

MANNATECH INC
Form DEF 14A
April 29, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No. 1)

Filed by the Registrant

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Mannatech, Incorporated

(Name of Registrant as Specified In Its Charter)

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COPPELL, TEXAS

April 29, 2008

Dear Shareholder:

This letter extends to you a personal invitation to join us at our 2008 Annual Shareholders Meeting on Wednesday, June 18, 2008, at 9:00 a.m., Central Daylight Time, at the Grapevine Convention Center located at 1209 South Main Street, Grapevine, Texas.

At this year's meeting, you will vote on the election of 4 Class III Directors, the ratification of the appointment of our independent registered public accounting firm, and the approval of our 2008 Stock Incentive Plan.

We have enclosed with this letter an official notice of our 2008 Annual Shareholders Meeting and proxy statement, which contains further information about the items to be voted on and information about the meeting itself including:

a description of the matters to be considered and acted on at our 2008 Annual Shareholders Meeting;

our 2008 annual shareholders packet; and

a proxy-voting card and pre-addressed envelope that instructs you on how to cast your vote. **(Please carefully review the enclosed voting instructions since the voting instructions are different depending on whether your shares are held directly or through a broker.)**

REMEMBER, regardless of the number of shares that you hold, your vote is very important to our business and to us. Whether or not you plan to attend our 2008 Annual Shareholders Meeting, we urge you to sign and return your proxy-voting card or use the telephone or Internet to cast your vote prior to the meeting so that your shares will be represented and voted at our meeting.

We want to thank you for your ongoing support and we hope to see you at our 2008 Annual Shareholders Meeting.

Sincerely,

Samuel L. Caster

Chairman of the Board

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MANNATECH, INCORPORATED

NOTICE OF OUR 2008 ANNUAL SHAREHOLDERS MEETING

TO BE HELD ON JUNE 18, 2008

TO THE SHAREHOLDERS OF

MANNATECH, INCORPORATED,

The 2008 Annual Shareholders Meeting of Mannatech, Incorporated will be held at the Grapevine Convention Center, located at 1209 South Main Street, Grapevine, Texas, on Wednesday, June 18, 2008, at 9:00 a.m., Central Daylight Time, for the following purposes:

Proposal 1 To elect Messrs. Terry L. Persinger, Alan D. Kennedy, Robert C. Blattberg, Ph.D and Robert A. Toth as Class III Directors.

Proposal 2 To ratify the appointment of BDO Seidman, LLP as our independent registered public accounting firm, for the year ending December 31, 2008.

Proposal 3 To approve our 2008 Stock Incentive Plan.

To act upon such other matters as may properly come before our annual meeting.

Our Board of Directors has set the close of business on May 6, 2008 as the record date for the determination of shareholders entitled to receive notice of and to vote at our 2008 Annual Shareholders Meeting or any adjournment(s) thereof.

By order of our Board of Directors,

Samuel L. Caster

Chairman of the Board

Coppell, Texas

April 29, 2008

IMPORTANT

Whether or not you expect to attend our 2008 Annual Shareholders Meeting, we strongly urge you to cast your vote on the Internet, by telephone, or by mailing in your proxy-voting card prior to our meeting on June 18, 2008, to help ensure the presence of a quorum for our meeting and to save the expense and extra work of additional solicitation. If you vote by telephone or the Internet, you **DO NOT** need to mail your proxy-voting card. Voting by proxy by any method prior to the meeting will not prevent you from attending our 2008 Annual Shareholders Meeting or revoking your prior vote and voting at our 2008 Annual Shareholders Meeting.

We urge you to please read all of the instructions in your proxy information packet. The instructions, Internet addresses, telephone numbers, and mailing addresses are DIFFERENT depending on whether you have direct or beneficial ownership of your shares. To cast

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your vote using the enclosed proxy-voting card, simply complete the proxy-voting card, sign, date, and return the card in the pre-addressed envelope contained in your proxy information packet. To vote your shares other than by mailing in your proxy-voting card, you must use the control number printed in the box on your proxy-voting card contained in your packet. The control number on your proxy card is your personal code to access the telephone and Internet voting systems.

1. To vote using the Internet, log onto the website designated on your proxy-voting card and follow the instructions.
2. To vote using a touch-tone telephone, call the telephone number on your proxy-voting card and follow the instructions.

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MANNATECH, INCORPORATED

600 South Royal Lane, Suite 200

Coppell, Texas 75019

PROXY STATEMENT FOR OUR 2008 ANNUAL SHAREHOLDERS MEETING

TO BE HELD ON JUNE 18, 2008

GENERAL INFORMATION ABOUT OUR ANNUAL SHAREHOLDERS MEETING

General Information

Our Board of Directors is soliciting the enclosed proxy for use at our 2008 Annual Shareholders Meeting to be held on June 18, 2008 at 9:00 a.m., Central Daylight Time, at the Grapevine Convention Center located at 1209 South Main Street, Grapevine, Texas. This proxy statement along with our 2008 annual shareholders report and a proxy-voting card are being mailed or delivered on or about May 20, 2008 to shareholders of record owning our common stock on the close of business on May 6, 2008. The list of frequently asked questions is attached to this proxy statement as *Appendix A*. Unless otherwise stated, all references in this proxy statement to Mannatech, the Company, us, our, or we are to Mannatech, Incorporated, a Texas corporation.

Shareholders Entitled to Vote

Shareholders who owned our common stock as of the close of business on May 6, 2008, the record date, are called *shareholders of record* and are entitled to vote at our 2008 Annual Shareholders Meeting. As of April 18, 2008, we had 26,460,788 outstanding shares of our common stock, \$0.0001 par value per share, which is our only class of outstanding voting securities. As of April 18, 2008, we had approximately 3,600 shareholders that held their common stock directly and approximately 15,000 beneficial shareholders who held their common stock through approximately 175 brokers who represent approximately 73% of our total common stock outstanding. Each share of our common stock entitles a shareholder to one vote. A complete list of direct shareholders entitled to vote at our 2008 Annual Shareholders Meeting will be available for examination by shareholders for purposes pertaining to our 2008 Annual Shareholders Meeting at our corporate headquarters in Coppell, Texas during normal business hours from May 31, 2008 until June 17, 2008. The shareholder list will also be available for review prior to and during our 2008 Annual Shareholders Meeting to be held on June 18, 2008. A shareholder who wants to examine the list prior to our Annual Shareholders Meeting should arrange an appointment by contacting our Investor Relations department at (972) 471-6512.

Voting in Person

If you are a registered shareholder deemed to have direct ownership over your Mannatech shares and plan to attend our 2008 Annual Shareholders Meeting, you may deliver your completed and signed proxy card in person. If your Mannatech shares are held in street name by a broker, and you wish to vote in person at our 2008 Annual Shareholders Meeting, you will need to obtain a legal proxy form from your broker or bank that holds your shares of record and you must bring that document to our 2008 Annual Shareholders Meeting.

Voting by Proxy

Properly executed votes by proxy received prior to our 2008 Annual Shareholders Meeting or at our Annual Shareholders Meeting on June 18, 2008 or at any adjournment(s) or postponement(s) thereof will be counted by Broadridge Financial Solutions, Inc., our Inspector of Elections. If a shareholder specifies how such shareholder's proxy-vote is to be cast on any business to come before the meeting, such proxy-vote will be voted in accordance with such specifications. If no specification is made on a properly executed proxy-card, the shareholder's vote by proxy will be voted FOR each of our 3 proposals as consistent with the recommendations made by our Board of Directors.

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Revoking or Changing a Proxy

A shareholder may revoke a vote by proxy at any time prior to our 2008 Annual Shareholders Meeting. If you are a registered holder deemed to have direct ownership over your Mannatech shares, your proxy can be revoked i) by timely delivery of a written revocation delivered to B. Keith Clark, General Counsel and Corporate Secretary, Mannatech Incorporated, 600 South Royal Lane, Suite 200, Coppell Texas 75019; ii) by submitting another valid proxy bearing a later date; or iii) by attending our 2008 Annual Shareholders Meeting in person and giving the Inspector of Election notice that you intend to vote your shares in person. If your Mannatech shares are held in street name by a broker or bank (broker), you must contact your broker in order to revoke your proxy, but generally, you may change your vote by submitting new voting instructions to your broker, trustee or nominee, or, if you have obtained a legal proxy from your broker or nominee giving you the right to vote your shares, by attending our 2008 Annual Shareholders Meeting and voting in person.

Effects of Not Voting

The effect of not voting depends on how you own your shares. If you own shares directly, as a registered holder, rather than through a broker, your unvoted shares will not be represented at our meeting and will not count toward the quorum requirement. Assuming a quorum is obtained, your unvoted shares will not affect whether a proposal is approved or rejected. If you own shares through a broker and do not vote, your broker may represent your shares at the meeting for purposes of obtaining a quorum. As described below, if you own your shares through a broker and you do not vote, your broker may or may not vote your shares, depending upon the proposal.

If you own your shares through a broker and you do not vote, your broker may vote your shares at its discretion on some routine matters. However, with respect to other proposals, a broker may not vote a non-voting shareholder's shares. With respect to proposals on which a broker may not vote a non-voting shareholder's shares, the aggregate number of non-voted shares is reported as broker non-votes (shares held by brokers or nominees for which they have no discretionary power to vote on a particular matter and have received no instructions from the beneficial owners or persons entitled to vote) and counted only for purposes of determining a quorum. Proposals 1 and 2 set forth in this proxy statement are routine matters on which brokers will be permitted to vote non-voted shares. Proposal 3, which relates to the approval of our 2008 Stock Incentive Plan (the 2008 Plan), is not a routine matter on which brokers will be permitted to vote non-voted shares. As a result, broker non-votes will be counted only for purposes of determining a quorum with respect to Proposal 3, and will not be treated as a vote cast. Abstentions from voting on Proposal 3 will not be treated as a vote cast and therefore will have no effect on the outcome of such proposal, although abstentions will count towards the presence of a quorum.

Direct Ownership

For the purpose of determining how to vote your shares at our 2008 Annual Shareholders Meeting, registered holders are deemed to have direct ownership over their Mannatech shares if they hold their original stock certificates directly in their name. This is typically evidenced by the receipt of our mailings directly from us or from our transfer agent, Computershare.

Beneficial Ownership

For the purposes of determining how to vote your shares at our 2008 Annual Shareholders Meeting, you are deemed to have beneficial ownership over your Mannatech shares if you 1) previously deposited your stock certificates with a broker; 2) purchased your shares directly through a broker; or 3) sent your stock certificates to a broker to be deposited into your brokerage account. Beneficial ownership is typically evidenced by a shareholder receiving our mailings from either a broker or through a solicitor, which is usually Broadridge Financial Solutions, Inc.

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As a beneficial owner, a shareholder still holds Mannatech shares, but neither we nor our transfer agent has access to any list of individual shareholders' names from the various brokers. The only information our transfer agent has concerning shareholders who own stock through a broker is the broker's name, the aggregate total number of shares held by each broker on behalf of their clients, and the aggregate number of votes cast for any of our proposals.

WE CAUTION OUR SHAREHOLDERS THAT each brokerage firm has a unique set of voting instructions. As a result, a shareholder should *always* read all the information provided in each of the proxy information packets received and follow the specific voting instructions enclosed in each packet with respect to applicable telephone numbers, Internet addresses, mailing addresses, and attending or voting at our Annual Shareholders' Meeting.

If a shareholder receives more than one proxy information packet, such shareholder's shares are registered in more than one account. Again, remember that each proxy information packet may have different voting instructions, account or control numbers, mailing addresses, Internet addresses, and telephone numbers. As a result, each shareholder should be cautioned to use only the set of voting instructions, account and control numbers, addresses, and telephone numbers provided in such shareholder's proxy information packet to ensure such shareholder's vote for all of its owned shares is properly included in the tabulation of votes for our meeting.

Beneficial shareholders are also instructed to read their proxy-voting card instructions given to them by their brokers or their brokers' solicitors prior to our meeting in order to obtain instructions on how to vote at our 2008 Annual Shareholders' Meeting. If a beneficial shareholder does not follow the specific brokers' instructions, our Inspector of Elections is not allowed to count such beneficial shareholder's vote by ballot at our Annual Shareholders' Meeting.

Tabulating the Votes

A representative from Broadridge Financial Solutions, Inc., which will act as our Inspector of Elections, is responsible for tabulating the votes for our 2008 Annual Shareholders' Meeting. The presence, in person or by proxy-vote, of the holders of at least a majority of shares of our common stock outstanding as of May 6, 2008, our record date, is necessary to have a quorum for our 2008 Annual Shareholders' Meeting. Abstentions and broker non-votes, if any, will be counted as shares present and entitled to vote for purposes of determining a quorum for our 2008 Annual Shareholders' Meeting. A broker non-vote occurs when brokers do not receive a properly executed proxy and, therefore, have not been given discretionary power to vote shares on behalf of the beneficial holders thereof. If a proxy-voting card is received by the broker or their solicitor and is signed by the shareholder but submitted without providing specific voting instructions, the shareholder's vote will automatically be counted as a vote FOR Proposals 1 and 2.

For **Proposal 1** Assuming a quorum is obtained, our Class III Directors will be elected by a plurality of the votes cast by shareholders present, in person or by proxy, at our 2008 Annual Shareholders' Meeting and entitled to vote. This means that the 4 nominees receiving the highest number of affirmative votes at our 2008 Annual Shareholders' Meeting will be elected as our 4 Class III Directors. Votes marked FOR ALL Proposal 1 will be counted in favor of all nominees, except to the extent a shareholder specifies differently. Votes marked WITHHOLD ALL Proposal 1 will be counted against all nominees. To specify differently, a shareholder must check the FOR ALL EXCEPT box and then write the names of the nominees for whom the shareholder wishes to vote against. WITHHOLD ALL votes from a nominee has no effect on the vote since a plurality of the votes cast at our 2008 Annual Shareholders' Meeting is required for the election of each nominee. Shareholders may not abstain from voting with respect to the election of directors.

