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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____to _____
Commission File No. **000-24657**

MANNATECH, INCORPORATED

(Exact Name of Registrant as Specified in its Charter)

Texas	**75-2508900**
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1410 Lakeside Parkway, Suite 200, Flower Mound, Texas	**75028**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, including Area Code: **(972) 471-7400**
Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	The Nasdaq Stock Market LLC

Securities Registered Pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this Chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☒	Emerging growth company ☐

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

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

At June 30, 2017, the aggregate market value of the common stock held by non-affiliates of the Registrant was $34,801,135 based on the closing sale price of $15.60, as reported on the NASDAQ Global Select Market.

The number of shares of the Registrant's common stock outstanding as of February 28, 2018 was 2,719,271 shares.

Documents Incorporated by Reference

Mannatech, Incorporated incorporates information required by Part III (Items 10, 11, 12, 13, and 14) of this report by reference to its definitive proxy statement for its 2018 annual shareholders' meeting to be filed pursuant to Regulation 14A no later than 120 days after the end of its fiscal year.

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Special Note Regarding Forward-Looking Statements

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

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

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

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

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

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

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

PART I

Item 1. Business

Overview

Mannatech is a global wellness solution provider, which was incorporated and began operations in November 1993. We develop and sell innovative, high quality, proprietary nutritional supplements, topical and skin care and anti-aging products, and weight-management products that target optimal health and wellness. We currently sell our products in three regions: (i) the Americas (the United States, Canada, Colombia and Mexico); (ii) Europe/the Middle East/Africa ("EMEA") (Austria, the Czech Republic, Denmark, Estonia, Finland, Germany, the Republic of Ireland, Namibia, the Netherlands, Norway, South Africa, Spain, Sweden and the United Kingdom); and (iii) Asia/Pacific (Australia, Japan, New Zealand, the Republic of Korea, Singapore, Taiwan, Hong Kong, and China).

We primarily sell our products through network marketing via our associates *("independent associate*" or "*associates*") and directly to our "preferred customers", which we believe is the most cost-effective way to quickly and effectively introduce our products and communicate information about our business to the global marketplace. Network marketing minimizes upfront costs, as compared to conventional marketing methods, and allows us to be more responsive to the ever-changing overall market conditions, as well as continue to research and develop high quality products and focus on controlled successful international expansion. We believe the network marketing channel also allows us to effectively communicate the potential benefits and unique properties of our proprietary products to our consumers. In addition, network marketing provides our business-building associates with an avenue to supplement their income and develop financial freedom by building their own business centered on our business philosophies and unique products. As of December 31, 2017, we had approximately 215,000 active associate and preferred customer positions held by individuals in our network associated with the purchase of our products and packs and/or payment of associate fees within the last 12 months.

The Company also operates a non-direct selling business in mainland China. In 2016, we formed our China subsidiary, Meitai Daily Necessities & Health Products Co., Ltd. ("Meitai"). Unlike Mannatech's business operations in other markets, Meitai operates under a cross-border e-commerce model, where consumers in China can buy Mannatech products manufactured overseas via Meitai's website. Meitai is currently not a direct selling company in China nor will it operate under a multi-level marketing model in China. Products purchased on Meitai's website are for personal use and not for resale.

On July 1, 2017, we revised our 2017 Associate Compensation Plan (the "2017 Associate Compensation Plan"), which was designed to stimulate business growth and development for our active business building associates and to maximize the buying experience for our preferred customers. In doing so, the Company hopes to better utilize commission dollars to stimulate Company growth. The 2017 Associate Compensation Plan provides revised income streams, new leadership levels and titles, and modified various volume requirements for our independent associates. In addition, the 2017 Associate Compensation Plan re-designated members as preferred customers and modified their pricing structure.

Our common stock is currently trading on the NASDAQ Global Select Market ("Nasdaq") under the symbol "MTEX". Information for each of our two most recent fiscal years, with respect to our net sales, results of operations, and identifiable assets is set forth in the Consolidated Financial Statements of this report.

Available Information

On our website (https://www.mannatech.com), we make available free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and certain other information filed or furnished with the Securities and Exchange Commission (the "SEC") as soon as reasonably practicable after electronically filing or furnishing such material. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including Mannatech, that electronically file with the SEC at http://www.sec.gov. Additionally, such materials are available in print upon the written request of any shareholder to our principle executive office located at 1410 Lakeside Parkway, Suite 200, Flower Mound, Texas 75028, Attention: Investor Relations, or by contacting our investor relations department at (972) 471-6512 or IR@mannatech.com.

Business Segment, Products and Product Development

Business Segment. The Company's sole reporting segment is one where we sell proprietary nutritional supplements, skin care and anti-aging products, and weight-management and fitness products through network marketing distribution channels operating in twenty-five countries. Mannatech's subsidiary in China, Meitai, operates under a cross-border e-commerce model, where consumers in China can buy Mannatech products directly from Meitai via the internet. For more information with respect to the financial results and conditions of this business segment, including financial information about geographic areas, see Note 15 to our Consolidated Financial Statements, *Segment Information*.

Products. Scientists have discovered that a healthy body consists of many sophisticated components working in harmony to achieve optimal health and wellness and requires cellular communication to function at an optimal level. Scientists also discovered that there are more than 200 monosaccharides that form naturally. Specific monosaccharides are considered vital components for cellular communication in the human body. Furthermore, scientists discovered that these monosaccharides attach themselves to certain proteins, which then form a molecule called *glycoprotein*. Harper's Biochemistry, a leading and nationally recognized biochemistry reference, has recognized that these molecules are found in human glycoproteins, and are believed to be essential in helping to promote and provide effective cell-to-cell communication in the human body.

The history of our proprietary ingredients and products is as follows:

- In 1994, we developed and began selling our first products containing Manapol® powder, an ingredient formulated to support cell-to-cell communication.
- In 1996, we enhanced our products based on the study of glycoproteins and our scientists developed our own proprietary compound, Ambrotose® complex, which we patented. Our Ambrotose® complex is a blend of polysaccharides (composed of monosaccharides) that helps provide support for the immune system.
- In 2001, we broadened our proprietary ingredients by developing the Ambroglycin® blend, a balanced food-mineral matrix which helps deliver nutrients to the body and which is used in our proprietary Catalyst™ and Glycentials® vitamin/mineral supplements.
- In 2004, we introduced our proprietary blend of antioxidant nutrients, MTech AO Blend® ingredient, which is used in our proprietary antioxidant Ambrotose AO® product.
- In 2006, we introduced a unique blend of plant-based minerals, natural vitamins, and standardized phytochemicals for use in our proprietary PhytoMatrix® product. We also introduced a compound used in reformulated Advanced Ambrotose® complex. This compound allows a more potent concentration of the full range of mannose-containing polysaccharides occurring naturally in aloe to be produced in a stable powdered form.
- In 2007, we introduced into the United States market our skin care and anti-aging line of products that supports skin's natural texture, beauty, and elasticity. We also launched our PhytoMatrix® caplets, Advanced Ambrotose® capsules and Manna•Bears™ supplement into international markets.
- In 2008, we introduced a proprietary proteolytic enzyme and phytosterol dietary supplement that supports the body's natural recovery processes associated with physical activity in our BounceBack® capsules. We also introduced a proprietary version of whey protein peptide technology that assists targeted fat loss when combined with exercise and a healthy diet in our OsoLean™ powder.
- In 2009, we introduced our Omega-3, which features EPA/DHA essential acids, PhytoBurst™ Nutritional Chews formulated with vitamins, minerals, and phytonutrients from food-sourced ingredients, and GI-ProBalance™ Slimstick, which is a synbiotic digestive product containing probiotics, prebiotics, and digestive enzymes. In addition, we improved our Ambrotose® products to include beta-Carotene.
- In 2010, we launched our Mannatech LIFT™ Skin Care System, which is paraben-free and formulated to give skin a more natural youthful appearance.
- In 2011, we introduced our reformulated version of our Omega-3 supplement, which now includes Vitamin D3 and features EPA/DHA essential acids. We expanded several previously launched products from our domestic line to our international markets.

