default.

11.1.2 Immediate Termination. Seller may immediately terminate this Agreement effective upon receipt of written notice to Buyer upon the occurrence of any one of the following events:

(i) Buyer voluntarily seeks protection under any federal or state bankruptcy laws;

(ii) a petition for bankruptcy or the appointment of a receiver is filed against Buyer and is not dismissed within thirty (30) days thereafter;

(iii) Buyer makes any assignment for the benefit of its creditors; or

(iv) Buyer ceases doing business.

11.2 Termination by Buyer. Buyer will have just cause to terminate this Agreement immediately upon written notice to Seller or to refuse to renew this Agreement, without judicial or administrative notice or resolution, upon the occurrence of any termination event specified below or elsewhere in this Agreement.

11.2.1 Breach. Seller or any of its employees breaches any obligation under this Agreement and fails to cure the breach to Buyer's satisfaction within ninety (90) days after Buyer demands its cure in writing.

11.2.2 Normal Business. Seller ceases to conduct business in the normal course; becomes insolvent; enters into suspension of payments, moratorium, reorganization, or bankruptcy; makes a general assignment for the benefit of creditors; admits in writing its inability to pay debts as

they mature; suffers or permits the appointment of a receiver for its business or assets; or avails itself of or becomes subject to any other judicial or administrative proceeding that relates to insolvency or protection of creditors' rights.

11.2.3 Failure to Meet Specifications. The Product fails to meet the Specifications set forth in Exhibit A or the quality control standards as Buyer may provide to Seller from time to time. Seller shall have fifteen (15) days to cure such breach upon written notice from Buyer to Seller specifying the breach and affording Seller the opportunity to cure.

11.2.4 Illegality. If, in the Buyer's sole discretion, continued use of the Product would result in harm to its consumers, give rise to a regulatory investigation or is otherwise determined to be illegal or unsafe for human consumption in any country, region, or territory in which Buyer distributes its proprietary supplements and topical products that utilize the Product.

11.2.5 Fair Trade Practices. The Seller shall at all times comply with international fair trade practices. Buyer shall have the right to terminate this Agreement upon seven (7) days' prior written notice to Seller or representative in the event that Seller, its officers, executives, partners, directors, principals, employees, attorneys or agents, does any of the following: (i) engages in illegal, immoral, or criminal conduct resulting in a criminal indictment with a substantial likelihood of conviction; (ii) misrepresents or conceals anything in its background that could be detrimental to the value of Buyer's goodwill, name, reputation or stock; (iii) engages in conduct contrary to the best interests of Buyer; (iv) engages in conduct that offends the sensitivities of a portion of the population, including, without limitations, use of child labor, acts contrary to international standards for the treatment of employees or the environment, abrogates the rights of employees to congregate and the like; or (v) engages in any conduct, whether intentional or not, that may bring Buyer or its Associates into public disrepute.

11.2.6 Termination Due to Regulatory Requirements. Buyer may terminate this Agreement in the event that government regulatory requirements, state or federal, or Buyer's specifications, including but not limited to quality assurance, good manufacturing practices and legality for sale, are not met regarding product and manufacturing, such determination at its sole discretion.

11.2.7 Termination for Failure to Meet Buyer's Production Requirements. Buyer may terminate this Agreement if Seller is unable to meet the Buyer's minimum production requirements or if Seller is unable to meet the Buyer's reasonable future requirements.

12. Consequences of Termination.

12.1 Termination Obligations. Without waiving any rights or remedies a party may have hereunder, upon the expiration or termination of this Agreement, all rights granted to either party hereunder will immediately cease, and the Parties will: (i) promptly return or at disclosing party's request promptly destroy all Confidential Information in accordance with the terms of this Agreement; (ii) cease any and all use of the other party's trademarks, trade names, or other designations as may have been permitted under this Agreement; and (iii) otherwise cooperate with the other party to terminate relations in an orderly manner.

12.2 Payments. Buyer shall pay Seller all due and outstanding amounts owed up to the date of termination. There shall be no liquidated, consequential or incidental damages or payments due of any kind.

13. Notice.

Any notice or other communications between the Parties hereto shall be sufficiently given if sent by international delivery, if to Buyer addressed to it at 600 South Royal Lane, Suite 200 Coppell, Texas 75019, Attention: Director of Purchasing (with a copy to Mannatech, Incorporated, Attn: General Counsel at same address); or if to Seller addressed to it at Level 7, 39 Murray Street, Hobart, TAS 7000 Australia, Attention: The Managing Director, or to other such addresses hereafter designated in writing by one party to the other. Notices sent by international delivery shall be deemed to be received (3) days after the date of forwarding the same. For the purposes of this Agreement, "business day" shall refer to a day in which trading banks are open for business.