A shareholder cannot write-in the names of additional nominees when voting by proxy. However, at our 2008 Annual Shareholders' Meeting, shareholders of record will be allowed to write-in additional names of nominee(s) on the ballot. To write-in a nominee on the ballot, the shareholder will need to check the

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FOR ALL EXCEPT box and identify each of the nominees for which they do not wish to vote in the space provided. The shareholder will then be allowed to write-in only as many nominees as the shareholder has withheld votes from. For example, if there are a total of 4 nominees listed on the ballot and the shareholder wishes to withhold its vote for 2 of the 4 nominees, the shareholder should list the names of the two nominees for whom the vote is withheld and write-in up to 2 additional names for nominees to our Board of Directors.

For **Proposal 2** If a quorum is obtained, and a majority of the votes cast by the shareholders present in person or represented by proxy at our 2008 Annual Shareholders Meeting are in favor of Proposal 2, the ratification of the appointment of our independent registered public accounting firm for the year ended December 31, 2008 will be approved. Votes marked FOR Proposal 2 will be counted in favor of the ratification of the appointment of our independent registered public accounting firm for the year ended December 31, 2008. An abstention from voting on Proposal 2 will be treated as a vote against the ratification of the appointment of our independent registered public accounting firm for the year ended December 31, 2008.

For **Proposal 3** If a quorum is obtained, and a majority of the votes cast by the shareholders present in person or represented by proxy at our 2008 Annual Shareholders Meeting are in favor of Proposal 3, our 2008 Stock Incentive Plan (the 2008 Plan) will be approved and adopted. Votes marked FOR Proposal 3 will be counted in favor of adoption of the 2008 Plan. An ABSTAIN from voting on Proposal 3 will not be treated as a vote cast and therefore will have no effect on the outcome of Proposal 3, although an ABSTAIN vote will count towards the presence of a quorum. With respect to Proposal 3, broker non-votes will be counted only for purposes of determining a quorum for such proposal and will not be treated as votes cast.

(OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL PROPOSALS.)

Solicitation of Proxy-Votes

We may solicit proxy-votes through the mail, in person, and by telecommunications. We will bear all expenses in preparing, printing, and mailing the proxy materials to our shareholders.

Admission and Voting at Our Annual Shareholders Meeting

Voting at our 2008 Annual Shareholders Meeting is limited to shareholders of record having evidence of ownership as of the record date, May 6, 2008. If your shares are NOT held in your name, we may require you to show evidence of your ownership at our meeting. Evidence typically includes your proxy-voting card or your brokerage statement showing proof of stock ownership as of the close of business on May 6, 2008, such as your May 2008 brokerage statement or a printout of shares held at the close of May 6, 2008. At our Annual Shareholders Meeting, shareholders of record will be given a ballot upon verification of stock ownership.

We will tape the meeting in its entirety and therefore we will not allow any other cameras or recording equipment in the meeting room. As a courtesy and as time permits, we will provide a brief question and answer period for our shareholders of record.

Shareholders of record will be given ballots upon verification of stock ownership. REMEMBER that beneficial shareholders must obtain a power of attorney form or legal proxy from their brokers prior to the meeting in order for their votes by ballot to be counted since their brokers may have already reported their shares as broker non-votes . **Prior to our June 18, 2008 meeting, beneficial shareholders are strongly urged to read their proxy-voting card instructions on how to vote at our Annual Shareholders Meeting. They should also contact their brokers by the Monday prior to our Annual Shareholders Meeting to ensure they obtain the proper paperwork in order to vote at our meeting. If the beneficial shareholder does not follow its broker s instructions, our Inspector of Elections will not count such shareholder s vote by ballot at our 2008 Annual Shareholders Meeting.** The instructions are usually located on the back of each proxy-voting card.

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Shareholder Procedures for Nominating Board Members or Introducing Proposals

a) *For our 2008 Annual Shareholders Meeting*

For our 2008 Annual Shareholders Meeting, the deadline for recommending a nominee for nomination to our Board of Directors and for introducing proposals to be included in this proxy information package expired on December 31, 2007. A shareholder of record is prohibited from writing in nominees for our Board of Directors on their proxy-voting card. However, a shareholder of record may write-in nominees for our Board of Directors on its ballot at our 2008 Annual Shareholders Meeting by following the instructions outlined above on page 4, under the heading *Tabulating the Votes*. We reserve the right to reject, rule out-of-order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

Subject and pursuant to Rule 14a-4(c) (1) under the Securities Exchange Act of 1934, as amended, we have not been given notice of any shareholder proposals intended to be presented at our 2008 Annual Shareholders Meeting without inclusion in our proxy statement. Because we did not receive notice of any shareholder proposals intended to be presented at our 2008 Annual Shareholders Meeting by April 7, 2008, your properly executed proxy card will confer discretionary authority on the holder of your proxy to vote your shares, in the manner the holder so chooses, on any such shareholder proposals properly presented at our 2008 Annual Shareholders Meeting. Our Board of Directors reserves the right to reject, rule out-of-order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements. We also did not receive any nominees for Directors from shareholders for our 2008 Annual Shareholders Meeting.

b) *For our 2009 Annual Shareholders Meeting*

Under our Fourth Amended and Restated Bylaws, dated August 8, 2001, as amended, the Nominating and Governance Committee of our Board of Directors recommends all candidates for nomination to our Board of Directors. If a shareholder would like our Nominating and Governance Committee to consider specific candidates for nomination to our Board of Directors, a shareholder should deliver written notice to our Chief Financial Officer at our United States corporate headquarters, located at 600 S. Royal Lane, Suite 200, Coppell, Texas 75019, or fax (972) 471-7342. Written notice of such proposed candidates for Director should be delivered no later than December 31, 2008 to allow our Board of Directors time to consider such persons for nomination at our 2009 Annual Shareholders Meeting. The written notice should include the candidates' full name, age, biographical background, and qualifications. Our Chief Financial Officer is required to forward all written notices received to our Nominating and Governance Committee. Our Nominating and Governance Committee consists of four independent directors who review each proposed candidate and submits a recommended list of proposed candidates to our Board of Directors. Our Board of Directors then approves a list of proposed candidates, which are the only nominees that are listed on our ballot, the proxy-voting card, and our proxy statement on Schedule 14A. We expect to file our 2009 proxy statement with the United States Securities and Exchange Commission on or before April 29, 2009.

Proposals by shareholders that comply with all applicable provisions of Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and are intended to be presented at our 2009 Annual Shareholders Meeting must be delivered in writing to our Chief Financial Officer at our United States corporate offices, on or before December 31, 2008, in order to be eligible for inclusion in our 2009 proxy statement and proxy-voting card.

Subject to and pursuant to Rule 14a-4(c) (1) under the Securities Exchange Act of 1934, as amended, if a shareholder proposal is intended to be presented at our 2009 Annual Shareholders Meeting without inclusion in our 2009 proxy statement, and notice of such proposal is not submitted in writing to our Chief Financial Officer by April 5, 2009, then with regard to any such shareholder proposals, a properly executed proxy card for our 2009 Annual Shareholders Meeting will confer discretionary authority on the holder of a shareholder's proxy to vote such shareholder's shares in the manner the proxy holder so chooses. However, our Board of Directors

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reserves the right to reject, rule out-of-order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

A copy of our Fourth Amended and Restated Bylaws, dated August 8, 2001, is published on our corporate website or may be obtained upon written request to our General Counsel, Mr. B. Keith Clark, at our United States headquarters located at 600 S. Royal Lane, Suite 200, Coppel, Texas 75019. In addition, our Bylaws were furnished as Exhibit 99.1 of our Form 8-K filed with the United States Securities and Exchange Commission on August 22, 2001.

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PROPOSAL 1 ELECTION OF DIRECTORS

Our Fourth Amended and Restated Bylaws provide for a classified Board of Directors, divided into 3 staggered classes – I, II, and III. The terms of office for each of these classes are scheduled to expire on the dates of our Annual Shareholders Meeting in 2009, 2010, and 2008, respectively. At our 2008 Annual Shareholders Meeting, all of our Class III Directors are up for election.

Nominees. Our Board of Directors has nominated Messrs. Terry L. Persinger, Alan D. Kennedy, Robert C. Blattberg Ph. D and Robert Toth as nominees for election as our Class III Directors. Once elected, each of our Class III Directors terms will expire on the earlier of the date of our 2011 Annual Shareholders Meeting or the date of such Director s disqualification, resignation, death, or removal. The nominees biographical information is as follows:

Terry L. Persinger joined Mannatech in November 1999 as our Domestic Chief Operating Officer and Executive Vice President and now serves as our President and Chief Executive Officer, and a Class III Director. Mr. Persinger has served as our President since May 2000. From 1968 until August 1999, he was employed by Goodyear Tire and Rubber Company (*NYSE symbol GT*), a publicly-traded company and international manufacturer of tires and rubber products. From January 1995 to August 1999, Mr. Persinger served as Goodyear s Vice President and General Manager of Engineered Products. He received a B.S. in Chemical Engineering from the University of Cincinnati, in Cincinnati, Ohio, is a graduate of the PMD management program at Harvard University, and completed management training at Northwestern Kellogg School of Business, in Evanston, Illinois. Mr. Persinger is the brother-in-law of Mr. Donald W. Herndon, our Vice President of Field Services. Mr. Herndon is the brother-in-law of Mr. Samuel L. Caster, our Chairman of the Board.

Alan D. Kennedy has served as a Class III Director since June 2002. Mr. Kennedy has over 30 years experience with various direct selling companies. From 1998 until his retirement in December 2001, he served as President Worldwide for Tupperware Corporation, (*NYSE symbol TUP*), a publicly-traded company that distributes and sells various products in over 100 countries, primarily through direct-selling channels. Since retiring, Mr. Kennedy continues to serve as a consultant to Tupperware Corporation. From 1989 to 1996, he served as President and Chief Executive Officer of Nature s Sunshine Products, Inc., (*NASDAQ symbol NATR.PK*), a publicly-traded, network marketing company that manufactures and markets nutritional and personal care products worldwide. From 1986 to 1989, Mr. Kennedy provided various consulting services to several direct selling companies. From 1982 to 1986, he served as Vice President of Sales Development for Avon Products, Inc., (*NYSE symbol AVP*), a publicly-traded, multinational manufacturer and distributor of cosmetics, toiletries, jewelry, chemicals and clothing. He received a B.A. degree, with honors, in Economics from Colgate University, in Hamilton, New York. His professional affiliations include serving as Chairman of the Direct Selling Association from 1995 to 1996 and serving as Chairman of the Direct Selling Educational Foundation from 1996 to 1997. In 2004, Mr. Kennedy was inducted into the Direct Selling Association s highest honor, the Hall of Fame. He serves on the Board of the Direct Selling Educational Foundation and also serves on the Board of Regents for Mercersburg Academy, a private secondary school in Mercersburg, Pennsylvania.

Robert C. Blattberg, Ph. D was appointed to the Board of Director as a Class III Director in September 2007. Since 1991, Professor Blattberg has served as the Polk Brothers Distinguished Professor of Retailing and Executive Director of the Center for Retail Management at the J.L. Kellogg Graduate School of Management, Northwestern University, in Evanston, Illinois. Professor Blattberg is currently on a one-year leave of absence from Northwestern University and is a Visiting Professor at Carnegie-Mellon University, in Pittsburgh, Pennsylvania. From 1969 to 1991, Professor Blattberg served as the Charles H. Kellstadt Professor of Marketing Director for the Center of Marketing Information Technology Graduate School of Business for the University of Chicago. Professor Blattberg has authored or co-authored several books, and has written articles for the Journal of Marketing Research, Management Science, Marketing Science, Econometrica, Journal of Marketing, Journal of Direct

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Marketing, and other leading academic journals. Professor Blattberg has also consulted for leading retailers, such as Sears, American Express, Kroger, Rite Aid, and Best Buy. Professor Blattberg is currently a member of Information Resources, Inc.'s Analytics Advisory Board. Information Resources, Inc. is a leading global provider of enterprise market information solutions for the CPG, Retail, and healthcare industries. Professor Blattberg received a B.A. degree in mathematics from Northwestern University and an M.S. degree and Ph.D. degree in Industrial Administration from Carnegie-Mellon University.

Robert A. Toth was appointed to the Board of Directors as a Class III Director in March 2008. Mr. Toth has over 27 years of direct-selling experience, most recently as President of Avon International from 2004 to 2005. In that capacity, his operations included over 120 countries with annual revenues in excess of \$5.5 billion. Since leaving Avon, he has worked in venture capital as a private investor focused on new business start-ups in the technology sector. Mr. Toth began his Avon career in customer service in 1978, then moved to U.S. sales and operations and was promoted to U.S. Director of Sales in 1989. He transitioned to Avon International in 1991 as Director of New Business Development, where he played a lead role in Avon's market entry plan for Russia. He was based in Warsaw from 1993 to 1997 as Avon's President of Central and Eastern Europe, where he established and led Avon Poland. From 1997 to 2004, Mr. Toth was based in London where he held a number of senior management positions including Group Vice President, Eastern Europe, Middle East and Africa (1997-1999), Senior Vice President, Europe, Middle East and Africa (1999-2002), and Executive Vice President for Asia-Pacific, Europe, Middle East and Africa (2002-2003). Mr. Toth graduated from LaSalle University in 1974 with a B.A. in Business Administration and was an officer in the U.S. Marine Corps from 1975 to 1978. He is currently on the Board of Directors of the YMCA in Madison, New Jersey.

(OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THESE NOMINEES. A FOR ALL VOTE ON A PROXY OR BALLOT WILL BE SO VOTED UNLESS A CONTRARY VOTE IS INDICATED BY THE SHAREHOLDER. DIRECTORS WILL BE ELECTED BY A PLURALITY OF THE VOTES CAST BY THE HOLDERS OF OUR COMMON STOCK REPRESENTED IN PERSON OR BY PROXY AT OUR MEETING.)

PROPOSAL 2 RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholder ratification of the selection of our independent registered public accounting firm is not required by our Articles of Incorporation or Bylaws, as amended, or other applicable legal requirements. However, our Board of Directors, as a matter of good corporate governance, has always sought shareholder ratification of the appointment of our independent registered public accounting firm. For the fiscal year ending December 31, 2008, our Board of Directors is seeking shareholder ratification of the appointment of BDO Seidman, LLP as our independent registered public accounting firm.