- In 2012, we launched our NutriVerus™ powder, a single product that features all of our core scientific technologies at a very affordable price. This unique, ground-breaking product combines our core glyconutrient technologies with vitamins, minerals, antioxidants and stabilized rice bran, all based on Real Food Technology solutions.
- In 2013, we launched Ū th™ skin cream, a breakthrough in anti-aging that incorporates Mannatech's glyconutrient technology along with a microsphere delivery system that supports more thorough delivery of the active ingredients to all levels of the skin.
- In 2014, we launched GlycoBOOM™ Advanced Immune Support Supplement, packed with nutrients that are designed to support the body's natural defenses.
- In 2015, Mannatech introduced a new brain supplement, Cognitate™, featuring a proprietary blend of natural ingredients to aid memory, recall and cognition.
- In 2016, Mannatech rebranded the Company, including all new packaging and labels, introduced a line of Essential Oils, along with an innovative, natural fat-loss system, TruHealth™. Comprised in the system is the TruPLENISH™ Nutritional Shake, TruPURE™ Cleanse Slimsticks and TruSHAPE™ Fat-Loss Capsules.
- In 2017, Mannatech launched several new products, including: GinMAX™, a fast-acting, long-lasting ginseng supplement that utilizes both fermented red and fermented white ginseng, fortified with glyconutrients; GlycoCafé™, a glyconutritional coffee made with the whole coffee fruit; and Luminovation, a line of mass-market and premium Korean beauty products.

Mannatech offers products, which include glyconutrients, a unique category of nutrients sourced from plants and designed to provide a variety of health benefits. We focus on producing products that are from natural sources, as well as other scientifically based efficacious sources.

Integrative Health, which offers a variety of nutritional supplements that aid in optimizing overall health and wellness. This category includes a variety of daily nutritional supplements, health solutions for children, and additional nutrients designed to help keep specific body systems at optimal levels.

Targeted Health, which gives bodies an extra edge with products designed to target specific areas and provide additional nutrients that help support body system health.

Weight and Fitness, which offers products designed to curb appetite and burn fat, build lean muscle tissue, and support recovery from overexertion.

Skin Care, which offers several products formulated with more than 30 botanical ingredients that are designed to give the skin a more natural, youthful appearance by moisturizing, hydrating and reducing the appearance of fine lines and wrinkles.

Home Living, a category of products designed to make homes a peaceful haven which supplement wellness.

The following table summarizes our products by category:

Product Category	Representative Products
Integrative Health	Ambrotose® complex, Ambrotose AO®, Advanced Ambrotose®, Catalyst™, Cognitate™, GinMAX™, Manapol® Powder, MannaBears ™, Nutriverus™, Optimal Support Packets, PhytoBurst™ Nutritional Chews, PhytoMatrix® and PLUS™.
Targeted Health	BounceBack®, CardioBALANCE®, GI Pro Balance™ Slimstick, GI-Zyme®, GlycoCafe™, ImmunoSTART®, Manna-C ™, MannaBOOM™ Slimsticks, MannaCLEANSE™, Omega-3 with Vitamin D_3 and PhytAloe®.
Weight and Fitness	AmbroStart®, OsoLean™, SPORT™, TruHealth Fat Loss System, including: TruPLENISH, TruPURE, TruSHAPE, Tru-C™ and TruCoffee Americano™.
Skin Care	Emprizone ®, FIRM with Ambrotose ®, Û th™ Facial Cleanser, Û th™ Skin Rejuvenation Crème, Û th™ Moisturizer, FreshDen™, Gel Mask, Organt and Luminovation.
Home Living	Serenity Home Diffuser, Essential Oils: Eucalyptus, Fractionated Coconut and Aloe, Frankincense, Lavender, Lemon, No. 1 Protective Blend, Orange, Peppermint, and Sweet Almond and Aloe.

A significant portion of our revenue is derived from our Ambrotose®, Advanced Ambrotose®, Manapol®, PLUS™ products and TruHealth™ products. Revenue from these products were as follows for the years ended December 31, 2017 and 2016 *(in thousands, except percentages)*:

	2017		2016	
	Sales by product	% of total net sales	Sales by product	% of total net sales
Advanced Ambrotose®	$ 52,592	29.8%	$ 55,863	31.0%
TruHealth™	16,652	9.4%	9,220	5.1%
Manapol® Powder	11,183	6.3%	2,153	1.2%
Ambrotose®	8,459	4.8%	10,196	5.7%
PLUS ™	7,461	4.2%	7,935	4.4%
Total	**$ 96,347**	**54.5%**	**$ 85,367**	**47.4%**

Product Development. Our product committee continues to focus on potential new products and compounds that help target or promote overall health and wellness. When considering new products and compounds, our product committee considers the following criteria:

- marketability and proprietary nature of the product;
- demand for the product;
- competitors' products;
- regulatory considerations;
- availability of ingredients; and
- data supporting claims of efficacy and safety.

To maintain a flexible operating strategy and the ability to increase production capacity, we contract with third-parties to manufacture all of our products, which allows us to effectively respond to fluctuations in demand with minimal investment and helps control our operating costs. We believe our suppliers and manufacturers are capable of meeting our current and projected inventory requirements over the next several years. However, as a safety measure, we continue to identify and approve alternative suppliers and manufacturers to ensure that our global demands are met in a timely manner and to help minimize any risk of business interruption.

We procure select products from single vendors who control certain product formulations, ingredients, or other intellectual property rights associated with such products. Certain of our supply agreements contain exclusivity clauses for the supply of certain raw materials and products, some of which are conditioned upon compliance with minimum purchase requirements. In the event we become unable to source any products or ingredients from our suppliers, we believe that we would be able to replace those products with alternate suppliers.

Industry Overview

Nutrition Industry

We operate in the nutritional supplement industry and distribute and sell our products through our own global network marketing channel. The nutritional supplement industry is fast-paced, highly fragmented, and intensely competitive. It includes companies that manufacture and distribute products that are intended to support the body's performance and well-being. Nutritional supplements include vitamins, minerals, dietary supplements, herbs, botanicals, and compounds derived therefrom. Prior to 1990, all dietary supplements in the United States were tightly regulated by the FDA and only included essential nutrients such as vitamins, minerals, and proteins. In 1990, the Nutrition Labeling and Education Act expanded the category to include "herbs or similar nutritional substances", but the FDA maintained control over pre-market approval. However, in 1994, the Dietary Supplement Health and Education Act of 1994 ("DSHEA") was passed in the United States, drastically changing the dietary supplement marketplace. The DSHEA was instrumental in expanding the category of dietary supplements to further include herbal and botanical supplements and ingredients such as ginseng, fish oils, enzymes, and various mixtures of these ingredients. Under DSHEA, vendors of dietary supplements are now able to educate consumers regarding the effects of certain component ingredients.