14. Attorney's Fees.

In the event any party hereto shall institute an action, including arbitration pursuant to Section 18 of this Agreement, to enforce any rights hereunder, the prevailing party in such action shall be entitled, in addition to any other relief granted, to reasonable attorneys' fees and costs.

15. Severability.

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

16. Modification.

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

17. Waivers.

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

18. Arbitration.

Any controversy or claim arising out of or relating to this Agreement or the existence, validity, breach or termination thereof, whether during or after its term, will be finally settled by compulsory arbitration in accordance with the Commercial Arbitration Rules and Supplementary Procedures for Commercial Arbitration of the American Arbitration Association ("AAA"); provided, however, that in the event of any such controversy or claim:
(i) neither party will initiate arbitration within the first thirty (30) days after the aggrieved party first notifies the other party of the controversy or claim; and
(ii) during such thirty (30) day period, the chief executive officers of both parties convene at least once in Dallas, Texas, to endeavor in good faith to amicably resolve the controversy or claim.

To initiate arbitration, either party will file the appropriate notice at the appropriate Regional Office of the AAA. The arbitration proceeding will take place during a period not exceeding three (3) days. The arbitration panel will consist of three (3) arbitrators, one arbitrator appointed by each party and a third neutral arbitrator appointed by the AAA. Any communication between a party and any arbitrator will be directed to the AAA for transmittal to the arbitrator.

The arbitral award will be the exclusive remedy of the parties for all claims, counterclaims, issues or accountings presented or plead to the arbitrators. The award will (i) be granted and paid in U.S. Dollars exclusive of any tax, deduction or offset and (ii) include interest from the date of breach or other violation of the Agreement until the award is fully paid, computed at the then-prevailing LIBOR rate. Judgment upon the arbitral award may be entered in any court that has jurisdiction thereof. Any additional costs, fees or expenses incurred in enforcing the arbitral award will be charged against the party that resists its enforcement.

19. Counterparts.

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

20. Compliance.

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

21. No Agency.

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

22. Governing Law.

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

23. Authority.

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

24. Assignment.

This Agreement and the rights hereunder may not be assigned by any party (except by operation of law) without prior written consent of the other party, but, subject to the foregoing limitation, this Agreement shall be binding and inure to the benefit of the respective successors, assigns, and legal representatives of the Parties. Notwithstanding anything contained herein to the contrary, either party may assign its interest in this Agreement to a parent, subsidiary, or other affiliate without the prior consent of the other party.

25. Force Majeure.

Neither party shall be liable for any failure, inability or delay to perform hereunder, if such failure, inability or delay is due to war, strike or other labor stoppage or slowdown, flood, fire, explosion or accident, transportation stoppage, materials shortage, government law, order or regulation, or energy allocation or shortage. If delay or failure caused by such force majeure condition shall continue for more than ninety (90) days, either party shall have the right, at its sole discretion, to terminate this Agreement, by giving notice to the other of its election to terminate. For the purposes of this Agreement, the term "force majeure" shall mean any event beyond the control of the Parties, including, without limitation, fire, flood, riots, strikes, epidemics, war (declared or undeclared and including the continuation, expansion or new outbreak of any war or conflict now in effect), terrorist acts, export controls, embargoes, changes in government and governmental actions or decrees, including without limitations regulatory interventions, regulatory approvals and the like.

26. Captions.

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

27. Incorporation of Recitals.

The recitals of this Agreement shall be construed and interpreted as comprising an essential portion of this Agreement.

28. Schedules and Attachments.

The schedules and attachments attached to or to be attached to this Agreement shall form an integral part of the same.

29. Non-Competition.

During the term of this Agreement, neither Seller, nor a "Related Entity" of Seller, shall serve as manufacturer, distributor, marketing or sales representative of any end-product that is directly competitive with Buyer's proprietary nutritional supplements and topical products without first obtaining Buyer's written consent. For the purpose of this clause a "Related Entity" means either a holding company or a subsidiary company of Seller.