Our Audit Committee appoints our independent registered public accounting firm on an annual basis. The decision is based on a number of factors including the scope of the audit, the independence of the auditors, the estimated audit fees, and any non-auditing services that are performed by the independent registered public accounting firm.

Representatives from BDO Seidman, LLP will attend our 2008 Annual Shareholders Meeting and will have the opportunity to make statements, if they so desire. They will also be available to respond to any appropriate questions from our shareholders.

Pre-Approval Policies and Procedures

All services provided by our independent registered public accounting firm must be preapproved by our Audit Committee. The non-audit services, specified in Section 10-A(g) of the Securities Exchange Act of 1934, as amended, may not be provided by our independent registered public accounting firm.

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Each year, the approval of the estimated annual audit, audit-related services, and routine tax services takes place at an Audit Committee meeting. In addition, during the course of the year, requests for unforeseen or additional allowable services to be provided by our independent registered public accounting firm must be preapproved by our Audit Committee, except for those qualifying for the *de minimis exception*. The *de minimis exception* provides that the pre-approval requirements for certain non-audit services may be waived if:

the aggregate amount of such non-audit services provided constitutes not more than 5% of the total fees paid to our independent registered public accounting firm in the calendar year that such non-audit services are provided;

such services were recognized as non-audit services at the time they were provided; and

such services are promptly brought to the attention of our Audit Committee.

Our Audit Committee may delegate to its Chairman the authority to grant pre-approvals. In such event, the decisions of the Chairman of the Audit Committee regarding pre-approvals will then be presented to our full Audit Committee at the next scheduled meeting.

Our independent registered public accounting firm provides a revised estimate for the year, by project, for all planned and approved services to our Chief Financial Officer prior to each regularly scheduled Audit Committee meeting. The revised estimate is then reviewed at our Audit Committee meeting.

Fees Paid to Our Independent Registered Public Accounting Firms

Grant Thornton LLP served as our independent registered public accounting firm during our fiscal years ended December 31, 2006 and December 31, 2005, and also performed a quarterly review with respect to our first quarter ended March 31, 2007 and second quarter ended June 30, 2007. On October 18, 2007, our Audit Committee approved the dismissal of Grant Thornton LLP and approved the appointment of BDO Seidman, LLP as our independent registered public accounting firm.

The report of Grant Thornton LLP related to our consolidated financial statements for the years ended December 31, 2006 and December 31, 2005 did not contain any adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope, or accounting principle. During the year ended December 31, 2006 and through October 18, 2007, we had no disagreements with Grant Thornton LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Grant Thornton LLP, would have caused it to make reference thereto in its report on our consolidated financial statements.

During the year ended December 31, 2006 and through October 18, 2007, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K under the Securities Exchange Act of 1934, as amended).

The following fees were billed to us by our former independent registered public accounting firm, Grant Thornton LLP, for the fiscal years ended December 31:

Type of Service	2007	2006
Audit Fees , including the audit of our consolidated financial statements and annual report on Form 10-K, assessment of our internal control over financial reporting in compliance with Section 404 of the Sarbanes-Oxley Act of 2002, review of our quarterly financial statements and quarterly reports filed on Form 10-Q, and international statutory audits	\$ 77	\$ 776
Audit-Related Fees , including professional services rendered in connection with Sarbanes-Oxley Act of 2002 Section 404 readiness assistance	52	
Tax Fees , including fees for tax services, tax advice, transfer pricing, state, and international tax consultation		8
All Other Fees , related to all other services including expatriation issues and miscellaneous consulting and advisory services	7	6
Total Fees	\$ 136	\$ 790

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The *de minimis exception* was not used for any fees paid to Grant Thornton LLP in 2006 and 2007. All fees were pre-approved by our Audit Committee. We were advised by Grant Thornton LLP that neither the firm, nor any member of its firm, had any direct or indirect financial interest in any capacity in our Company. The members of our Audit Committee believe the payment of all fees set forth above did not prohibit Grant Thornton LLP from maintaining its independence.

For the year ended December 31, 2007 and 2006, we were billed the following fees by our current independent registered public accounting firm, BDO Seidman, LLP as follows:

Type of Service	2007	2006
	<i>(in thousands)</i>	
Audit Fees , including the audit of our consolidated financial statements and annual report on Form 10-K, assessment of our internal control over financial reporting in compliance with Section 404 of the Sarbanes-Oxley Act of 2002, review of our quarterly financial statements and quarterly reports filed on Form 10-Q, and international statutory audits	\$ 1,474	\$
Audit-Related Fees , including professional services rendered in connection with Sarbanes-Oxley Act of 2002 Section 404 readiness assistance		
Tax Fees , including fees for tax services, tax advice, transfer pricing, state, and international tax consultation	160	276
All Other Fees , related to all other services including expatriation issues and miscellaneous consulting and advisory services		
Total Fees	\$ 1,634	\$ 276

The *de minimis exception* described above was not used for any fees paid to BDO Seidman, LLP in 2007 and 2006. All fees were pre-approved by our Audit Committee. As of April 28, 2008, we were advised by BDO Seidman, LLP that neither the firm, nor any member of its firm, had any direct or indirect financial interest in any capacity in our Company. The members of our Audit Committee believe the payment of all fees set forth above did not prohibit BDO Seidman, LLP from maintaining its independence.

(OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED ACCOUNTING FIRM.)

PROPOSAL 3 APPROVAL OF OUR 2008 STOCK INCENTIVE PLAN

Our shareholders are asked to approve the adoption of our 2008 Stock Incentive Plan (the 2008 Plan). The 2008 Plan was adopted by our Board on February 22, 2008 and, if approved, the 2008 Plan will continue in effect until the earlier of February 21, 2018 or the date of its earlier termination by our Board of Directors. Any stock option or restricted stock awards outstanding after the termination of the 2008 Plan; however, will remain subject to the terms of the 2008 Plan. Our Board believes the 2008 Plan will enhance our ability to attract and retain highly qualified employees, consultants, and Directors and to help provide incentive compensation opportunities that are competitive with other companies. Upon approval of the 2008 Plan, no further awards will be made under our previously approved stock incentive plans.

The following description of the 2008 Plan is a summary and is qualified by reference to the complete text of our 2008 Plan. A copy of the 2008 Plan is attached to this proxy statement as *Appendix B*.

General Description. The purpose of our 2008 Plan is to enhance our ability and the ability of our affiliates to obtain and retain the services of the types of employees, consultants, and directors (collectively the Participants) who will contribute to our long-range success and to provide incentives that are linked directly to increases in share value, which will inure to the benefit of all of our shareholders. Pursuant to the 2008 Plan, eligible recipients may be granted one or more of the following awards: stock options and restricted stock (each an Award). Options granted under the 2008 Plan may be either incentive stock options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the Code), or non-statutory stock options.

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Administration. Our Board of Directors will administer the 2008 Plan.

Shares Reserved. The shares with respect to which Awards may be made under the 2008 Plan are authorized but unissued shares of our common stock and shares of our common stock that we have reacquired. The maximum aggregate number of shares of common stock that may be issued upon exercise of all Awards under the 2008 Plan is 1,000,000 shares plus any shares that were reserved under our 2000 Stock Option Plan but not yet subject to issued Awards and any shares of our common stock underlying Awards granted pursuant to our 2000 Stock Option Plan prior to the effective date of the 2008 Plan that expire, are forfeited or terminate for any reason without having been exercised in full.

As of April 18, 2008, there are 715,516 shares issuable under our 2000 Stock Option Plan upon exercise of outstanding options and 23,394 shares remaining available for future issuance. Any shares covered by an Award under our existing plans that expire or are forfeited or otherwise terminated without issuance will again be available for Awards under the 2008 Plan.

Eligibility. Awards other than incentive stock options may be granted to the employees, directors, and consultants of the Company and subsidiaries. Incentive stock options may be granted only to the employees of the Company and its affiliates. The Company's Board of Directors, in its discretion, approves all Awards to be granted under the 2008 Plan. As of April 18, 2008, we had approximately 623 employees and eight non-employee directors who would be eligible to participate in the 2008 Plan.

Transferability of Awards. Unless otherwise determined by the Company's Board of Directors, most Awards granted under the 2008 Plan are not transferable other than by a domestic relations order, the laws of descent and distribution or certain limited not-for-value transfers to family members.

Limitation on Awards. Under the 2008 Plan, no employee may be granted Awards covering more than 500,000 shares during any single fiscal year.

Stock Options

Exercise Price. Our Board of Directors will determine the exercise price of options at the time the options are granted. Subject to certain exceptions, no stock option, including an incentive stock option, may have an exercise price less than the fair market value of a share of the Company's common stock on the date of grant. The exercise price of an incentive stock option granted to a ten percent shareholder may not be less than 110% of the fair market value of a share of the Company's common stock on the date of grant of such option. The fair market value of a share of the Company's common stock is generally determined to be the closing sales price as quoted on the NASDAQ Global Market for the date the value is being determined.

Exercise of Option; Form of Consideration. The Company's Board of Directors determines when options become exercisable. The means of payment for shares issued upon exercise of an option include cash, certified or bank check, or wire transfer, and such other payment methods as may be specified by the Company's Board of Directors, including tender of Company shares previously owned by the exercising optionholder or broker-assisted same-day sale.

Term of Option. The term of an option may not be more than ten years from the date of grant. The term of an incentive stock option granted to a ten percent shareholder may not be more than five years from the date of grant. No option may be exercised after the expiration of its term.

Vesting. Each option granted under the 2008 Plan will become vested and exercisable pursuant to the vesting schedule set forth in the applicable option agreement.

Termination of Service. Unless otherwise provided in an option agreement or in an employment agreement, the terms of which have been approved by the Board of Directors, in the event that an optionholder's service to

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the company as an employee, consultant, or director terminates for any reason other than for death, disability, or for cause, such optionholder's vested options will remain exercisable for a period of time ending the earlier of i) the date three months following the termination of the optionholder's service, or ii) the expiration of the term of the option as set forth in the applicable option agreement. Unless otherwise provided in an option agreement or in an employment agreement, the terms of which have been approved by the Board of Directors, in the event that an optionholder's service to the Company as an employee, consultant, or director terminates as a result of the optionholder's death or disability, such optionholder's vested options will remain exercisable for a period of time ending on the earlier of i) the date that is twelve months following the termination of such optionholder's service or ii) the expiration of the term of the option as set forth in the applicable option agreement. If an optionholder's service to the Company as an employee, consultant or director is terminated by the Company for cause, all of such optionholder's outstanding options, whether or not vested, shall be forfeited and expire as of the beginning of business on the date of the termination of such optionholder's service for cause.

Repricing. Options may not be repriced, replaced, or regranted through cancellation or modification without shareholder approval.

Restricted Stock Awards

The Company's Board of Directors may grant Awards of restricted stock, consisting of actual shares of the company's common stock, at its discretion.

Restrictions. At the time a grant of restricted stock is made, the Board of Directors may establish a restricted period applicable to the restricted stock during which the shares of restricted stock may not be sold, assigned, transferred or otherwise disposed of. The restricted period may expire upon the passage of time or the attainment of performance objectives as the Board of Directors, in its sole discretion, determines.

Consideration. The consideration for Awards of restricted stock shall be paid either: i) in cash at the time of purchase; or ii) in any other form that may be acceptable to the Board of Directors in its discretion including, without limitation, property, a stock for stock exchange or prior services that the Board of Directors determines have a value at least equal to the fair market value of such restricted stock.

Vesting. Restricted stock granted pursuant to the 2008 Plan will vest pursuant to the vesting schedule set forth in the applicable restricted stock award agreement. The Board of Directors at its discretion may provide for an acceleration of vesting in the terms of any restricted stock award agreement, at any time, including in the event a change in control of the Company occurs.

Termination of Service. Unless otherwise provided in a restricted stock award agreement or in an employment agreement the terms of which have been approved by the Board of Directors, in the event a grantee's service to the Company as an employee, consultant, or director terminates for any reason, the grantee shall forfeit all shares of restricted stock which have not vested as of the date of such termination under the terms of the applicable restricted stock award agreement and shall have no rights with respect to such shares of restricted stock.

Transferability. Restricted stock shall be transferable by the holder thereof only upon such terms and conditions as set forth in the applicable restricted stock award agreement.

Repurchase Right. Each restricted stock award agreement may provide that, following the termination of a grantee's service to the Company as an employee, consultant, or director, the Company will have the right to repurchase such grantee's unvested shares of restricted stock acquired under the 2008 Plan. The Company's right to repurchase unvested restricted stock will be exercisable at a price equal to the lesser of the purchase price at which such restricted stock award was acquired under the 2008 Plan or the fair market value of such restricted stock (if an award of restricted stock is granted solely in consideration of past services without payment of any

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additional consideration, the unvested restricted stock award will be forfeited without any repurchase). The restricted stock award agreement may specify the period of time following a termination of a grantee's service to the Company during which its right of repurchase may be exercised.

Adjustments on Changes in Capitalization, Merger, or Change in Control

Changes in Capitalization. In the event of any merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, stock split, dividend in property other than cash, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or other change to the Company's capital structure, appropriate equitable adjustments will be made to:

the aggregate number of shares of common stock or class of shares which may be purchased pursuant to Awards;

the number and/or class of shares of common stock covered by outstanding Awards;

the maximum number of shares of common stock with respect to which options awards may be granted to any single optionholder during any calendar year; and

the exercise price of any stock option in effect prior to such change.

Merger or Change in Control. In the event of a change in control, dissolution, liquidation or any corporate separation or division, including, but not limited to, a sale of all or substantially all of the assets of the Company or a merger or consolidation in which the Company is not the surviving entity, then the Company, to the extent permitted by applicable law, but otherwise in the sole discretion of the Board of Directors, may provide for: i) the continuation of all outstanding Awards (if the Company is the surviving entity); ii) the assumption of the 2008 Plan and all outstanding Awards by the surviving entity; iii) the substitution by the surviving entity of Awards with substantially the same terms for all outstanding Awards; iv) the cancellation of all outstanding Awards in exchange for consideration; or iv) the cancellation of all outstanding Awards without payment of any consideration.