Nutritional supplements are available through mass-market retailers, drug stores, supermarkets, discount stores, health food stores, mail order companies, and direct sales organizations. Direct selling, of which network marketing is a significant segment, has grown significantly and has been enhanced in the past decade as a distribution channel due to advancements in technology and communications resulting in improved product distribution and faster dissemination of information.

Direct Selling/Network Marketing Channel

Since the 1990s, the direct selling and network marketing sales channel has grown in popularity and general acceptance, including acceptance by prominent investors and capital investment groups who have invested in direct selling companies. This has provided direct selling companies with additional recognition and credibility in the growing global marketplace. In addition, many large corporations have diversified their marketing strategy by entering the direct selling arena. Several consumer-product companies have launched their own direct selling businesses with international operations often accounting for the majority of their revenues. Consumers and investors are beginning to realize that direct selling provides unique opportunities and a competitive advantage in today's markets. Businesses are able to quickly communicate and develop strong relationships with their customers, bypass expensive ad campaigns, and introduce products and services that would otherwise be difficult to promote through traditional distribution channels such as retail stores. Direct selling is a channel of distribution with healthy cash flow, high return on invested capital, and long-term prospects for global expansion. According to the worldwide direct sales data published by the World Federation of Direct Selling Association, in 2016 approximately 107 million global direct sellers collectively generated annual retail sales of $182.6 billion.

Operating Strengths

1. ***High-Quality, Innovative, Proprietary Products.*** We base our product concept on the scientific belief that certain glyconutrients, also known as monosaccharides, are essential for maintaining a healthy immune system. We believe the addition of effective nutritional supplements to a well-balanced diet, coupled with an effective exercise program, will enhance and help maintain optimal health and wellness. We focus on producing products that are from all-natural sources with no synthetic or chemically derived additives. We formulate our products with predominately naturally-occurring, plant-derived, carbohydrate-based, safe ingredients that are designed to use nutrients working through normal physiology to help achieve and maintain optimal health and wellness, rather than developing common synthetic, carbohydrate-based products.

   We believe that our patented blends and formulas distinguish us as a leader in the global nutritional supplements industry. We also believe the use of unique compounds found in our products allows us to effectively differentiate and distinguish our products from those of our competitors.

2. ***Research and Development Efforts.*** We are steadfast in our commitment to quality-driven research and development. We use systematic processes for the research and development of our unique proprietary product formulas, as well as the identification of quality suppliers and manufacturers. Our research and quality assurance programs are outlined on our corporate websites www.mannatechscience.org, www.mannatech.com, and www.allaboutmannatech.com.

   Mannatech's team of experienced researchers and scientists continually reviews the latest published research data, attends scientific conferences, and draws upon its vast knowledge and expertise to develop new products and support existing ones. In addition, this team works in collaboration with other research firms, universities, institutes, and scientists. Our products have been the focus of numerous pre-clinical and clinical studies.

   To support our research and development efforts, we have strategic alliances with our suppliers, consultants, and manufacturers that allow us to effectively identify and develop high-quality, innovative, proprietary products that increase our competitive advantage in the marketplace.

   These efforts include developing and maintaining quality standards, supporting development efforts for new ingredients and compounds, and improving or enhancing existing products or ingredients. In addition, our research and development team identifies other quality-driven suppliers and manufacturers for both our global and regional needs.

Research and development costs – relating to new product development, enhancement of existing products, clinical studies and trials, FDA compliance studies, general supplies, internal salaries, third-party contractors, and consulting fees – were approximately $1.2 million for the year ended December 31, 2017 and $1.4 million for the year ended December 31, 2016.

3. ***Quality Assurance Program.*** Mannatech uses only qualified manufacturing contractors to produce, test, and package our finished products. These contractors must be compliant and current with required certifications and they must strictly adhere to our own quality standards for all markets. Certifications and guidelines that our contract manufacturers are required to carry and/or follow include:

- the FDA's current Good Manufacturing Practices for manufacturing, packaging, labeling, and holding of dietary supplements;
- the FDA's Good Manufacturing Practices for human food;
- the requirements of the Natural Health Products Directorate of Canada;
- the Korean Food and Drug Administration;
- certification by the Therapeutic Goods Administration of Australia, when necessary;
- the European Union's Food Supplement Directive and Nutrition and Health Claims Regulations, as well as individual member state legislation;
- the Taiwan Food and Drug Administration;
- the Japan Ministry of Health Labor and Welfare;
- the Singapore Health Sciences Authority;
- the South African Department of Health and Medicines Control Council;
- the Hong Kong Food and Environmental Hygiene Department and Department of Health Drug Office; and
- the China Food and Drug Administration.

We have an established quality assurance program designed to ensure our manufacturers' compliance with these certifications and guidelines, and to ensure that proper controls are maintained during the manufacturing, evaluation, packaging, storage, and distribution of our products. These controls include a comprehensive supplier audit and surveillance program, third-party certifications, and continuous product monitoring.

A team of professionals, many of whom have extensive experience in the pharmaceutical industry, leads our in-house quality assurance program and continually monitors the quality of our products, including the production process. In addition, they work with suppliers and manufacturers to develop quality standards for raw material components and products, and perform tests and inspections to ensure that finished products are safe and of high quality prior to release.

We require our dietary supplements to be packaged with seals to help minimize the risk of tampering. We also perform stability studies under both controlled ambient and accelerated temperature storage conditions to ensure label claims throughout the shelf life of our products.

To further ensure product quality, we seek qualified independent organizations to conduct further product testing. To date, numerous products have been tested, and:

- ten products are certified according to the NSF/ANSI 173 Dietary Supplement Standard—the only American National Standard for dietary supplements. This certification ensures that this product contains only the ingredients indicated on the label and is free of impurities, and that Good Manufacturing Practices were used in the manufacturing facility; and
- all of Mannatech's dietary supplements have been confirmed to be gluten-free.

4. ***Global Scientific Advisory Board***. A charter for an advisory board has been established and the board is filled by a combination of independent scientists and doctors from multiple disciplines, along with two members of Mannatech staff. Members of the Global Scientific Advisory Board ("GSAB") review each new and reformulated product to ensure ingredients and products are up to Mannatech's high standards and are in line with the latest, viable research. The GSAB may also make ingredient and product suggestions for new products.

5. ***High-Caliber, Industry-Leading Independent Associates.*** Our global team of independent associates is comprised of dedicated, hard-working, high-caliber individuals, many of whom have been associated with the network marketing industry for decades and have been loyal to us since our beginning in 1993. To capitalize on their wealth of knowledge and experience, we sponsor panels of independent associates in councils based around the world which help identify and effectively relay the needs of our independent business-building associates to us. These advisory councils meet periodically with our team of senior management to recommend changes, discuss issues, and provide new ideas or concepts, including a full spectrum of innovative ideas for additional quality-driven nutritional supplements aimed at maintaining optimal health and wellness.