30. Independent Judgment.

The Parties acknowledge that: (a) they have read this Agreement; (b) they understand the terms and conditions of this Agreement; (c) they have had the opportunity to seek legal counsel and advice; (d) they are of equal bargaining power; and (e) they have relied on their own judgment in entering into this Agreement, as such, none of the sections, paragraphs or clauses contained herein may be construed to the disadvantage of a party because that party was responsible for its preparation.

31. Publicity of Agreement.

This Agreement is confidential. Neither party shall engage in any type of publicity in any way connected with this Agreement without the other party's prior written approval, which approval shall not be unreasonably withheld. However, approval to disclose is hereby given by both parties to the extent required for compliance with any governmental rule, regulation or other requirement. In the event of any disclosure, the publishing party shall furnish a copy of such disclosure to the other party.

32. Entire Agreement.

Subject to the Buyer agreeing to product and quality control standards, this Agreement and its exhibits constitute the entire agreement between the Parties hereto pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements and understanding of the Parties, and there are no representations, warranties, or other agreements between the Parties in connection with the subject matter hereof except as specifically set forth herein. No supplement, modification, amendment, waiver or termination of this Agreement shall be binding unless executed in writing by the Parties hereto. In the event of any inconsistency between the terms of any purchase order and this Agreement, the terms of this Agreement will prevail.

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

Buyer:

Mannatech, Incorporated

By: /s/ Terry Persinger

Name: Terry Persinger

Its: President and Chief Operating Officer

Signed: May 7, 2007

Seller:

Marinova Pty Limited

By: /s/ Paul Earrott

Name: Paul Earrott

Its: Managing Director

EXHIBIT A

SPECIFICATIONS AND
QUALITY ASSURANCE PLAN

Quality Assurance Plan (QAP)
For
Undaria 75% Galactofucan Sulphate (GFS) Powder

Description of Product

Undaria pinnatifida (undaria), is an algae harvested in the waters of Tasmania, Australia and Argentina. The algae are oven dried, GFS is extracted using water, filtered, concentrated and freeze dried. Marinova Pty Ltd, the supplier of the ingredient, is located in Hobart, Tasmania. They harvest and dry the algae. The extraction and concentration may be performed at their own facility or contracted out to New Zealand Pharmaceuticals, a GMP processing plant in New Zealand.

Quality Assurance Requirements

An effective QAP must be maintained by Marinova to manage, perform and verify all work affecting quality of the product. This plan describes the minimum quality assurance requirements that the company must implement in the manufacture, packaging and testing of the product. The QAP consist of the quality assurance controls necessary to produce a product that consistently meets the predetermined specifications as described in appendix A of this document. The plan should at a minimum describe how the company implements the following requirements.

- **Personnel –** roles and responsibilities of personnel involved in production and quality control of the product are clearly defined and there is adequate number of staff with the education and experience to perform assigned tasks.
- **Facilities –** must be of adequate size and be maintained in a clean and orderly manner to avoid mix-ups and cross contamination.
- **Equipment –** must be properly maintained and cleaned and sanitized to avoid contamination with lubricants, metals, other foreign substances and microbiological organisms.
- **Procedures –** Established procedures for the manufacture and testing of the product. Lot history records (batch records) must be prepared for each lot of product manufactured. Any changes in the manufacturing and testing of the product that affects product specification will be reported to Mannatech for their approval.
- **Raw materials and components –** only approved raw materials and components that have met established quality specifications may be used in the manufacture of the product. Specifications for these materials must be pre-established.
- **Calibration –** a program must be established that ensure that gauges temperature devices, scales and testing equipment are properly functioning.
- **Audits and inspections –** The company policy on audits and inspections allows for Mannatech to audit the processing steps as it impacts product quality.
- **The company must maintain a lot numbering system** that allows for traceability of the product in case of recall.
- **Shelf life –** data supporting the products shelf life must be available and periodically verified.
- **A lot specific certificate of analysis must be provided** detailing the individual lot results as listed in the product specification appendix must be provided with each shipment.

Appendix A

Undaria 75% Powder Raw Material (Galactofucan Sulphate) PS# 1001)

Marinova Code Number : _____ ***Lot Number:*** _____

General Requirements:

Marinova is responsible for assuring that the Undaria is produced using approved manufacturing procedures and applicable GMPs and must meet the specifications as stated below.