Amendment and Termination of the 2008 Plan. The Board of Directors may amend, alter, suspend or terminate the 2008 Plan, or any part thereof, at any time and for any reason. However, it must obtain shareholder approval for any amendment to the 2008 Plan to the extent necessary and desirable to comply with any applicable laws of any securities exchange listing requirements. Generally, no such action by the Company's Board of Directors or shareholders may alter or impair any Award previously granted under the 2008 Plan without the written consent of the grantee. The 2008 Plan will terminate on February 21, 2018, unless terminated earlier by the Company's Board of Directors.

Federal Income Tax Consequences of the 2008 Plan

The following is a discussion of material United States federal income tax consequences to participants in the 2008 Plan. This discussion is based on statutory provisions, Treasury regulations thereunder, judicial decisions, and rulings of the Internal Revenue Service in effect on the date of this proxy statement. This discussion does not purport to be complete, and does not cover, among other things, state, local, or foreign tax treatment of participation in the 2008 Plan. Furthermore, differences in participants' financial situations may cause federal, state, and local tax consequences of participation in the 2008 Plan to vary.

Non-Statutory Stock Options. Under current federal income tax law, the grant of a non-statutory stock option with an exercise price at or above fair market value under the 2008 Plan will have no federal income tax consequences to the Company or the participant. Generally, upon exercise of a non-statutory stock option, the excess of the fair market value of the Company's common stock at the date of exercise over the exercise price, which is referred to as the Spread, is taxable to the participant as ordinary income. All amounts taxable to a participant are deductible by the Company as compensation expense. The deduction will be allowed for the taxable year of the Company which includes the end of the taxable year in which the participant includes an amount in income.

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Code Section 162(m) generally denies us a tax deduction for compensation that exceeds \$1 million paid in a taxable year to our chief executive officer and each of our three highest compensated officers (other than our chief executive officer and our chief financial officer), subject to an exception for performance-based compensation as defined in Section 162(m). The 2008 Plan provides for granting stock options to executive officers who may be subject to Section 162(m) in a manner that is intended to satisfy the performance-based compensation exception. The Company reserves the authority, however, to award non-deductible compensation as it deems appropriate. In addition, notwithstanding the Company's efforts, ambiguities and uncertainties regarding the application and interpretation of Section 162(m) make it impossible to provide assurance that performance-based compensation will, in fact, satisfy the requirements for deductibility under Section 162(m). Thus, Section 162(m) could limit the Company's deductibility of compensation related to the exercise of options granted in the future under the 2008 Plan.

Generally, the shares received on exercise of a stock option under the 2008 Plan are not subject to restrictions on transfer or risks of forfeiture and, therefore, the participant will recognize income on the date of exercise of a non-statutory stock option. However, if the option holder is subject to Section 16(b) of the Exchange Act, the Section 16(b) restriction will be considered a substantial risk of forfeiture for tax purposes. Under current law, employees who are either directors or officers of the Company will be subject to restrictions under Section 16(b) of the Exchange Act during their term of service and for up to six months after termination of service. SEC Rule 16b-3 provides an exemption from the restrictions of Section 16(b) for the grant of derivative securities, such as stock options, under qualifying plans. Because the 2008 Plan will satisfy the requirements for exemption under SEC Rule 16b-3, the grant of Awards will not be considered a purchase and the exercise of the Awards to acquire the underlying shares of the Company's common stock will not be considered a purchase or a sale. Thus, ordinary income will be recognized and the Spread will be measured on the date of exercise.

The taxable income resulting from the exercise by an employee of a non-statutory stock option will constitute wages subject to withholding and the Company will be required to make whatever arrangements are necessary to ensure that funds equaling the amount of tax required to be withheld are available for payment, including the deduction of required withholding amounts from the employee's other compensation and requiring payment of withholding amounts as part of the exercise price. The participant's tax basis for the Company's common stock acquired is the sum of the exercise price and the taxable income recognized. A participant will recognize gain or loss on the subsequent sale of shares acquired upon exercise of a non-statutory stock option in an amount equal to the difference between the amount realized and the tax basis of the shares. The gain or loss will be long-term or short-term capital gain or loss, depending upon whether the shares have been held for more than one year.

Incentive Stock Options. There will be no federal income tax consequences to the Company or the employee as a result of the grant of an incentive stock option. The option holder also will not recognize income when the incentive stock option is exercised. However, incentive stock option treatment will only be available if the Participant has been an employee of the Company or its subsidiaries within three months of the date of exercise. Generally, the Company receives no deduction at the time of exercise.

In the event of a disposition of shares acquired upon exercise of an incentive stock option, the tax consequences depend upon how long the employee has held the shares. If the employee does not dispose of the shares within two years after the incentive stock option was granted, or within one year after the incentive stock option was exercised and shares were purchased, then the employee should recognize the Spread as income characterized as long-term capital gain or loss. The Company is not entitled to any deduction under these circumstances.

If the participant fails to satisfy either of the foregoing holding periods, then he or she must recognize ordinary income in the year of disposition, which is referred to as a disqualifying disposition. The amount of the ordinary income generally is determined under the rules applicable to non-statutory stock options (see above)

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based on the Spread at the date of exercise. However, the ordinary income will in no event exceed the amount of the gain realized on the sale, provided that the disposition involves an arm's-length sale or exchange with an unrelated party. Any gain in excess of the amount taxed as ordinary income will be treated by the participant, as capital gain and loss. The Company, in the year of the disqualifying disposition, is entitled to a deduction equal to the amount of ordinary income recognized by the participant.

The Spread under an incentive stock option is treated as an adjustment in computing alternative minimum taxable income, which we refer to as AMTI, for the year of exercise. A subsequent disqualifying disposition of shares acquired upon exercise of an incentive stock option will eliminate the AMTI adjustment if the disposition occurs in the same taxable year as the exercise. A disqualifying disposition in a subsequent taxable year will not affect the alternative minimum tax computation in the earlier year.

Payment of Option Exercise Price in Shares. To the extent the participant pays all or part of the option exercise price of a non-statutory stock option by tendering shares of common stock owned, the tax consequences described above apply except that no income will be recognized on the number of shares of common stock received upon exercise which is equal to the number of shares surrendered in payment of the option exercise price and the exchanged shares will have the same tax basis and holding periods as the shares surrendered. The additional shares of common stock received upon exercise will have a tax basis equal to the amount of ordinary income recognized on exercise and a holding period which commences on the day following the date of recognition of the income. Under Treasury regulations, if an employee exercises an incentive stock option by tendering shares of Company common stock previously acquired by the exercise of an incentive stock option that have not satisfied statutory holding period requirements, a disqualifying disposition will occur and the employee will recognize income and be subject to other basis allocation and holding period requirements.

Restricted Stock Awards. Stock granted under the 2008 Plan may, in the determination of the Board of Directors, be subject to rights of repurchase and other transfer restrictions. The tax consequences of stock granted under the 2008 Plan depends on whether the stock is subject to restrictions and if so, whether the restrictions are deemed to create a substantial risk of forfeiture under Code Section 83 (for example, stock granted under the 2008 Plan which is subject to our right to repurchase the stock at a price that is less than fair market value which right lapses over a period of continued employment is considered a substantial risk of forfeiture under Section 83).

If stock is not subject to a substantial risk of forfeiture, the participant normally will recognize taxable ordinary income equal to the value of the stock in the year in which the stock is granted less the amount paid for that stock. If the stock is subject to a substantial risk of forfeiture, the participant normally will recognize taxable ordinary income as and when the substantial risk of forfeiture lapses, in the amount of the fair market value of the shares no longer subject to the substantial risk of forfeiture less the amount paid for the stock. Upon disposition of the stock, the participant will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for the stock plus any amount recognized as ordinary income upon grant or vesting of the stock. The gain or loss will be long or short-term depending on how long the recipient held the stock.

A recipient of stock subject to a substantial risk of forfeiture may make an election under Section 83(b) to recognize ordinary income in the year the recipient purchases the restricted stock, rather than waiting until the substantial risk of forfeiture lapses. If the stock recipient makes a Section 83(b) election, the recipient will be required to recognize as ordinary income in the year the recipient purchases the stock the difference, if any, between the fair market value of the stock on the purchase date and the purchase price paid. If the stock recipient makes a Section 83(b) election, the recipient will not be required to recognize any income when the substantial risk of forfeiture lapses.

Generally, with respect to employees, the Company is required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of

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reasonableness, the provisions of Section 162(m) and the satisfaction of a tax reporting obligation, the Company will generally be entitled to a business expense deduction equal to the taxable ordinary income realized by the stock recipient.

Compliance with Section 409A of the Code. Code Section 409A imposes requirements on nonqualified deferred compensation plans. The requirements include the timing of elections to defer the timing of distributions and prohibitions on the acceleration of distributions. Failure to satisfy these requirements may result in the immediate taxation of the arrangement when there is no longer a substantial risk of forfeiture, the imposition of an additional 20% income tax on the participant and the possible imposition of penalty interest on the unpaid tax. Treasury regulations generally provide that the type of Awards provided under the 2008 Plan will not be considered nonqualified deferred compensation. However, some Awards could be covered by Section 409A. For example, the grant or modification of a stock option with an exercise price less than the fair market value of the underlying common stock could constitute nonqualified deferred compensation. In that event, the Board of Directors normally would expect to design and administer that Award in a manner that ordinarily should avoid adverse federal income tax consequences under Section 409A to any affected participant. Notwithstanding the foregoing, the 2008 Plan expressly provides that there is no commitment or guarantee that any federal, state, or local tax treatment will apply or be available to any person who participates or is eligible to participate in the 2008 Plan.

New 2008 Plan Benefits

The number of Awards (i) that would have been received by or allocated to the Company's executive officers, directors, employees, and consultants for fiscal 2008 if the 2008 Plan had been in effect and (ii) that will be received by or allocated to its executive officers, directors, employees, and consultants under the 2008 Plan is undeterminable because the Awards under the 2008 Plan are discretionary.

(OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE 2008 STOCK PLAN.)

Table of Contents**CORPORATE GOVERNANCE*****Overview***

We are committed to maintaining the highest standards of business conduct and corporate governance, which we believe are essential to running our business efficiently and maintaining our integrity in the marketplace. We have adopted a code of business conduct and ethics for our directors, officers, and employees, which, in conjunction with our Articles of Incorporation, Bylaws, and Board of Directors committee charters, as amended, form the framework for our corporate governance. All of these documents are available on our corporate website at www.mannatech.com.

Summary of All Directors and Executive Officers

The following table sets forth certain information regarding our executive officers and directors, including their ages as of April 18, 2008:

Name	Age	Position
Samuel L. Caster	57	Chairman of the Board of Directors
Terry L. Persinger	63	President, Chief Executive Officer, and Director
Stephen D. Fenstermacher	55	Senior Vice President and Chief Financial Officer
B. Keith Clark	45	Senior Vice President, General Counsel, and Corporate Secretary
Terence L. O Day	58	Chief Operating Officer and Executive Vice President of Global Operations
Alfredo Bala	47	Senior Vice President Global Business Development
Robert A. Sinnott M.N.S., Ph.D	43	Senior Vice President and Chief Science Officer
Stephen Boyd M.D., Ph.D	67	Senior Medical Director
J. Stanley Fredrick	69	Lead Director of the Board of Directors
Robert C. Blattberg, Ph. D	65	Independent Board Member
Gerald E. Gilbert	74	Independent Board Member
Larry A. Jobe	68	Independent Board Member
Alan D. Kennedy	77	Independent Board Member
Marlin Ray Robbins	62	Non-employee Board Member
Patricia A. Wier	70	Independent Board Member
Robert A. Toth	55	Independent Board Member

The following biographical information about our directors and executive officers listed above is in alphabetical order:

Alfredo Bala joined Mannatech in September 2007 to serve as our Senior Vice President of Global Business Development. Prior to joining Mannatech, Mr. Bala served from 1992 to 2006 as Chief Operating Officer for Britt Worldwide, LLC, one of the largest independent networking marketing organizations for Amway, a global direct-selling company. From 1983 to 1992, Mr. Bala served as a manufacturing plant manager for Bose Corporation. He received an Associates Degree in Electrical Engineering from the County College of Rhode Island.

Robert C. Blattberg, Ph.D was appointed by the Board of Directors as a Class III Director in September 2007. Currently, Professor Blattberg serves as the Timothy W. McGuire Distinguished Service Professor of Marketing at the Tepper School of Business, Carnegie-Mellon University, in Pittsburgh, Pennsylvania. From 1991 to 2007, Professor Blattberg served as the Polk Brothers Distinguished Professor of Retailing and Executive Director of the Center for Retail Management at the J.L. Kellogg Graduate School of Management, Northwestern University, in Evanston, Illinois. From 1969 to 1991 Professor Blattberg served as the Charles H. Kellstadt Professor of Marketing Director for the Center of Marketing Information Technology Graduate School of Business for the University of Chicago. Professor Blattberg has authored or co-authored several books, and has

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written articles for the Journal of Marketing Research, Management Science, Marketing Science, Econometrica, Journal of Marketing, Journal of Direct Marketing, and other leading academic journals. Professor Blattberg has also consulted for leading retailers, such as Sears, American Express, Kroger, Rite Aid, and Best Buy. Professor Blattberg is currently a member of Information Resources, Inc.'s Analytics Advisory Board. Information Resources, Inc. is a leading global provider of enterprise market information solutions for the CPG, Retail, and Healthcare industries.