6. ***Support Philosophy for Our Independent Associates and Preferred Customers.*** We are fully committed to providing the highest level of support services to our independent associates and preferred customers and believe that we meet expectations and build customer loyalty through the following:

    - offering highly-personalized and responsive customer service;
    - offering a satisfaction guarantee product return policy;
    - providing comprehensive corporate websites (www.mannatech.com, www.allaboutmannatech.com, www.mannatechscience.org, www.library.mannatech.com, www.events.mannatech.com, www.mannafest.com and www.system.mannatech.com) that provide instant access to Internet ordering, marketing, technical and educational information, and unique and innovative marketing tools;
    - maintaining an extensive web-based downline management system called Success Tracker™ that provides access to web conferencing and downline organization reporting for our independent associates at minimal costs;
    - providing Mannatech+, an app and web-based platform to provide personalized web pages, to share videos, digital flyers, and more;
    - offering, in the United States and Canada, an effective compilation of online marketing and training tools;
    - offering updated training/orientation and compliance programs for our independent associates;
    - providing strategically based distribution fulfillment centers to ensure products are shipped on time and at minimal cost; and
    - sponsoring marketing events, designed to provide information, education, and motivation for our dedicated business-building associates and to help stimulate business development. These events provide an interactive venue for introducing new products and services and allow interaction between our management teams, outside researchers, and independent associates.

7. ***Flexible Operating Strategy.*** We believe efficiency, focus, and flexibility are paramount to our operations. For more than a decade, we have contracted with third parties to supply and manufacture our proprietary raw materials and products, which we believe allows us to minimize capital expenditures, capitalize on such parties' expertise, and build additional resources for strategic alliances in the areas of distribution and logistics, product registration, and export requirements. By contracting with various suppliers and manufacturers and by outsourcing distribution for all of our operations, we believe we can quickly adapt operations to current demands in a timely, efficient, and cost-effective manner. We monitor the performance of our third party contractors to ensure they maintain a high quality of service. In addition, we identify alternative sources for our raw materials suppliers and finished goods manufacturers to help prevent any risk of interruption in production should any existing contractors become unable to perform satisfactorily.

8. ***Experience and Depth of Our Management Team and Board of Directors.*** We believe that our team of executives has extensive experience in every aspect of business operations and is highly focused on our success. At December 31, 2017, our Board of Directors is composed of seven directors, including five independent directors, and one advisory director. The advisory director does not have the authority to vote on matters coming before the Board of Directors and his presence or absence does not affect the constitution of a quorum. We believe our board members have a wealth of knowledge and experience in most aspects of our business operations and are especially well versed in network marketing, finance, nutritional products, regulatory matters, and corporate governance. Our entire management team is committed to delivering high-quality products and superior service.

Business Strategy

Our long-term goal is to be one of the world's leading network marketing companies founded on the best science-based proprietary products by incorporating a powerful global independent network distribution model into our charitable giving program. To achieve our goal, we believe we must focus on the following business priorities:

- ***Strengthening our Financial Results and Adding Value to Our Shareholders and Independent Associates.*** We focus on improving financial results by striving to increase our revenues in both our domestic and foreign operations and to control our operating costs.
- ***Attracting New Independent Associates and Retaining Existing Independent Associates.*** We continually examine our global associate career and compensation plan and periodically offer incentives in order to attract, motivate, and retain independent associates. We believe our global associate career and compensation plan encourages greater associate retention, motivation, and productivity.
- ***Carefully Planning and Executing New Market Entries.*** In order to expand efficiently around the globe, we must continue to present maximum opportunity to our current independent associates as well as those who will join us in the future.
- ***Developing New Products and Enhancing Existing Products.*** We continue to focus on new areas for future product development. We continue our research efforts and strive to ensure that all of our products are made from high quality, effective ingredients that contain one or more of our proprietary compounds, which we believe supports our goal to be a cutting-edge industry leader. We expect that any future products we develop will further complement and enhance our existing products.
- ***Provide Outstanding Product Value and Results to Customers.*** We work to ensure that all associates and their customers have a great experience with each of our product. Products that deliver tangible results, are supported by science, and are backed by a powerful satisfaction guarantee.

Intellectual Property

Trademarks. We pursue registrations for various trademarks associated with our key products and branding initiatives. As of December 31, 2017, we had 32 registered trademarks in the United States and seven trademark applications pending with the United States Patent and Trademark Office. As of December 31, 2017, we had 463 registered trademarks in 38 countries and 44 trademark applications pending in 10 foreign jurisdictions. Globally, the protection available in foreign jurisdictions may not be as extensive as the protection available to us in the United States. Where available, we rely on common law trademark rights to protect our unregistered trademarks, even though such rights do not provide us with the same level of protection as afforded by a United States federal trademark registration. Common law trademark rights are limited to the geographic area in which the trademark is actually used. A United States federal trademark registration enables us to stop infringing use of the trademark by a third party anywhere in the United States provided the unauthorized third party user does not have superior common law rights in the trademark within a specific geographical area of a particular state or region prior to the date our mark federally registers. In the United States (and in many foreign jurisdictions) a registered trademark is valid for ten years and may be renewed subject to the trademark owner demonstrating continued use of the mark in commerce.

Patents. The Company applies for patent protection in various countries for the technology related to our product formulations. As of December 31, 2017, we had 11 patents for technology related to our Ambrotose® formulation, two of which are in the United States and the remainder of which are in nine foreign jurisdictions. Overall, as of December 31, 2017, 85 patents have been assigned, issued, granted or validated to Mannatech in major global markets for the technology relating to our
Ambrotose®, Ambrotose AO®, GI-ProBalance™, ImmunoSTART®, PhytoMatrix®, and NutriVerus™ product formulations, as well as in the field of biomarker assays. Currently, we have 32 patent applications pending in various jurisdictions relating to the technology supporting many of the above listed products. Patent protection means that the patented invention cannot be commercially made, used, distributed or sold without the patent owner's consent. These patent rights are usually enforced in a court, which, in most jurisdictions, holds the authority to stop patent infringement. The protection is granted for a limited period, generally 20 years. In most jurisdictions, renewal annuities or maintenance fees must be paid regularly during the term of the patent to keep the patent in force.

Associate Distribution System

Overview. Our sales philosophy is to distribute our products through network marketing channels where consumers purchase products for personal consumption or resale. Independent associates and preferred customers purchase our products at a discounted wholesale value. Independent associates are eligible to participate in our global associate career and compensation plan. All of our associates are independent contractors. We provide each new independent associate with our policies and procedures that require the independent associates to comply with regulatory guidelines and act in a consistent and professional manner.

Our revenues are heavily dependent upon the retention and productivity of independent associates who help us achieve long-term growth. We believe the introduction of innovative incentives, such as travel incentives, will continue to motivate our independent associates and help expand our global purchasing base. We remain actively committed to expanding the number of our independent associates through recruitment, support, motivation, and incentives. We had approximately 215,000 active independent associate and preferred customer positions held by individuals purchasing our products or packs during the 12 months ended December 31, 2017, and we had approximately 222,000 active independent associate and preferred customer positions held by individuals purchasing our products or packs during the 12 months ended December 31, 2016. We have a loyalty program through which consumers earn loyalty points from qualified automatic orders, which can be applied to future purchases.