TEST	SPECIFICATION	TEST METHOD	RESULTS
Physical			
Appearance	Light brown to pinkish brown powder substantially free of foreign matter	Visual	
Moisture (LOD)	Less than 10% (w/w)	USP LOD	
Identification	Conforms to reference standard IR spectrum	IR Analysis	
Bulk density	0.4 – 0.6 g/ml (tentative)	USP untapped method	
Particle size	Not less than 90% pass through a 50 mesh (300 um)	USP	
Chemical			
Galactofucan Sulphate	Not less than 75% (tentative)	Manufacturer's procedure	
Iodine	Not more than 30ppm	AOAC	
Total Ash	Not more than 30%	AOAC	
Total Free Sugar	Less than 0.3%	AOAC	
Mineral Profile			
Calcium Magnesium Phosphorus Potassium Sodium	Information only	ICP	
Inorganic arsenic	Less than 3 ppm		
Total arsenic	Less than 10 ppm	EPA	
Heavy Metals as Lead	Less than 10 ppm	EPA	
Pesticides	Less than 10 ppm	FDA	
Microbiology			
Aerobic Plate Count	Less than 5000 cfu/g	Current Version of USP	
Coliforms	Less than 3 mpn/g	Current Version of USP	
Yeast & Mold	Less than 100 cfu/g	Current Version of USP	
E. coli	Negative	Current Version of USP	
Salmonella	Negative	Current Version of USP	
Staphylococcus aureus	Negative	Current Version of USP	
Pseudomonas aeruginosa	Negative	Current Version of USP	

Packaging- The raw material must be double bagged in polyethylene bags and shipped in fiber drums appropriately labeled with product name, lot number and expiration date.

EXHIBIT "B"
PRODUCT AMOUNT AND PRICE

Year of the Agreement*	Minimum Purchase Kilograms	USD Price per Kilogram Sea Freight (Point of Delivery: Los Angeles) (GFS 75%)	USD Price per Kilogram Air Freight (Point of Delivery: Dallas) (GFS 75%)
Year 1	***	***	***
Year 2	***	***	***

*** Year 1 means 15 August 2007 through 14 August 2008**
Year 2 means 15 August 2008 through 14 August 2009

Exhibit 31.1

Certification of
Chief Executive Officer
of Mannatech, Incorporated

This certification is provided pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q for the quarter ended March 31, 2007 of Mannatech, Incorporated.

I, Samuel L. Caster, the Chief Executive Officer of Mannatech, Inc., 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 officers 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.

5. The registrant's other certifying officers 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.

Dated: May 10, 2007

/s/ Samuel L. Caster
Samuel L. Caster
Chief Executive Officer

Exhibit 31.2

Certification of
Chief Financial Officer
of Mannatech, Incorporated

This certification is provided pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q for the quarter ended March 31, 2007 of Mannatech, Incorporated.

I, Stephen D. Fenstermacher, the Chief Financial Officer of Mannatech, Inc., 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 officers 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.

5. The registrant's other certifying officers 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.

Dated: May 10, 2007

/s/ Stephen D. Fenstermacher
Stephen D. Fenstermacher
Chief Financial Officer

Exhibit 32.1

Certification of
Chief Executive Officer
of Mannatech, Incorporated

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q (the "***Form 10-Q***") for the quarter ended March 31, 2007 of Mannatech, Incorporated (the ***"Issuer"***).

I, Samuel L. Caster, the Chief Executive Officer of the Issuer, certify that to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: May 10, 2007

/s/ Samuel L. Caster
Samuel L. Caster
Chief Executive Officer

Subscribed and sworn to before me
This 10th day of May, 2007

/s/ Coleen M. Gama
Name: Coleen M. Gama
Title: Notary Public, State of Texas

My commission expires September 19, 2007

(A signed original of this written statement required by Section 906 has been provided to Mannatech, Incorporated and will be furnished to the Securities and Exchange Commission or its staff upon request.)

Exhibit 32.2

Certification of
Chief Financial Officer
of Mannatech, Incorporated

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q (the "***Form 10-Q***") for the quarter ended March 31, 2007 of Mannatech, Incorporated (the ***"Issuer"***).

I, Stephen D. Fenstermacher, the Chief Financial Officer of the Issuer, certify that to the best of my knowledge:

(i) the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: May 10, 2007

/s/ Stephen D. Fenstermacher
Stephen D. Fenstermacher
Chief Financial Officer

Subscribed and sworn to before me
This 10th day of May, 2007

/s/ Coleen M. Gama
Name: Coleen M. Gama
Title: Notary Public, State of Texas

My commission expires September 19, 2007

(A signed original of this written statement required by Section 906 has been provided to Mannatech, Incorporated and will be furnished to the Securities and Exchange Commission or its staff upon request.)