Stephen Boyd MD, Ph.D joined Mannatech in 1997 and currently serves as our Senior Medical Director with responsibility for certain medical research programs, liaison with health professionals and product safety monitoring. Dr. Boyd completed his B.S. and Ph.D. degrees in Chemistry at the University of Glasgow, Scotland. Following completion of a Post-Doctoral Research Fellowship in thermodynamics at the State University of Buffalo, New York, Dr. Boyd spent four years as a Research Chemist and Head of Analytical Services at Dunlop Research Centre in Canada. In 1974, Dr. Boyd graduated with an M.D. degree from the University of Toronto, Canada, followed by training in Family Medicine. He was recruited in 1978 as Medical Director for Ortho Pharmaceuticals, Canada. Dr. Boyd served fifteen years in medical practice as a Family Physician, both in Canada and the United States. Since 1992, he has been involved in the research and development of naturally-occurring compounds as therapeutics and nutritional supplements with particular emphasis on carbohydrates and glyconutrients. Dr. Boyd is currently a member of the American Academy of Family Physicians, the Texas Academy of Family Physicians, the American Medical Association and the American Academy of Wound Management. As a result of his research in wound healing and wound management, he received Board Certification by the American Academy of Wound Management in 1998. In April 2001, at the general meeting of the society in London, England, Dr. Boyd was elected a Fellow of The Royal Society of Medicine.

Samuel L. Caster co-founded Mannatech and as of April 18, 2008, directly owned 20.7% of our common stock. He served as our President and as a Director on our Board of Directors from November 1993 until his resignation on March 31, 2000. From June 1, 2000 through March 4, 2002, Mr. Caster provided various consulting services to us related to our independent associates' needs and developed our global associate career and compensation plan. In August 2000, Mr. Caster was reappointed to serve as a Class II Director on our Board of Directors. From June 4, 2001 to March 4, 2002, he served as Co-Chairman of our Board of Directors and since March 5, 2002, has served as our Chairman of the Board. On April 15, 2003, Mr. Caster was elected as our Chief Executive Officer, a position he held until his resignation in August 2007. He has over 25 years of experience with various network-marketing and direct selling companies. In 1999, Mr. Caster co-founded MannaRelief Ministries, a non-profit international ministry formed to help supply food supplements to at-risk children by working with other ministries, non-profit organizations, and missionaries throughout the world. Mr. Caster is the brother-in-law of Mr. Donald Herndon, who serves as our Vice President of Field Services. Mr. Herndon is the brother-in-law of Mr. Terry Persinger, who serves as our President and Chief Operating Officer and is also a Board member.

B. Keith Clark joined Mannatech in August 2006 to serve as our Senior Vice President, General Counsel, and Corporate Secretary. Prior to joining Mannatech, Mr. Clark served as Senior Vice President and General Counsel from 2004 until August 2006 for Metromedia Restaurant Group, a subsidiary of Metromedia Company, which is one of the largest privately-held companies in the United States with holdings in the hospitality, energy, and telecommunications industries. From 1997 to 2004, Mr. Clark was employed by Pizza Inn, Inc., a publicly-traded international restaurant franchising company (NASDAQ symbol PZZI), and from 2002 to 2004, served as Pizza Inn, Inc.'s Senior Vice President Corporate Development, General Counsel and Secretary. Mr. Clark received a B.S. degree with honors in Political Science from Texas Christian University in Fort Worth, Texas and received M.B.A. and J.D. degrees from the University of Texas at Austin, in Austin, Texas. In addition, Mr. Clark is a member of State Bar of Texas and also served on the board of directors of several non-profit organizations.

Stephen D. Fenstermacher joined Mannatech in November 1998 to serve as our Vice President of Accounting and Controller. In October 1999, Mr. Fenstermacher was named Senior Vice President and Chief

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Financial Officer. Prior to joining Mannatech, Mr. Fenstermacher was a consultant for Kibel, Green, Issa, Inc., a crisis management firm specializing in turnaround strategy and consulting. From April 1995 to October 1997, he served as Executive Vice President and Chief Financial Officer for The Johnny Rockets Group, Inc., a corporate and franchise restaurant chain. From 1991 to 1995, Mr. Fenstermacher served as Chief Executive Officer and Chief Financial Officer for On the Border Cafes, Inc. He was instrumental in the merger of On the Border Cafes, Inc. with Brinker International, Inc. (*NYSE symbol EAT*). Mr. Fenstermacher received a B.A. degree in Government with a minor in Life Sciences from the University of Notre Dame, in Notre Dame, Indiana, and received an M.B.A. degree in Finance and Accounting from the University of Pittsburgh, in Pittsburgh, Pennsylvania.

J. Stanley Fredrick has served as a Class II Director on our Board of Directors since September 2001 and as of April 18, 2008, beneficially owned 11.9% of our common stock. In November 2003, Mr. Fredrick was elected to serve as the Lead Director for our Board of Directors. Mr. Fredrick currently is the owner of Fredrick Consulting Services, which provides consulting services to the direct selling industry. In 2003, Mr. Fredrick was a founding board member of Professional Bank in Dallas, Texas, which is a boutique bank that provides certain financial resources to its customers. Mr. Fredrick also serves as the chairman of the Professional Bank Audit Committee and a member of the Compensation Committee. He co-founded Cameo Couture, Inc., which operated as Colesce Couture, a distributor of intimate apparel, and Colony House, Inc., a private label cookware company, both of which operated through direct selling channels. Mr. Fredrick also co-founded Irving National Bank Shares, a commercial bank holding company and served as a consultant to the bank from 1994 until it was sold in 2000. Mr. Fredrick has been actively involved for over 30 years in the Direct Selling Association, a national trade association of leading firms that manufacture and distribute goods and services directly to consumers. He has served on the Direct Selling Association's Board and various committees of their Board. From 1987 to 1988, Mr. Fredrick served as Chairman of the Direct Selling Association and from 1988 to 1990, he served as Chairman of the Direct Selling Education Foundation. He is currently a board member and chairman of the Development Committee of the Direct Selling Education Foundation. He has been inducted into the Direct Selling Association's highest honor, the Hall of Fame, and inclusion in the Direct Selling Education Foundation Circle of Honor. Mr. Fredrick received a B.A. degree in English from Central State University, in Edmond, Oklahoma.

Gerald E. Gilbert has served as a Class I Director since June 2003. Mr. Gilbert's current term as Director expires in 2009. From 1968 until his retirement in December 2002, Mr. Gilbert practiced law with the international law firm of Hogan and Hartson L.L.P. His legal and business expertise includes international trade, national trade associations, and various areas of consumer products. From 1968 to 1999, Mr. Gilbert served as General Counsel to the Direct Selling Association, a national trade association of leading firms that manufacture and distribute goods and services directly to consumers. Mr. Gilbert was the recipient of the Hall of Fame Award, which is the Direct Selling Association's highest honor. He also served as General Counsel to the World Federation of Direct Selling Associations and the Tropical Forest Foundation. Mr. Gilbert served in the U.S. Naval Reserve from 1956 to 1992 and was promoted to Rear Admiral (Two Stars), the top ranking officer in the Naval Reserve JAG Corps. During his distinguished military service, Mr. Gilbert received numerous awards, including the Legion of Merit. He is also a Past National President of the Federal Bar Association. He received a B.A. degree in English from Denison University, in Granville, Ohio and a Juris Doctor from the University of Virginia School of Law, in Charlottesville, Virginia. Mr. Gilbert is a member of the State Bars of Virginia and the District of Columbia and is admitted to practice before the United States Supreme Court.

Larry A. Jobe has served as a Class I Director since January 4, 2006. In February 2007, Mr. Jobe began serving as Chairman of our Audit Committee. His current term as Director expires in 2009. Mr. Jobe serves as Chairman of Legal Network, Ltd., a firm he founded in 1993 that provides staffing and litigation support to law firms and corporate legal departments. He also currently serves as President and founder of P 1 Resources, LLC, which has provided engineering and light industrial staffing services to the construction industry since 1994. From 1991 to 1994, Mr. Jobe was Chairman and founder of Mitchell Jobe & Company, a provider of professional staffing services for government and industry. From 1973 to 1991, he served in various capacities,

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including member of the Executive Committee and Chairman of the Strategic Planning Committee, with the accounting firm Grant Thornton LLP. In 1969, he was appointed by United States President Richard Nixon to serve as the Assistant Secretary of Commerce for Administration at the United States Commerce Department. Mr. Jobe currently serves as the Chairman of Independent Bank of Texas and Chairman of the Audit Committee for U.S. Home Systems, Inc. (*NASDAQ symbol USHS*). In addition, Mr. Jobe serves as Chairman of the Audit Committee and a member of the Board of Directors of SWS Group, Inc., a Dallas-based New York Stock Exchange member. He is a Certified Public Accountant who received a B.B.A. degree in Accounting from the University of North Texas, in Denton, Texas. Mr. Jobe serves on the Board of the Dallas Seminary Foundation and the Eisenhower Institute.

Alan D. Kennedy has served as a Class III Director since June 2002 and he is the Chairman of the Compensation and Stock Option Plan Committee. His current term as Director expires in 2008. Mr. Kennedy has over 30 years experience with various direct selling companies. From 1998 until his retirement in December 2001, he served as President Worldwide for Tupperware Corporation, (*NYSE symbol TUP*), a publicly-traded company that distributes and sells various products in over 100 countries, primarily through direct-selling channels. Since retiring, Mr. Kennedy continues to serve as a consultant to Tupperware Corporation. From 1989 to 1996, he served as President and Chief Executive Officer of Nature's Sunshine Products, Inc., (*NASDAQ symbol NATR.PK*), a publicly-traded, network marketing company that manufactures and markets nutritional and personal care products worldwide. From 1986 to 1989, Mr. Kennedy provided various consulting services to several direct selling companies. From 1982 to 1986, he served as Vice President of Sales Development for Avon Products, Inc., (*NYSE symbol AVP*), a publicly-traded, multinational manufacturer and distributor of cosmetics, toiletries, jewelry, chemicals and clothing. He received a B.A. degree, with honors, in Economics from Colgate University, in Hamilton, New York. His professional affiliations include serving as Chairman of the Direct Selling Association from 1995 to 1996 and serving as Chairman of the Direct Selling Educational Foundation from 1996 to 1997. In 2004, Mr. Kennedy was inducted into the Direct Selling Association's highest honor, the Hall of Fame. He serves on the Board of the Direct Selling Educational Foundation and also serves on the Board of Regents for Mercersburg Academy, a private secondary school in Mercersburg, Pennsylvania.

Terence L. O Day joined Mannatech in June 2006 and serves as our Chief Operating Officer and Executive Vice President of Global Operations. Prior to joining Mannatech, Mr. O Day served as Executive Vice President Operations, from January 2001 to June 2005 for Refrigerated Foods Group, at ConAgra Foods, Inc., a publicly-traded company that operates as a packaged food company serving retail, deli, and foodservice establishments in North America (*NYSE symbol CAG*). From 1999 to 2001, Mr. O Day served as Senior Vice President Operations for International Home Foods, Inc. until its acquisition by Conagra Foods, Inc. From 1997 to 1999, served as Senior Vice President North American Operations for Revlon Incorporated, a publicly-traded international company that manufactures and sells cosmetic and personal care products (*NYSE symbol REV*). From 1991 to 1997, Mr. O Day served as Plant Manager and Area Vice President of Manufacturing for Nabisco, a subsidiary of Kraft Foods. Mr. O Day received a B.S. degree in General Studies (Engineering Management concentration) from the United States Air Force Academy, in Colorado, an M.B.A. degree in Marketing from Western Michigan University, in Kalamazoo, Michigan and is a graduate of Columbia University's Transition to General Management executive program. Mr. O Day is a retired command pilot and a 23-year veteran of the United States Air Force/Michigan National Guard where he was awarded two Air Force commendations and four outstanding unit citations for outstanding performance.

Terry L. Persinger joined Mannatech in November 1999 and serves as our President, Chief Executive Officer, and a Class III Director. Mr. Persinger's current term as Director expires in 2008. Mr. Persinger has served as our President since May 2000 and was appointed as our Chief Executive Officer in August 2007. From 1968 until August 1999, he was employed by Goodyear Tire and Rubber Company (*NYSE symbol GT*), a publicly-traded company and international manufacturer of tires and rubber products. From January 1995 to August 1999, Mr. Persinger served as Goodyear's Vice President and General Manager of Engineered Products. He received a B.S. in Chemical Engineering from the University of Cincinnati, in Cincinnati, Ohio, is a graduate of the PMD management program at Harvard University, and completed management training at Northwestern

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Kellogg School of Business, in Evanston, Illinois. Mr. Persinger is the brother-in-law of Mr. Donald W. Herndon, our Vice President of Field Services. Mr. Herndon is the brother-in-law of Mr. Samuel L. Caster, our Chairman of the Board.

Marlin Ray Robbins co-founded Mannatech and is a high-level independent associate. As of April 18, 2008, Mr. Robbins owned 7.7% of our common stock. Mr. Robbins has served as a Class I Director on our Board of Directors since June 2001. His current term as Director expires in 2009. From 1992 to 1995, Mr. Robbins served on the Board of Republic Bank/NCNB. Mr. Robbins also served as a member of the Grand Prairie Independent School District Board from 1991 to 1994 and served as their President from 1993 to 1994. Mr. Robbins has over 25 years experience with various network-marketing and direct selling companies. He holds multiple positions in our global associates' incentive network-marketing system and is considered an expert regarding issues and critical needs related to building the success of our independent associates. Mr. Robbins has published a book related to his experience as an independent associate entitled *You Can Too*. He also helped to develop our global associate career and compensation plan. Mr. Robbins received a B.S. degree in Biology and Chemistry from Southwest Texas State University, in San Marcos, Texas. Mr. Robbins served in the active United States Army from 1969-1975 and as a helicopter pilot during the Vietnam War from 1971 to 1972. Mr. Robbins continued serving in the Army National Guard until 1983. During his service he was awarded thirteen air medals and the Bronze Star and reached the rank of Major.

Robert A. Sinnott, M.N.S., Ph.D has served as our Chief Science Officer and Vice President since August 2005. In November 2006, Dr. Sinnott was promoted to Senior Vice President. He brings over thirteen years of experience in life sciences, chemistry, and biotechnology to Mannatech and was a founder of Larrea BioSciences Corporation (*OTC BB symbol LRRR DB*). From 1997 to 2003, Dr. Sinnott was a founding team member and Chairman of Biotechnology and Agribusiness for the Arizona Agribusiness and Equine Sciences Center at South Mountain Community College. From 1993 to 1996, Dr. Sinnott founded and served as Research Director of Gaiaventures, Ltd., a scientific consulting firm. Dr. Sinnott earned his B.S. degree in Botany, a M.N.S. in Natural Science, and a Ph.D. degree in Plant Sciences from Arizona State University, in Tempe, Arizona. During graduate school, Dr. Sinnott's primary focus was plant medicinal chemistry and plant biotechnology, and his 1995 dissertation research focused on agricultural biotechnology of economic plants including the aloe vera plant.