Independent Associate Development. Network marketing consists of enrolling individuals who build a network of independent associates, preferred customers, and retail customers who purchase products. We support our independent associates by providing an array of support services that can be tailored to meet individual needs, including:

- offering educational meetings and corporate-sponsored events that emphasize business-building and compliance related information;
- sponsoring various informative and science-based conference calls, web casts, and seminars;
- providing automated services through the Internet and telephone that offer a full spectrum of information and business-building tools;
- maintaining an efficient decentralized ordering and distribution system;
- providing highly personalized and responsive order processing and customer service support accessible by multiple communication channels including telephone, Internet, or e-mail;
- offering 24-hour, seven days a week access to information and ordering through the Internet;
- offering Success Tracker™, a customized business-building genealogy system, which contains graphs, maps, alerts, reports, and web video conferencing for our independent associates;
- offering, in the United States and Canada, a compilation of online marketing and training tools, including personalized web pages; and
- providing a wide assortment of business-building and educational materials to help stimulate product sales and simplify enrollment.

We provide product and network marketing training and education for new independent associates. This includes a unique global training/orientation program that uses audio, video and web components to familiarize new associates with the Company, and includes short, segmented trainings on how to succeed as part of the sales force. We also regularly provide training on using online tools such social media and our own suite of web marketing tools specifically designed for associates to use. We also offer a variety of brochures, monthly newsletters, and other promotional materials to associates to assist in their sales efforts, training, and continuing education. We continually update our training and promotional materials to provide our associates with the most current information and motivational tools.

Our global associate career and compensation plan consists of nineteen independent associate achievement levels; from lowest to highest, these include Associate, Silver Associate, Gold Associate, Director, Silver Director, Gold Director, Executive, Silver Executive, Gold Executive, Presidential, Bronze Presidential, Silver Presidential, Gold Presidential, Platinum Presidential, 1* Platinum, 2* Platinum, 3* Platinum, 4* Platinum and Crown Platinum Ambassador. These achievement levels are determined by the growth and volume of the independent associates' direct and indirect commissionable net sales, as well as expanding their networks, which are all assigned a point volume. Promotional materials and training aids are not assigned a point volume. This point volume system, referred to as our global seamless downline structure, allows independent associates to build their network by expanding their existing downlines into all international markets except China. Our global associate career and compensation plan is intended to comply with all applicable governmental regulations that govern the various aspects of payments to independent associates in each country.

Based upon our knowledge of industry-related network marketing compensation plans, we believe our global associate career and compensation plan remains strong in the industry. Together, our commissions and incentives range approximately from 39% to 43% of our consolidated net sales.

Our global associate career and compensation plan pays various types of commissions and incentives based upon a point system that calculates a percentage of the independent associate's commissionable direct and indirect net product sales and the attainment of certain associate achievement levels. All payments to our independent associates are made after they have earned their commissions. We believe our global associate career and compensation plan fairly compensates our independent associates at every stage of building their business by quickly rewarding an independent associate for both the breadth and depth of their global seamless downline structure.

Our global associate career and compensation plan identifies and pays 6 types of commissions to our qualified independent associates, which are based on the following:

- generating product sales to preferred customers from an independent associate's global downline to earn certain achievement levels;
- enrolling new independent associates or preferred customers who place a product order;
- obtaining certain achievement levels and enrolling other independent associates who place qualifying orders;
- obtaining and developing certain achievement levels within their downline organizations to qualify for additional bonuses; and
- various other incentive programs.

Management of Independent Associates. We actively monitor our independent associates' activities related to sales of our products and the promotion of certain business opportunities by requiring our independent associates to abide by our policies and procedures. However, we have limited control over the actions of our independent associates. To aid in our monitoring efforts, we provide each independent associate with a copy of our policies and procedures prior to or upon signing up as an independent associate. We also use various media formats to distribute changes to our mandatory policies and procedures, including our corporate website, conference calls, educational meetings, corporate events, seminars, and webcasts.

Our program also provides our independent associates with a standardized and anonymous complaint process. When a complaint is filed against an independent associate, our business ethics department conducts a mandatory investigation of the allegations to determine whether a violation of the policies and procedures has occurred. If a violation is found, the complaint moves through the compliance process where the person against whom the complaint has been filed has an opportunity to respond to the allegations. Depending on the nature of the violation, we may impose various sanctions, including written warnings, mandatory training, probation, withholding commissions, and termination of associate status. We will terminate any associate's agreement for making claims that our products can treat, cure, mitigate or prevent any disease, unless such claim is found to be de minimus and isolated.

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

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

Information Technology Systems

Our information technology and e-commerce systems include a transaction-processing database, financial systems, an associate management system, and comprehensive management tools that are designed to:

- minimize the time required to process orders and distribute products;
- provide customized ordering information;
- quickly respond to information requests, including providing detailed and accurate information to independent associates about qualification and downline activity;
- provide detailed reports about paid commissions and incentives;
- support order processing and customer service departments; and
- help monitor, analyze, and report operating and financial results.

To complement our transaction database, we developed a comprehensive management tool called Success Tracker ™ that is used both internally and by our independent associates to manage and optimize their business organizations. With this tool, independent associates have constant access to graphs, maps, alerts, and reports on the status of their individual organizations, which helps to optimize their earnings.

We also maintain a written business continuity plan, which was developed using the guidelines published by the National Institute of Standards of Technology to minimize the risk of data loss due to any interruption in business. Our business continuity plan encompasses all critical aspects of our business and identifies contacts and resources. Additionally, we perform daily backup procedures and proactively monitor various software, hardware, and network infrastructure systems. We also perform routine maintenance procedures and periodically upgrade our software and hardware to help ensure that our systems work efficiently and effectively and to minimize the risk of business interruption. Although we maintain an extensive business continuity plan, a long-term failure or impairment of any of our information technology systems could adversely affect our ability to conduct day-to-day business. Please see "Risk Factors - If our information technology system fails, our operations could suffer."

We continue to enhance our information technology, websites, and e-commerce platforms to remain competitive and efficient.

Government Regulations

Domestic Regulations. In the United States, governmental regulations, laws, administrative determinations, court decisions, and similar legal requirements at the federal, state, and local levels regulate companies such as ours and network marketing activities. Such regulations address, among other things:

- direct selling and network marketing systems;
- transfer pricing and similar regulations affecting the amount of foreign taxes and customs duties paid;
- taxation of independent associates and requirements to collect taxes and maintain appropriate records;
- how a company manufactures, packages, labels, distributes, imports, sells, and stores products;
- product ingredients;
- product claims;
- marketing and advertising; and
- the extent to which companies may be responsible for claims made by independent associates.

The following governmental agencies regulate various aspects of our business and our products in the United States:

- the Food and Drug Administration (the "FDA");
- the Federal Trade Commission (the "FTC");
- the Consumer Product Safety Commission;
- the Department of Agriculture;
- the Environmental Protection Agency;
- the United States Postal Service;
- state attorney general offices; and
- various agencies of the states and localities in which our products are sold.

The FDA regulates the formulation, manufacturing, packaging, storage, labeling, promotion, distribution, and sale of foods, dietary supplements, over-the-counter drugs, medical devices, and pharmaceuticals. In January 2000, the FDA issued a final rule called "Statements Made for Dietary Supplements Concerning the Effect of the Product on the Structure or Function of the Body". In the rule and its preamble, the FDA distinguished between permitted claims under the Federal Food, Drug and Cosmetic Act (the "FFDC Act") relating to the effect of dietary supplements on the structure or functions of the body, and impermissible direct or implied claims of the effect of dietary supplements on any disease. In June 2007, the FDA issued a rule, as authorized under the FFDC Act that defined current Good Manufacturing Practices in the manufacture and holding of dietary supplements. Effective January 1, 2006, legislation required specific disclosures in labeling where a food, including a dietary supplement, contains an ingredient derived from any of eight named allergens. Legislation passed at the end of 2006 now requires us to report to the FDA any reports of "serious adverse events" associated with the use of a dietary supplement or an over-the-counter drug that is not covered by new drug approval reporting. The FDA created the Office of Dietary Supplements ("ODSP") on December 21, 2015. The creation of this new office elevates the FDA's program from its previous status as a division under the Office of Nutrition and Dietary Supplements. ODSP will continue to monitor the safety of dietary supplements.

The Dietary Supplement Health and Education Act of 1994, referred to as DSHEA, revised the provisions of the FFDC Act concerning the composition and labeling of dietary supplements and statutorily created a new class entitled "dietary supplements." Dietary supplements include vitamins, minerals, herbs, amino acids, and other dietary substances used to supplement diets. A majority of our products are considered dietary supplements as outlined in the FFDC Act, which requires us to maintain evidence that a dietary supplement is reasonably safe. A manufacturer of dietary supplements may make statements concerning the effect of a supplement or a dietary ingredient on the structure or any function of the body, in accordance with the regulations described above. As a result, we make such statements with respect to our products. In some cases, such statements must be accompanied by a statutory statement that the claim has not been evaluated by the FDA and that the product is not intended to treat, cure, mitigate, or prevent any disease, and the FDA must be notified of such claim within 30 days of first use.

The FDA oversees product safety, manufacturing, and product information, such as claims on a company's website, product's label, package inserts, and accompanying literature. The FDA has promulgated regulations governing the labeling and marketing of dietary and nutritional supplement products. The regulations include:

- the identification of dietary or nutritional supplements and their nutrition and ingredient labeling;
- requirements related to the wording used for claims about nutrients, health claims, and statements of nutritional support;
- labeling requirements for dietary or nutritional supplements for which "high potency," "antioxidant," and "trans-fatty acids" claims are made;
- notification procedures for statements on dietary and nutritional supplements; and
- pre-market notification procedures for new dietary ingredients in nutritional supplements.

We develop and maintain product substantiation dossiers, which contain the scientific literature pertinent to each product and its ingredients. An independent scientist reviews these dossiers, which provide the scientific basis for product claims. We periodically update our substantiation program for evidence for each of our product claims and notify the FDA of certain types of performance claims made in connection with our products.

In certain markets, including the United States, specific claims made with respect to a product may change the regulatory status of a product. For example, a product sold as a dietary supplement but marketed as a treatment, prevention, or cure for a specific disease or condition would likely be considered by the FDA or other regulatory bodies as unapproved and thus an illegal drug. To maintain the product's status as a dietary supplement, its labeling and marketing must comply with the provisions in DSHEA and the FDA's extensive regulations. As a result, we have procedures in place to promote and assure compliance by our employees and independent associates related to the requirements of DSHEA, the FFDC Act, and various other regulations.

Dietary supplements are also subject to the Nutrition, Labeling and Education Act and various other acts that regulate health claims, ingredient labeling, and nutrient content claims that characterize the level of nutrients in a product. These acts prohibit the use of any specific health claim for dietary supplements unless the health claim is supported by significant scientific research and is pre-approved by the FDA.

The FTC and other regulators regulate marketing practices and advertising of a company and its products. In the past several years, regulators have instituted various enforcement actions against numerous dietary supplement companies for false and/or misleading marketing practices, as well as misleading advertising of products. These enforcement actions have resulted in consent decrees and significant monetary judgments against the companies and/or individuals involved. Regulators require a company to convey product claims clearly and accurately and further require marketers to maintain adequate substantiation for their claims. More specifically, the FTC requires such substantiation to be competent and reliable scientific evidence and requires a company to have a reasonable basis for the expressed and implied product claim before it disseminates an advertisement. A reasonable basis is determined based on the claims made, how the claims are presented in the context of the entire advertisement, and how the claims are qualified. The FTC's standard for evaluating substantiation is designed to ensure that consumers are protected from false and/or misleading claims by requiring scientific substantiation of product claims at the time such claims are first made. The failure to have this substantiation violates the Federal Trade Commission Act.

Due to the diverse scope of regulations applicable to our products and the various regulators enforcing these requirements, determining how to conform to all requirements is often open to interpretation and debate. However, our policy is to fully cooperate with any regulatory agency in connection with any inquiries or other investigations. We can make no assurances that regulators will not question our actions in the future, even though we continue to make efforts to comply with all applicable regulations, inquiries, and investigations.

International Regulations. We are also subject to extensive regulations in each country in which we operate. Currently we sell our products in three regions: (i) the Americas (the United States, Canada, Colombia and Mexico); (ii) EMEA (Austria, the Czech Republic, Denmark, Estonia, Finland, Germany, the Republic of Ireland, Namibia, the Netherlands, Norway, South Africa, Spain, Sweden and the United Kingdom); and (iii) Asia/Pacific (Australia, Japan, New Zealand, the Republic of Korea, Singapore, Taiwan, Hong Kong and China). Some of the country-specific regulations include the following:

- the National Provincial Laws, Natural Health Product Regulations of Canada, and the Federal Competition Act in Canada;
- the Therapeutic Goods Administration and the Trade Practices Act in Australia;
- federal and state regulations in Australia;
- national regulations including the Local Trading Standards Offices in the United Kingdom;
- regulations from the Ministry of International Trade and Industry in Japan;
- regulations from the Commerce Commission and the Fair Trade Act of 1993 in New Zealand;
- the Fair Trade Commission, which oversees the Door to Door Sales Act and the Health and Functional Food Act enforced by the Korea Food and Drug Administration in the Republic of Korea;
- the Fair Trade Law, which is enforced by the Taiwan Fair Trade Commission and the Administration of Food Hygiene, Health Food Products Administration Act enforced by the Taiwan Department of Health;
- the Danish Health Board, the Danish Marketing Practice Act, the Danish Consumer Ombudsman, the Danish Executive Order on Dietary Supplements, the Guidelines for food supplements, and the Danish Act on Foodstuffs in Denmark;
- the German Unfair Competition Act, German Regulation on food supplements, and German Law on food and feed;
- regulations governing business practices in South Africa;
- the Consumer Protection Act, the Sale of Food Act, and various regulations that are governed by the Ministry of Trade and Industry in Singapore;
- the Austrian Trade Law (1994), the Food Safety and Consumer Protection Law (2006), and the Food Code in Austria;
- the Food and Consumer Products and the Unfair Trade Practices Act, Door to Door Selling Act and Provisions of the General Dutch Civil Code relating to terms and conditions and misleading advertising in the Netherlands;
- the Consumer Sales Act, Marketing Practices Act, Distance and Doorstep Sales Act, the Product Liability Act, Product Safety Act, the Companies Act and the Food Act in Sweden;
- the Law on Marketing and Contract Conditions, the Law on Repentance Right, the Statutory Order on Self Inspection of Food Provisions, the Law on Food products and Food Safety, and various guidelines from the Norwegian Consumers Agency on telephone selling and internet marketing, in Norway;
- the Health Law and various Official Mexican Standards, the consumer protection law, the Mexican Corporate law, the Foreign Investment Law, the Federal Labor law in Mexico, as well as various municipal and state regulations and codes;
- various Business, Civil, and Labor Codes in the Czech Republic as well as the Consumer Protection Act, and regulations and edicts of various government agencies such as The Ministry of Health, National Institute of Public Health, State Institute of Drug Control and the Czech Agriculture and Food Inspection Authority;
- the Consumer Protection Act in Estonia, and in the area of food supplements the Veterinary and Food Board also enforces local legislation including Estonia Food Act and Medicine Act;