Robert A. Toth was appointed by the Board of Directors as a Class III Director in March 2008. Mr. Toth has over 27 years of direct-selling experience, most recently as President of Avon International from 2004 to 2005. In that capacity, his operations included over 120 countries with annual revenues in excess of \$5.5 billion. Since leaving Avon, he has worked in venture capital as a private investor focused on new business start-ups in the technology sector. Mr. Toth began his Avon career in customer service in 1978, then moved to U.S. sales and operations and was promoted to U.S. Director of Sales in 1989. He transitioned to Avon International in 1991 as Director of New Business Development, where he played a lead role in Avon's market entry plan for Russia. He was based in Warsaw from 1993 to 1997 as Avon's President of Central and Eastern Europe, where he established and led Avon Poland. From 1997 to 2004, Mr. Toth, was based in London where he held a number of senior management positions including Group Vice President, Eastern Europe, Middle East and Africa (1997-1999), Senior Vice President, Europe, Middle East and Africa (1999-2002) and Executive Vice President for Asia-Pacific, Europe, Middle East and Africa (2002-2003). Mr. Toth graduated from LaSalle University in 1974 with a B.A. in Business Administration and was an officer in the U.S. Marine Corps from 1975 to 1978. He is currently on the Board of Directors of the YMCA in Madison, New Jersey.

Patricia A. Wier has served as a Class II Director since October 2003 and served as Chairman of our Audit Committee from October 2003 until February 2007. In February 2007, Mrs. Wier began serving as Chairman of our Nominating and Governance Committee. Mrs. Wier owns Patricia Wier, Inc., which provides consulting services to various companies. Mrs. Wier served as President, Encyclopedia Britannica North America from 1986 until her retirement in 1994. From 1991 until she retired in 2005, Mrs. Wier served on the Board of NICOR Inc., (*NYSE symbol GAS*), a publicly traded gas utility company, and served as Chairman of NICOR's Audit

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Committee and as a member of NICOR's Compensation Committee. Mrs. Wier received a B.A. in English Literature from the University of Missouri, in Kansas City, Missouri and an M.B.A. in General Management from the University of Chicago, in Chicago, Illinois. Mrs. Wier is a life member of the Council of the Graduate School of Business at the University of Chicago and is a member of the Council of Regents for Lewis University. Mrs. Wier was a member of the Direct Selling Association from 1977 until 1994 and was inducted into the Direct Selling Association's highest honor the Hall of Fame.

Classes of Our Board of Directors

Ten directors serve on our Board of Directors, which is divided into three classes serving staggered three-year terms and expiring on the day of our Annual Shareholders Meeting. The Board of Directors has determined that six of our Directors are independent. The members of each of the classes and the expiration dates of their terms as of April 18, 2008 are as follows:

Class	Term Expiration	Directors
Class I	2009	Gerald E. Gilbert*, Marlin Ray Robbins, and Larry A. Jobe*
Class II	2010	Samuel L. Caster ⁽¹⁾ , J. Stanley Fredrick ⁽²⁾ , and Patricia A. Wier*
Class III	2008	Terry L. Persinger#, Alan D. Kennedy*, Robert C. Blattberg, Ph.D*, and Robert A. Toth*

* Independent Board Member

Executive Officer

(1) Chairman of the Board

(2) Lead Director of the Board of Directors

Our Board of Directors held 5 regular meetings and 14 special meetings during 2007. All of our Directors attended at least 95% of these meetings. Although we do not have a formal policy regarding attendance by Directors at our Annual Shareholders Meeting, we encourage and expect all of our Directors to attend our Annual Shareholders Meeting. Except for Mr. Kennedy, who was out of the country, all of our Directors attended our 2007 Annual Shareholders Meeting, which was held on June 14, 2007. All of our Directors are expected to attend our 2008 Annual Shareholders Meeting, to be held on June 18, 2008.

Director Independence

Our Board of Directors has determined that each of Messrs. Blattberg, Gilbert, Jobe, Kennedy and Toth, and Mrs. Wier qualify as independent as defined by applicable NASDAQ and SEC rules. In making this determination, our Board of Directors has concluded that none of these members has a relationship which, in the opinion of our Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Committees of Our Board of Directors

During 2007, our Board of Directors had six committees with various functions. All Committee members attended at least 91% of their Committee meetings. In February 2007, our Board of Directors dissolved the Qualified Legal Compliance Committee and replaced it with the Compliance Committee created in April 2007.

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As of April 18, 2008, our Board of Directors committee membership was as follows:

Director's Name	Audit	Compensation and Stock Option Plan	Nominating and Governance	Compliance	Science	Special Litigation Committee
Number of meetings held during 2007	9	5	7	9 ⁽¹⁾	5	14
Non-Employee Independent Directors:						
Robert C. Blattberg, Ph.D	X	X				
Gerald E. Gilbert	X	X	X	C	X	C
Larry A. Jobe	C	X	X	X		X
Alan D. Kennedy	X	C	X	X	X	X
Robert A. Toth	X	X				
Patricia A. Wier	X	X	C	X		X
Non-Employee Directors:						
J. Stanley Fredrick ⁽²⁾						
Marlin Ray Robbins					X	
Employee Directors:						
Samuel L. Caster ⁽³⁾					X	
Terry L. Persinger					X	

X Member

C Committee Chairman

(1) Compliance Committee formed in April 2007.

(2) Lead Director of the Board of Directors.

(3) Chairman of the Board of Directors since April 15, 2003.

The Committees and their functions are as follows:

1. **Audit Committee.** Our Audit Committee consists of Messrs. Blattberg, Gilbert, Jobe, Kennedy and Toth, and Mrs. Wier. Mrs. Wier served as Chairman of the Audit Committee until February 2007 when Mr. Jobe began serving as Chairman. Our Board of Directors has determined that each member of our Audit Committee meets the independence and financial literacy requirements for purposes of serving on such committee under applicable NASDAQ and SEC rules and that Mr. Jobe qualifies as an audit committee financial expert as defined by the SEC. Our Audit Committee is primarily responsible for approving all services provided by our independent registered public accounting firm, reviewing our annual audit results, and meeting with our independent registered public accounting firm to periodically review our internal controls, internal control over financial reporting, and financial management practices. Our Audit Committee's responsibilities are stated more fully in its amended and restated charter, which is posted on our corporate website at www.mannatech.com. Our Audit Committee's report, as required by SEC rules, appears in this proxy statement on page 54.
2. **Compensation and Stock Option Plan Committee.** Our Compensation and Stock Option Plan Committee consists of Messrs. Blattberg, Gilbert, Jobe, Kennedy and Toth, and Mrs. Wier and is chaired by Mr. Kennedy. Our Board of Directors has determined that each member of our Compensation and Stock Option Plan Committee meets the independence requirements for purposes of service on such committee under applicable NASDAQ and SEC rules. None of our executive officers is serving as a member of any board of directors or as a member of any other compensation committee for any other entity that has or has had one or more of their executive officers serving as a member of our Board of Directors or on our Compensation and Stock Option Plan Committee. Our Compensation and Stock Option Plan Committee is primarily responsible for establishing all compensation for our executive officers and directors including salaries, bonuses, stock option grants, and stock option plan administration. Our Compensation and Stock Option Plan Committee's responsibilities are stated more fully in its revised charter, which is posted on our corporate website at www.mannatech.com. Our Compensation and Stock Option Plan Committee's report, as required SEC rules, appears in this proxy statement on page 31.

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3. ***Nominating and Governance Committee.*** Our Nominating and Governance Committee consists of Messrs. Gilbert, Jobe and Kennedy, and Mrs. Wier. Mr. Gilbert served as Chairman of the Nominating and Governance Committee until February 2007, when Mrs. Wier began serving as Chairman. Our Board of Directors has determined that each member of the Nominating and Governance Committee meets the independence requirements for purposes of service on such committee under applicable NASDAQ and SEC rules. Our Nominating and Governance Committee is primarily responsible for reviewing and recommending nominees to our Board of Directors, developing plans regarding the size and composition of the Board, and developing management succession planning. Our Nominating and Governance Committee recommends a list of nominees to our Board of Directors based on several factors, which include but are not limited to the following:

the experience level, mix of skills and other business qualities a potential nominee may possess;

the general experience and skill levels of current Board members;

the status of the nominee as independent under the NASDAQ's listing standards and the rules and regulations of the SEC;

the potential nominee's experience with accounting rules and practices; and

the verification of background, work, and education of a potential nominee.

Except as set forth in this proxy statement, there is no stated minimum criteria for director nominees, although our Nominating and Governance Committee considers such other factors as it may deem in the best interests of our shareholders. Our Nominating and Governance Committee's responsibilities are stated more fully in its charter which is posted on our corporate website at www.mannatech.com. For additional information on nominating nominees to our Board of Directors see Shareholder Procedures for Nominating Board Members or Introducing Proposals, beginning on page 6 of this proxy statement.

4. ***Compliance Committee.*** Our Compliance Committee was formed in April 2007 and consists of Messrs. Gilbert, Jobe and Kennedy, and Mrs. Wier and is chaired by Mr. Gilbert. Each of these members is independent under applicable NASDAQ and SEC rules. Our Compliance Committee is primarily responsible for establishing and maintaining policies and procedures to handle and investigate complaints, including whistleblower or other confidential complaints. Our Compliance Committee is also responsible for directing the investigation of complaints including advising our Board of Directors about the outcome of any complaints or any other legal matters.
5. ***Science Committee.*** Our Science Committee is comprised of various members with research and development backgrounds and is primarily responsible for overseeing all aspects of our product development and setting the overall direction of our product research and development. Our Science Committee charter is posted on our corporate website at www.mannatech.com.
6. ***Special Litigation Committee.*** Our Special Litigation Committee consists of Messrs. Gilbert, Jobe and Kennedy, and Mrs. Wier and is chaired by Mr. Gilbert, each of whom our Board of Directors has determined are independent under applicable NASDAQ and SEC rules. Our Special Litigation Committee was formed in 2005, for purposes of evaluating claims made in 2005 and 2007 by individual shareholders in demand letters and/or derivative lawsuits, and its members were identified to be independent and disinterested under Texas law for these purposes. The Special Litigation Committee is directed to review those claims and to make a good faith determination concerning whether the continuation of such proceedings are in our best interests and the best interests of our shareholders.

Shareholder Communication with Our Board of Directors

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We request that any shareholders interested in communicating directly with individual directors or with our entire Board of Directors submit such correspondence in writing. To submit written correspondence to our Board

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of Directors, fax such correspondence to (972) 471-7342, or send by email to BoardofDirectors@mannatech.com, or mail to Mannatech, Incorporated, Attention CFO, For Mannatech's Board of Directors, 600 S. Royal Lane, Suite 200, Coppell, Texas 75019. Upon receipt, a copy of such correspondence will be given to both the General Counsel and to Samuel Caster, our Chairman of the Board. All correspondence to specific Board members will be delivered directly to the individual Board member. A voice message can be left for our Board of Directors at (972) 471-6512. Our Executive Officers and designated officials may be given access to such shareholder communications with our Board of Directors, except in instances in which the charters of our committees require anonymity.

Code of Ethics

In order to help promote the highest levels of business ethics, our Board of Directors adopted a Code of Ethics for our executive officers and directors in 2003. The Code of Ethics was amended in April 2006 and is published on our corporate website at www.mannatech.com. Any change in or waiver from and the grounds for such change or waiver of our Code of Ethics shall be promptly disclosed by publishing such change or waiver on our corporate website www.mannatech.com. Our Code of Ethics applies to all of our executive officers and directors. Our Code of Ethics was designed to ensure that our business is conducted in a consistent legal and ethical manner and sets forth guidelines for all areas of professional conduct, including conflicts of interest, employment policies, protection of confidential information, and fiduciary duties.

Compensation of Directors

We compensate our non-employee directors for serving and participating on the Board of Directors, for chairing committees, and for attending our Board of Directors and Board of Directors committee meetings. Compensation paid to our non-employee directors during 2007 was as follows:

	Board Member	Audit Committee	Compensation and Stock Option Plan Committee	Nominating and Governance Committee	Compliance Committee	Science Committee	Special Litigation Committee
Chairman fee ⁽¹⁾	\$	\$ 20,000	\$ 7,500	\$ 7,500	\$ 10,000	\$ 20,000	\$ 7,500
Lead Director fee ⁽¹⁾	\$ 100,000	\$	\$	\$	\$	\$	\$
Independent Director retainer ⁽¹⁾	\$ 35,000	\$	\$	\$	\$	\$	\$
In-person meeting fee	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Telephonic meeting fee	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Re-elected Board members	\$ 150,000 ⁽²⁾	\$	\$	\$	\$	\$	\$

(1) The Chairman, Lead Director, and director retainers are paid monthly during the calendar year.

(2) Each non-employee director re-elected by our shareholders, to our Board of Directors is granted \$150,000 worth of stock options based on grant date fair value. The stock options are priced on the date of grant and expire in ten years. One-third of the stock options vest on the date of grant, another one-third of the stock options vest on the second anniversary date of the grant, and the remaining one-third of the stock options vest on the third anniversary of the date of grant.

All directors are reimbursed for any reasonable out-of-pocket travel expenses in connection with their travel to and attendance at any of our Board of Directors meetings or committee meetings.

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Mr. Caster is the Chairman of our Board of Directors and was our Chief Executive Officer until August 21, 2007. Mr. Persinger, our current President and Chief Executive Officer, is also a member of our Board of Directors. Both Mr. Caster and Mr. Persinger were also employees during 2007 and did not receive any compensation for their services as directors. The compensation paid to Messrs. Caster and Persinger is shown in the Summary Compensation Table on page 38.