- the Finnish Food Act, the Finnish Food Packaging and Consumer Protection Acts, Act on Unfair Business Practice Act, Decrees and other regulations in Finland;

- the Consumer Protection Act of 2007, the Distance Selling Regulations Act of 2001 in Ireland;

- various European Union ("EU") regulations and pronouncements, subject to local statutes and regulations, address both our selling activities and the sale of food supplements in EU member nations, including, primarily, the EU Food Supplement Directive (2002/46/EC) and Nutrition and Health Claims Regulations (2006/1924/EC);

- the Food and Drugs (Composition and Labeling) Regulations, the Pyramid Schemes Prohibition Ordinance, the Personal Data (Privacy) Ordinance, and the Import and Export Ordinance in Hong Kong;

- the Retail Trade Act of January 15, 1996, regulating both multi-level marketing (article 22) and pyramid sales (article 23), and Spanish Law 1/2007 on Consumer Protection ("Spanish Consumers Act"), regulating consumer protection, including warranties and product liability, in Spain;

- the Regulation of Act 1700 of 2013, Article 2.2.50 on December 27, 2013 governs the Activities of Network Marketing or Multilevel Marketing companies through monitoring compensation plans, contract conditions and enacting preventive suspension, in Colombia; and

- the Regulation on the Prohibition of Pyramid Selling, the Regulation on Administration of Direct Sales, the Law on Protection of Consumer Rights, the Food Safety Law, and the Anti-Unfair Competition Law in China.

Regulations Regarding Network Marketing System and Our Products. Our network marketing system and our global associate career and compensation plan are also subject to a number of governmental regulations including various federal and state statutes administered by the FTC, various state authorities, and foreign government agencies. The legal requirements governing network marketing organizations are directed, in part, to ensure that product sales are ultimately made to consumers. In addition, earnings within a network marketing company must be based on the sale of products rather than compensation for (i) the recruitment of distributors or associates, (ii) investments in the organization, or (iii) other non-retail sales-related criteria. For instance, some countries limit the amount associates may earn from commissions on sales by other distributors or independent associates that are not directly sponsored by that distributor or independent associate. Prior to expanding our operations into any foreign jurisdiction, we must first obtain regulatory approval for our network marketing system in jurisdictions requiring such approval. To help ensure regulatory compliance, we rely on the advice of our outside legal counsel and regulatory consultants in each specific country.

As a network marketing company, we are also subject to regulatory oversight, including routine inquiries and enforcement actions, from various United States state attorneys general offices. Each state has specific acts referred to as Little FTC Acts. Each state act is similar to the federal laws. As a result, each state may perform its own inquiries about our organization and business practices, including allegations related to distributors or independent associates. To combat such industry-specific risk, we provide a copy of our published associate policies and procedures to each independent associate, publish these policies on our corporate website, and provide educational seminars and publications. In addition, we maintain a legal and business ethics department to cooperate with all regulatory agencies and investigate allegations of improper conduct by our independent associates.

In Canada, our network marketing system is regulated by both national and provincial laws. Under Canada's Federal Competition Act, we must make sure that any representations relating to compensation to our independent associates or made to prospective new independent associates constitute fair, reasonable, and timely disclosure and that such representations meet other legal requirements of the Federal Competition Act. All Canadian provinces and territories, other than Ontario, have legislation requiring that we register or become licensed as a direct seller within that province to maintain the standards of the direct selling industry and to protect consumers. Some other Canadian provinces require that both we and our independent associates be licensed as direct sellers.

In Colombia, our network marketing system is governed by the Regulation Act of 1700 of 2013 on Activities of Network Marketing or Multilevel Marketing. It specifies requirements for our compensation plan, contracts, corporate governance and penalties for violations. Data processing is regulated by Act No. 1581 of 2012 and Regulatory Decree No. 1377 of 2013 which protects personal data and requires that Mannatech to obtain authorization from the owner to collect personal data. The distribution of nutritional supplement products is governed by Invima, which is in charge of inspecting and monitoring the marketing and manufacturing of health products.

In Mexico, as in many other markets, there are no specific regulations directly related to the direct selling or network marketing industry. However, all product sales and business offerings must comply with the Consumer Protection Law, which is enforced by the Consumer Protection Agency. Food supplements and medicines are subject to the Health Law and various Official Mexican Standards, which are enforced by the Health Ministry and The Federal Commission for Protection Against Sanitary Risk. Mexican Customs Law and its regulations govern the general importation of our products into Mexico. We are subject to the Mexican Corporate Law, which is enforced by the Mexican courts and to the Federal Labor Law enforced by the Labor Courts. In Mexico, we are also subject to the Foreign Investment Law and its regulations administered by the Ministry of Economy. We are required to register before the Mexican System for Business Information at the appropriate Business Chamber under the Organizations Law.

In Australia, our network marketing system is subject to Australia's federal and local regulations. Our global associate career and compensation plan is designed to comply with Australian law and the requirements of Australia's Trade Practices Act. The Australian Trade Practices Administration and various other governmental entities regulate our business and trade practices, as well as those of our independent associates. Australia's Therapeutic Goods Act, together with the Trade Practices Act, regulates any claims or representations relating to our products and our global associate career and compensation plan.

In New Zealand, our network marketing system and our operations are subject to regulations of the Commerce Commission and the Ministry of Health, New Zealand Medical Devices Safety Authority, the Unsolicited Goods Act of 1975, the Privacy Act of 1993, and the Fair Trading Act of 1993. These regulations enforce specific kinds of business or trade practices and regulate the general conduct of network marketing companies. The Commerce Commission also enforces the Consumer Guarantees Act, which establishes specific rights and remedies with respect to transactions involving the provisions of goods and services to consumers. Finally, the New Zealand Commerce Commission and the Ministry of Health both enforce the Door-to-Door Sales Act of 1967 and the NZ Medicines Act, which govern the conduct of our independent associates.

In Japan, our network marketing system, overall business operations, trade practices, global associate career and compensation plan, and our independent associates are governed by Japan's Door-to-Door Sales Law as enacted in 1976 by the Ministry of International Trade and Industry. Our global associate career and compensation plan is designed to meet Japan's governmental requirements. Our product claims are subject to the Pharmaceutical Affairs Law, which prohibits the making and publication of "drug effectiveness" claims regarding products that have not received approval from Japan's Ministry of Health, Welfare and Labor.

In Singapore, the network marketing industry is governed by the Multi-Level Marketing and Pyramid Selling (Prohibition) (Amendment) Act and the accompanying Pyramid Selling (Excluded Schemes and Arrangements) Order 2000 and Order 2001. General business practices and advertising are regulated under the Consumer Protection (Fair Trading) Act 2003, as amended, and its accompanying regulations. The products are classified as food and supplements of a food nature, which are governed by the Sale of Food Act and the Singapore Food Regulations. Cosmetics and products that rise to the level of medicinal and other health-related products are regulated under various regulations such as the Medicines Act, the Poisons Act, the Sale of Drugs Act, the Medicines (Advertisement and Sale) Act and the Misuse of Drug Regulations.