The table below summarizes the compensation paid during 2007 to our non-employee directors:

Director ⁽¹⁾	Fees Earned or Paid in Cash	Option Awards ⁽²⁾	All Other Compensation	Total
Professor John S. Axford ⁽⁶⁾	\$ 68,148	\$ 37,073	\$ 91,744 ⁽³⁾	\$ 196,965
J. Stanley Fredrick	\$ 155,500	\$ 46,459	\$ 189,159 ⁽⁴⁾	\$ 391,118
Gerald E. Gilbert	\$ 129,989	\$ 66,719	\$ 3,829 ⁽⁹⁾	\$ 200,537
Larry A. Jobe	\$ 117,167	\$ 89,125	\$ 888 ⁽⁹⁾	\$ 207,180
Alan D. Kennedy	\$ 105,000	\$ 55,912	\$	\$ 160,912
Marlin Ray Robbins	\$ 23,500	\$ 27,187	\$ 3,837,478 ⁽⁵⁾	\$ 3,888,165
Patricia A. Wier	\$ 108,583	\$ 70,504	\$ 2,363 ⁽⁹⁾	\$ 181,450
Professor Robert C. Blattberg ⁽⁷⁾	\$ 13,250	\$ 33,773	\$ 1,566 ⁽⁹⁾	\$ 48,589
Robert A. Toth ⁽⁸⁾	\$	\$	\$	\$

(1) We did not grant stock awards to our directors or offer any pension or deferred compensation plans to our directors.

(2) Represents the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007 in accordance with Financial Accounting Standards No. 123(R), Share Based Payments (FAS 123(R)), and thus may include amounts from option awards granted in and prior to 2007.

(3) We paid Professor Axford \$29,000 for consulting fees and reimbursed him for \$62,744 in travel expenses related to speaking at our corporate-related events and attending our Board of Directors and committee meetings.

(4) We paid Mr. Fredrick \$185,000 for consulting fees and reimbursed him \$4,159 for travel expenses related to trips and meetings attended on behalf of the Company. In addition, we provide Mr. Fredrick office space and use of an Executive Assistant at our corporate office.

(5) Mr. Robbins holds positions in our associate global downline network-marketing system and we paid him commissions of \$3.8 million. In addition, we reimbursed Mr. Robbins \$62,212 for travel expenses related to trips and meetings attended on benefit of the Company. Further, we provide Mr. Robbins occasional use of office space and use of an Executive Assistant at our corporate office.

(6) Professor John S. Axford resigned from our Board of Directors effective September 6, 2007.

(7) Professor Robert C. Blattberg joined our Board of Directors effective September 6, 2007.

(8) Robert A. Toth joined our Board of Directors effective March 24, 2008.

(9) This amount represents reimbursement for travel expenses related to trips and meetings attended on behalf of the Company.

Table of Contents**Directors Stock Options Outstanding**

The table below summarizes the outstanding stock options of our non-employee directors as of April 18, 2008:

Director	Grant Date	Aggregate Number of Shares Underlying Outstanding Stock Options	Exercise Price Per Share	Grant Date Fair Value of Option Awards	Calculated Fair Value Price Per Share	Fair Value of Option Awards Recognized in 2007 ^(a)
J. Stanley Fredrick	June 14, 2007	12,000	\$ 15.13	\$ 89,880	\$ 7.49	\$ 46,459
Gerald E. Gilbert	June 2, 2003	16,667	\$ 3.49	\$ 44,668	\$ 2.68	\$
	April 7, 2005	2,000	\$ 20.64	\$ 28,440	\$ 14.22	\$
	July 15, 2005	2,141	\$ 17.05	\$ 24,536	\$ 11.46	\$
	June 12, 2006	11,150	\$ 11.21	\$ 54,373	\$ 4.88	\$ 27,187
	February 20, 2007	8,000	\$ 15.60	\$ 62,080	\$ 7.76	\$ 39,532
		39,958		\$ 214,097		\$ 66,719
Larry A. Jobe	January 4, 2006	25,000	\$ 12.23	\$ 129,658	\$ 5.19	\$ 64,829
	June 12, 2006	1,858	\$ 11.21	\$ 9,061	\$ 4.88	\$ 4,530
	February 20, 2007	4,000	\$ 15.60	\$ 31,040	\$ 7.76	\$ 19,766
		30,858		\$ 169,759		\$ 89,125
Alan D. Kennedy	June 4, 2002	16,000	\$ 2.50	\$ 31,664	\$ 1.98	\$
	April 7, 2005	2,000	\$ 20.64	\$ 28,440	\$ 14.22	\$
	July 15, 2005	10,167	\$ 17.05	\$ 116,514	\$ 11.46	\$ 16,380
	February 20, 2007	8,000	\$ 15.60	\$ 62,080	\$ 7.76	\$ 39,532
		36,167		\$ 238,698		\$ 55,912
Marlin Ray Robbins	June 12, 2006	11,150	\$ 11.21	\$ 54,373	\$ 4.88	\$ 27,187
Patricia A. Wier	November 6, 2003	25,000	\$ 7.45	\$ 145,250	\$ 5.81	\$
	April 7, 2005	2,000	\$ 20.64	\$ 28,440	\$ 14.22	\$
	July 15, 2005	2,141	\$ 17.05	\$ 24,536	\$ 11.46	\$
	February 20, 2007	8,000	\$ 15.60	\$ 62,080	\$ 7.76	\$ 39,532
	June 14, 2007	8,000	\$ 15.13	\$ 59,920	\$ 7.49	\$ 30,972
		45,141		\$ 320,226		\$ 70,504
Robert C. Blattberg, Ph.D	September 6, 2007	25,000	\$ 7.31	\$ 76,750	\$ 3.07	\$ 33,773
Robert A. Toth	March 24, 2008	25,000	\$ 7.46	\$ 70,250	\$ 2.81	\$

(a) Represents the calculated stock-based compensation expense recognized in our consolidated financial statements for the fair value of the option awards in accordance with FAS 123(R).

Table of Contents***Directors Stock Ownership Guidelines***

In order to demonstrate to our shareholders and the investment community that our directors are personally committed to our success, our independent directors are subject to equity ownership requirements. Each of our independent directors is required to own shares of the Company's stock equal in value to three times such director's annual board within three years from the date of the Director's election or re-election to our Board of Directors. Because the current annual retainer for each member of our Board of Directors is \$35,000, each independent director is required to hold \$105,000 worth of our common stock by such director's applicable compliance deadline. Any director not in compliance with these ownership requirements by such director's compliance deadline will be asked to resign from the Board of Directors. The value of common stock owned by a Director is based upon the purchase price paid by each director for such shares of common stock. A summary of each independent director's stock ownership as of April 18, 2008 and compliance deadlines are summarized below:

Board Member	Date Required to be in Compliance	Total Value of Qualifying Shares Held
Robert C. Blattberg, Ph.D	June 17, 2011	\$
Robert A. Toth	June 17, 2011	\$
Gerald E. Gilbert	June 11, 2009	\$ 280,250
Larry A. Jobe	June 11, 2009	\$ 66,693
Alan D. Kennedy	June 17, 2011	\$ 85,900
Patricia A. Wier	June 13, 2010	\$ 61,830

Table of Contents**Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth certain information as of April 18, 2008 by (a) each person known by us to beneficially own 5% or more of our outstanding shares of common stock, (b) each of our Directors and the Named Executive Officers, and (c) all of our current directors and executive officers as a group.

Name	Number of Outstanding Shares	Number of Shares Underlying Options ⁽²⁾	Total Number of Outstanding Shares and Shares Underlying Options ⁽¹⁾⁽²⁾	% of Class Outstanding ⁽²⁾
Samuel L. Caster ⁽³⁾⁽⁹⁾	5,463,116 ⁽⁴⁾	200,000	5,663,116	21.4%
J. Stanley Fredrick ⁽³⁾	3,150,000 ⁽⁵⁾	8,000	3,158,000	11.9%
Marlin Ray Robbins ⁽³⁾	2,033,330 ⁽⁶⁾	11,150	2,044,480	7.7%
Stephen D. Fenstermacher	2,000	250,000	252,000	1.0%
Terry L. Persinger ⁽¹⁰⁾	10,000	200,000	210,000	0.8%
Alan D. Kennedy	34,100 ⁽⁷⁾	33,500	67,600	0.3%
Gerald E. Gilbert	25,000	37,291	62,291	0.2%
Patricia A. Wier	5,000 ⁽⁸⁾	39,807	44,807	0.2%
Larry A. Jobe	5,000	29,525	34,525	0.1%
Robert A. Sinnott, Ph.D		18,334	18,334	0.1%
Terence L. O Day ⁽¹⁾		10,333	10,333	*
B. Keith Clark		10,000	10,000	*
Robert C. Blattberg, Ph.D		8,333	8,333	*
Robert A. Toth		8,333	8,333	*
All 15 executive officers and directors as a group	10,727,546	864,606	11,592,152	43.8%

* Owns less than 0.1% of our outstanding common stock.

- (1) The information contained in this table with respect to beneficial ownership reflects beneficial ownership as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended. All information with respect to the beneficial ownership of any shareholder has been furnished by such shareholder and, except as otherwise indicated or pursuant to community property laws, each shareholder has sole voting and investment power with respect to shares listed as beneficially owned by such shareholder.
- (2) Shares of our common stock subject to stock options, warrants, or any other convertible security currently exercisable or convertible, or exercisable or convertible within 60 days of April 18, 2008 are deemed outstanding for computing the percentage of the person or entity holding such securities, but are not outstanding for computing the percentage of any other person or entity.
- (3) Messrs. Caster, Fredrick, and Robbins each beneficially own more than 5% of our common stock and maintain offices at 600 S. Royal Lane, Suite 200, Coppel, Texas 75019.
- (4) Mr. Caster has pledged 5.3 million of his common stock held as collateral for a loan.
- (5) Includes 1,900,000 shares of our common stock directly held by Mr. Fredrick and 1,250,000 shares of our common stock held through JSF Resources LTD partnership.
- (6) Mr. Robbins has pledged 1.9 million of his common stock held as collateral for two loans.
- (7) Includes 33,100 shares of our common stock directly held by Mr. Kennedy and 1,000 shares of our common stock held through Kennedy Trust.
- (8) Includes 4,000 shares of our common stock directly held by Mrs. Wier and 1,000 shares of our common stock held by Mrs. Wier's husband.
- (9) Mr. Caster resigned as our Chief Executive Officer in August 2007.
- (10) Mr. Persinger served as our President and Chief Operating Officer from January 2007 until August 2007, and has served as our President and Chief Executive Officer since August 2007.
- (11) Mr. O Day served as our Executive Vice President of Global Operations from June 2006 until August 2007, and has served as our Chief Operating Officer and Executive Vice President since August 2007.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who own more than 10% of our common stock to file initial reports of ownership and reports of changes in their beneficial ownership of our common stock with the SEC. Such persons are required by the SEC regulations to furnish us with copies of all Section 16(a) reports they file.

Based solely upon a review of such reports or written representations furnished to us that no other reports were required, we believe that during the year ended December 31, 2007, all of our executive officers, directors, and greater than 10% beneficial owners complied with all applicable Section 16(a) filing requirements except for Mr. Larry Jobe, who filed a late Form 4 related to reporting a grant of options in February 2007.

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WITH RESPECT TO ANY FUTURE FILINGS WITH THE SEC INTO WHICH THIS PROXY STATEMENT IS INCORPORATED BY REFERENCE, THE FOLLOWING MATERIAL UNDER THE HEADINGS REPORT OF THE COMPANY S COMPENSATION AND STOCK OPTION PLAN COMMITTEE AND REPORT OF THE COMPANY S AUDIT COMMITTEE SHALL NOT BE INCORPORATED BY REFERENCE INTO SUCH FILINGS NOR SHALL IT BE DEEMED FILED WITH THE SEC UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

REPORT OF THE COMPANY S COMPENSATION AND STOCK OPTION PLAN COMMITTEE

The Company s Compensation and Stock Option Plan Committee of its Board of Directors has reviewed the Company s Compensation Discussion and Analysis and discussed that Analysis with the Company s management. Based on its review and discussions with Company management, the Compensation and Stock Option Plan Committee recommended to the Company s Board of Directors that the Compensation Discussion and Analysis (or incorporated by reference, as applicable) be included in the Company s Annual Report on its Form 10-K for 2007 and proxy statement. This Report is provided by the following independent directors, who comprise the Compensation and Stock Option Plan Committee:

The Compensation and Stock Option Plan Committee

Alan D. Kennedy, Chairman

Gerald E. Gilbert

Larry A. Jobe

Patricia A. Wier

Robert C. Blattberg, Ph.D

Robert A. Toth

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COMPENSATION DISCUSSION & ANALYSIS

Executive Summary

All compensation related to our executive officers, including our named executive officers is approved by our Compensation and Stock Option Plan Committee (the Committee). Our named executive officers for 2007, which we refer to collectively as the Named Executive Officers, were:

Samuel L. Caster Chairman of the Board; Chief Executive Officer (April 2003 to August 2007);

Terry L. Persinger President, Chief Executive Officer (August 2007 to present), and Board member;

Terence L. O Day Chief Operating Officer (August 2007 to present) and Executive Vice President of Global Operations;

Stephen D. Fenstermacher Chief Financial Officer and Senior Vice President;

Robert A. Sinnott, Ph.D Chief Science Officer and Senior Vice President;

John W. Price President of International Operations (September 2005 to September 2007); and

B. Keith Clark Senior Vice President, General Counsel, and Corporate Secretary.

Compensation Philosophy and Objective

The philosophy behind our executive compensation program is to maintain a fair, equitable, and competitive compensation package that will allow us to attract and retain top executive talent. In general, our executive compensation program for senior management, including the Named Executive Officers, consists of payment of an annual base salary; participation in our Management Non-Equity Incentive Bonus Plan; a monthly automobile allowance or use of a company-leased vehicle; automobile, life, health, dental, vision, and disability insurance; participation in our 401(k) plan; and stock option awards. We do not allow loans to our officers or directors nor do we currently grant any stock awards (e.g., stock bonuses or restricted stock) to or maintain any pension retirement program, other than our 401(k) Plan, for any of our employees or directors.

To support this philosophy, we entered into a service agreement with Mercer Human Resource Consulting LLC (Mercer) to subscribe to their International Position Evaluation System, or IPE tool, which is a web-based information tool. The IPE tool establishes a global point factor rating approach pursuant to which we can consistently measure roles and develop an objective and appropriate global compensation measurement system that provides a competitive compensation range from the marketplace. Further, Mercer also provides us with annual base salary ranges based on the annual base salary surveys of over 1,500 companies located in the United States, including companies of our size.

Also, the Committee retained Longnecker and Associates Human Resources Consulting (Longnecker) to advise them on the Company's compensation programs. Longnecker has previously consulted with and assisted the Committee in evaluating each Named Executive Officer's compensation, including the CEO's compensation. They have also consulted from time to time with the Committee chair on an as needed basis. During 2007, Longnecker did not advise the Committee or the Committee chair with respect to the Named Executive Officers' compensation.

The Process of Setting Executive Compensation

We use the IPE tool to develop a compensation range for each Named Executive Officer's function through evaluation of four main criteria:

impact on the Company's overall success;

effectiveness of communication;

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the degree of innovation delivered; and

knowledge and experience level.

Based on the IPE tool and other relevant factors, the Committee recommends and the members of our Board of Directors (the Board) approve the compensation package, including base salary, bonus and stock option awards, for our Chief Executive Officer (CEO). The Committee meets in executive session to formulate its recommendation for our CEO's base pay, bonus and stock option awards. These recommendations are based on:

the CEO's historical earnings and status as a significant shareholder in the company,

the earnings of other Named Executive Officers, and

an evaluation of the CEO's performance for the fiscal year.

The evaluation of the CEO's performance for the fiscal year is based on the CEO's success in achieving the performance goals and objectives described below, which include financial, strategic and company culture/leadership goals. Once the Committee has completed its evaluation, it makes recommendations to the Board. The Board in its sole discretion may accept or reject the Committee's recommendations. Based on the results of the Committee's evaluation process, and a review of the IPE tool data, the Board will then approve the CEO's compensation package. In 2007, the CEO's base salary was increased based on the Committee's recommendations.

Based on the IPE tool, the Committee recommends and approves the compensation package, including base salary, bonus and stock option awards, for the Named Executive Officers, other than the CEO. These recommendations are based on:

the scope of the executive's responsibilities,

internal comparisons to the compensation of other executives,

evaluations of performance for the fiscal year, as submitted by the CEO, and

the CEO's recommendations for each Named Executive Officer's base pay, bonus amounts and stock option awards.

Each of the Named Executive Officer's functions is rated using the IPE tool. In addition to our internal review process, the functions of our Named Executive Officers are also compared with companies of our size and with our business model as reflected in the IPE Tool. We review the IPE tool levels and salary ranges each year as part of our annual budgetary process to ensure that they remain competitive. In 2007, the Committee did not identify a peer group of companies in approving increases in the base salary of each Named Executive Officer.

Benchmarking

The Committee has historically not established compensation levels primarily based on benchmarking. While we recognize that our compensation practices must be competitive in the marketplace, such marketplace information is one of the many factors that we consider in assessing the reasonableness of compensation. When a Named Executive Officer is scheduled to receive his or her annual raise, the Committee sometimes reviews the IPE tool in order to compare the compensation received by comparable executives in similar-sized companies to ensure that the compensation awarded is competitive in the market place. During 2007, the Committee used the IPE tool in part to determine the annual raises for all of the Named Executive Officers, including the CEO.

Management's Role in the Compensation-Setting Process

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Our CEO plays a significant role in determining compensation of each of our executive officers, including Named Executive Officers other than the CEO. Our CEO evaluates the performance of the other Named

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Executive Officers, establishes business performance targets and objectives for the other Named Executive Officers and recommends salary and bonus levels and option awards for the other Named Executive Officers to the Committee. No member of the Committee is or has ever been one of our officers or employees. The Committee discusses the recommendations with our CEO, as appropriate, and then makes its decisions in its sole discretion. Similarly, our CEO's compensation, performance targets and objectives are discussed among the Committee members. The Committee recommends and the Board approves the CEO's compensation package, including base salary, bonus and stock option grants.

Components of Compensation

Traditionally we have paid our Named Executive Officers 100% of their annual compensation in cash and periodically granted them discretionary stock option awards when the Committee determines such grants are warranted based upon past performance and achievements. In 2006, we changed our compensation program to primarily include cash compensation with stock option awards made upon hiring or promotion as described under the heading Long-Term Compensation below. For 2007, the primary components of compensation paid to our Named Executive Officers are discussed below:

(a) **Annual base salary.** During each year we review the annual base salaries of our Named Executive Officers to ensure their salaries are reasonable based upon a number of factors. These factors include corporate performance (to the extent such performance can be attributed or related to each Named Executive Officer's performance), as well as the nature of each Named Executive Officer's responsibilities, capabilities, loyalties, and contributions. We believe the annual base salaries of our Named Executive Officers are reasonable in relation to executive compensation practices of other similarly-sized companies and other companies within the same industry as reflected in the IPE tool. The Committee does not apply any specific weighting to these factors in determining an executive's compensation. However, subject to the limitations found in each executive's employment agreement, the Committee may adjust an executive's base salary at its discretion.

In 2007, the Committee approved increases in the annual base salary of each of the Named Executive Officers based on the IPE tool. See **Executive Employment Agreements** below for 2007 and 2008 salary schedules. The annual base salary amounts were increased to reflect cost of living adjustments and nominal annual company-wide increases. No significant increases in base salaries are scheduled for 2008 pursuant to the Named Executive Officers' employment agreements.

(b) **Bonus.** We award annual cash bonuses under our Management Non-Equity Incentive Bonus Plan for achievement of specified performance objectives to be achieved within one year or less. We make awards from an established incentive pool. The Committee determines the total size of our incentive pool by taking into account our qualitative and financial performance. The Committee determines the size of an award that we make to a particular executive by considering his individual performance as measured against pre-set performance targets and objectives and his or her individual impact on our overall performance. We believe this pool-based bonus system helps to foster teamwork and ensures that all executives work together as one in the interest of our performance. The current structure of the Management Non-Equity Incentive Bonus Plan was established in 2007.

The revenue or product sales target and the performance profit or net income target for purposes of establishing the bonus pool are set on an annual basis. The total pool available for the Named Executive Officers and other senior executives designated by the Committee is funded in the following way:

70% for achievement of company revenue and performance profit targets,

20% for not exceeding the departmental budget expense limits outlined in the annual budget approved by the Board, and

10% for achievement of personal goals as described below.

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For 2007, the percentage of annual base salary that could be earned as a bonus for each Named Executive Officer under our Management Non-Equity Incentive Bonus Plan was as follows:

Named Executive Officer	Position	
Samuel L. Caster	Chairman of the Board, Chief Executive Officer (3/2003 to 8/2007)	82.5%
Stephen D. Fenstermacher	Chief Financial Officer and Senior Vice President	62.5%
Terry L. Persinger	Chief Executive Officer (8/2007 to present) and President	72.5%
Terence L. O' Day	Chief Operating Officer (8/2007 to present) and Executive Vice President of Global Operations	62.5%
Robert A. Sinnott, Ph.D	Chief Science Officer and Senior Vice President	62.5%
John W. Price	President of International Operations (9/2005 to 9/2007)	62.5%
B. Keith Clark	Senior Vice President, General Counsel, and Corporate Secretary	62.5%

The size of our incentive pool is initially set at 5% of performance profit. The size of our incentive pool increases if our actual revenue in a year exceeds our revenue target, provided that actual Performance Profit at least meets the Performance Profit target. However, the incentive pool is not increased solely on account of actual Performance Profit exceeding the Performance Profit target in a year. Therefore, if actual Performance Profit exceeds our Performance Profit target and actual revenue does not exceed our revenue target, the incentive pool does not increase.

In 2007, for purposes of the incentive pool, the revenue target was \$478 million but our actual revenue was \$413 million. The performance profit target for 2007 was \$61 million and the actual performance profit amount was \$6.6 million.

The 2007 personal goals and objectives for the CEO were:

Implement the strategic goals and objectives of the organization;

With the Chairman, enable the Board to fulfill its governance function;

Give direction and leadership toward the achievement of the organization's philosophy, mission, strategy, and its annual goals and objectives;

Achieving 2007 financial and operating targets, including: revenue, net profit, operating cash flow and customer growth; and

Continuing to improve product line performance and customer satisfaction with products.

The 2007 personal goals and objectives for the other Named Executive Officers were:

Achieving 2007 financial and operating targets, including: revenue, net profit and customer growth;

Continuing to improve product line performance and customer satisfaction with products;

Continuing to improve our management and organizational capabilities;

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Developing a Long-term strategic plan for our company; and executing against our strategic growth opportunities;

Executing our 2007 strategic expansion initiatives;

Build, implement and maintain a more detailed 3 to 5 year business plan; and

Monitoring our performance against our 2007 strategic initiatives.

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Because our Named Executive Officers did not achieve the revenue and performance profit targets as set forth in our 2007 Management Non-Equity Incentive Bonus Plan, none of our Named Executive Officers were awarded any bonus under the plan. However, the Committee determines in its sole discretion the extent to which the individual goals and objectives of our Named Executive Officers are achieved. Therefore, based on the Company's increase in net sales in 2007 as compared to prior year 2006 and the achievement of some of the personal goals listed above, the Committee approved an aggregate cash discretionary bonus to our Named Executive Officers of \$0.09 million, which was paid on March 7, 2008. See ***Summary Compensation Table*** below for the bonus amounts paid to each Named Executive Officer.

(c) ***All Other Annual Compensation.*** We maintain certain other plans and arrangements for the benefit of our Named Executive Officers and other members of our management, including participation in our 401(k) plan, which includes a Company matching contribution, payment of travel expenses for family members to attend corporate events, and enrollment in health, life, automobile, and long-term disability insurance programs. All of our Named Executive Officers are paid an automobile allowance of \$1,000 per month or provided with a company-leased vehicle. We believe these benefits are reasonable in relation to executive compensation practices of other similarly-sized companies and other companies within the same industry as reflected in the IPE tool.

(d) ***Long-Term Equity Compensation.*** We maintain stock incentive plans to reward our Named Executive Officers and other executives and employees for the attainment of certain goals and as an incentive for certain new hires. Beginning in 2006, we began awarding 20,000 stock options to each newly appointed or hired executive at the Vice President level and 30,000 stock options to each newly appointed or hired Senior or Executive Vice President or above. The stock options are granted at the fair market value of our common stock on the grant date, vest over 3 years, and have a term of 10 years. We believe that such stock option awards will reinforce the practice of encouraging executives to hold our common stock and closely link executives' interests with those of our shareholders. Fair market value is determined as the closing price of our common stock listed on the NASDAQ Global Market on the date of grant. Each year our executive team reviews all stock option grants and makes recommendations to our Committee for additional stock option awards to our Committee based upon past achievements and performance. We believe these long-term equity compensation arrangements are reasonable in relation to executive compensation practices of other similarly-sized companies and other companies within the same industry as reflected in the IPE Tool.

Based on the company increase in net sales in 2007 as compared to prior year 2006 and the achievement of some of the personal goals listed above, the Committee awarded stock options to Named Executive Officers in 2007. See ***Grants of Plan Based Awards*** below for the stock options awarded to each Named Executive Officer. In 2008, our Board adopted a new plan which provides for grants of stock options and restricted stock to our employees, directors and consultants. This plan will be submitted to our stockholders for approval at the 2008 annual meeting. We do not have any plans to grant restricted stock to our Named Executives Officers.

Severance/Change in Control

Our Named Executive Officers are entitled to certain payments upon termination of employment pursuant to the terms of each of their employment agreements, which typically award cash severance payments in the event the Named Executive Officer is terminated without cause, resigns for good reason or becomes disabled. In addition, our stock incentive plans provide for the accelerated vesting and exercise of options in the event of a change in control. For more information see ***Executive Compensation Potential Payments Upon Termination or Change in Control*** below.

Named Executive Officers Stock Ownership Guidelines

Our stock ownership and holding requirements are only applicable to our independent directors. We do not have stock ownership guidelines for our Named Executive Officers.

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\$1 Million Pay Deductibility Cap

Under Section 162(m) of the United States Internal Revenue Code, (as interpreted by IRS Notice 2007- 49) public companies are precluded from receiving a tax deduction on compensation paid to their chief executive officer and the three most highly compensated officers of the company (other than the chief executive officer and the chief financial officer) if such officer's compensation exceeds \$1 million, unless the compensation is excluded from the \$1 million limit as a result of being classified as performance-based compensation. Currently, our executive officers' cash compensation levels have not exceeded the \$1 million limit, and we do not anticipate exceeding this limit in the near future, and our bonuses and stock option grants qualify as performance-based compensation under 162(m). Nonetheless, we annually review all of our executive officers' compensation in light of Section 162(m).

Table of Contents**EXECUTIVE COMPENSATION*****Summary Compensation Table***

The following table summarizes the total compensation awarded to our Named Executive Officers in 2007 and 2006:

Name and Principal Position	Year	Salary (\$)	Bonus⁽¹⁾ (\$)	Option Awards⁽²⁾ (\$)	All Other Compensation⁽⁸⁾ (\$)	Total (\$)
Samuel L. Caster⁽³⁾ <i>Chairman of the Board and CEO</i>	2007	\$ 698,462	\$	\$ 166,804	\$ 25,325	\$ 890,591
	2006	\$ 660,010	\$ 72,600	\$ 197,625	\$ 46,060	\$ 976,295
Stephen D. Fenstermacher <i>Chief Financial Officer and</i>	2007	\$ 311,554	\$ 23,401	\$ 1,966	\$ 15,869	\$ 352,790
	2006	\$ 300,014	\$ 33,002	\$	\$ 17,615	\$ 350,631
<i>Senior Vice President</i>						
Terry L. Persinger⁽⁴⁾ <i>Member of our Board of Directors,</i>	2007	\$ 389,280	\$	\$ 30,033	\$ 26,374	\$ 445,687