In the Republic of Korea, the primary body of law applicable to our operations is the Door-to-Door Sales Act, which governs the behavior of network marketing companies and affiliated distributors. The Door-to-Door Sales Act is enforced by the Fair Trade Commission. In the Republic of Korea, our products are categorized as health and functional foods and are regulated by the Health and Functional Food Act of 2004, with which the Company complies.

In Taiwan, our network marketing system, overall operations and trade practices are governed by the Fair Trade Law and the Consumer Protection Law. Such laws contain a wide range of provisions covering trade practices. Our products are governed by the Taiwan Department of Health and various legislation in Taiwan including the Health Food Control Act of 1999. This Act was enacted to enhance the management and supervision of matters relating to health, food, protecting the health of people and safeguarding the rights and interests of consumers.

In Hong Kong, our network marketing system, overall operations and trade practices are governed by a number of Ordinances including the Sale of Goods Ordinance, the Control of Exemption Clauses Ordinance, the Pyramid Schemes Prohibition Ordinance and the Personal Data (Privacy) Ordinance. Such Ordinances include a number of consumer protections (including data privacy) and regulate trading practices. Importation and registration of our products permitting their sale in Hong Kong are controlled by the Import and Export Ordinance and its subsidiary legislation, the Import and Export (Registration) Regulations.

In China, multi-level marketing is prohibited by the Regulation on the Prohibition of Pyramid Selling. While selling products via a direct sales channel is permitted, persons or entities conducting direct selling activities must have a direct selling license per the Regulation on the Administration of Direct Sales. In addition, under the Food Safety Law, most of our dietary supplements are not allowed to be sold in physical stores unless registered with the China Food Safety Administration. However, those products are allowed to be sold under a retail cross-border e-commerce model. Lastly, overall operations and trade practices are governed by the Consumer Protection Law and the Anti-Unfair Competition Law.

In the United Kingdom, our network marketing system is subject to national regulations of the United Kingdom. Our global associate career and compensation plan is designed to comply with the United Kingdom's national requirements, the requirements of the Fair Trading Act of 1973, the Data Protection Act of 1998, the Trading Schemes Regulations of 1997, and other similar regulations. The U.K. Code of Advertising and Sales Promotion regulates our business and trade practices and the activities of our independent associates, while the Trading Standards Office regulates any claims or representations relating to our operations. Our products are regulated by the Medicines and Healthcare Products Regulatory Agency.

In Denmark, the notion of door-to-door selling is prohibited. As a result, under Danish law, the trader is not allowed to contact the consumer at his home, place of work, or other non-public place in order to conclude a contract on certain subjects. However, the prohibition has an exemption when the consumer asks the trader for a contact in writing or upon written prior consent. In addition, the Danish Marketing Practices Act, the Guidelines from the Danish Consumer Ombudsman and the rules contained in the Danish Consumer Contracts Act govern our network marketing system. There is no requirement for pre-approval of our products in Denmark; however, our products are subject to a yearly inspection carried out by the Food authorities. Further, all our activities are subject to Self Inspection, the results of which are also controlled once a year by the Food authorities. The rules for marketing and sale of dietary supplements are covered by the Danish Executive Order on Food Supplements, as well as by the Danish Act on Foodstuffs and various EU-regulations. Denmark also subjects the marketing of a company's food supplements to a notification procedure (with a pre-market approval process for certain substances), before a product may be lawfully marketed in Denmark. Full product compliance with all Danish provisions is reviewed by the Food authorities once a year.

In Germany, there is no specific legal regulation covering network marketing company practices. However, under certain circumstances network marketing systems may have to follow the German Unfair Competition Act. Our independent associates' conduct is subject to the German statute that governs the conduct of a commercial agent. In addition, direct selling operations are governed by the Industrial Code, which requires direct sellers to hold itinerant trader's cards. The German Regulation on food supplements and the German Law on food and feed govern vitamin and mineral substances and herbs and other substances, respectively.

In Austria, the Austrian Trade Law of 1994 (Novelle 2002) prohibits the offer of direct sale to an individual consumer of food supplement and cosmetic products. The provision, however, has generally not been enforced in recent years and sales made via the Internet or mail order or made to a non-consumer distributor do not fall under this prohibition. The Austrian Trade Law is predominantly administered through the National Ministry of Economy and Labor. Our business operations within Austria are conducted from beyond the borders of Austria, which is the common practice in our industry. Our distributors qualify as "traders" for purposes of Austrian state and municipal laws. Traders are regulated by the local chambers of commerce and must obtain licenses from the respective chambers of commerce. Regulation of food supplements and cosmetics is generally harmonized throughout the EU and must conform to EU standards. Austrian-specific food regulations include the Food Safety and Consumer Protection Law (2006), supporting ordinances to this law, the Food Supplement Law, and the Austrian Food Codex, which is primarily administered by the National Ministry of Health, Office for Health and Food Security, and the Local Health Authority.

In Sweden, various provisions of the Consumer Sales Act (1990), the Marketing Practices Act (2008), the Distance and Doorstep Sales Act (2005), the Product Liability Act (1992), the Product Safety Act (2004), and the Companies Act (2005) all serve to govern our multi-level marketing and business activities. The Food Act (2006) provides regulations and guidelines for the sale of food and food supplements. We are subject to the authority of the Swedish Consumer Office, the Swedish Companies Registration Office, the Swedish Tax Office, Swedish Customs, Medical Products Agency, and the National Food Administration. As in all EU countries various EU regulations and guidelines apply.

In the Netherlands, the Food and Consumer Product and the Unfair Trade Practices Act are the most relevant legislations relating to our business practices. The first is enforced by the Food and Consumer Product Safety Authority and the latter is enforced by the Consumer Authority. Furthermore, various EU regulations apply as well as the Dutch Door to Door Selling Act, and all provisions of the Dutch Civil Code with particular emphasis to those regulations dealing with general terms and conditions, and those regarding misleading advertising.

Norway exercises a border control of products and their composition upon importation. Import products must be registered in an Import Reporting Registry, and the regulations are enforced by the customs authorities. Our products must be compliant with Norwegian regulations in order to be admitted for admission through customs into Norway. In Norway Door-to-Door Selling is allowed, provided the Guidelines from the Norwegian Consumer Agency are followed. Likewise, telephone-selling is allowed provided the agency's guidelines are followed. Home-selling in Norway is also allowed. All of our sales in Norway are subject to a 14-day right to cancel by the consumers.

In the Czech Republic, there are no specific regulations or special legislation that limit the network marketing industry. Network marketing is considered to be a specific form of general sale and is generally subject to various provisions of the Business Code (Act. Nr. 513/1992 Coll.), Civil Code (Act. Nr. 40/1964 Coll.), Labor Code (Act. No. 262/2006 Coll.), Trade License Act (Act. Nr. 455/1991 Coll.), Consumer Protection Act (Act. Nr. 634/1992 Coll.) and related legislation. The status of independent contractor/sales distributor is primarily regulated by the Trade License Act (Act. Nr. 455/1991 Coll), which requires sales distributors to maintain a trade license. Additionally, the regulation of food supplements is harmonized throughout the EU and, therefore, the supplements must conform to the EU standards. Enforcement of Czech-specific regulations is undertaken by the Ministry of Health, National Institute of Public Health, State Institute of Drug Control and the Czech Agriculture and Food Inspection Authority.

In Estonia, there are no specific regulations governing the network marketing business, but the business is generally regulated under the Consumer Protection Act. Also, independent distributors are required to register as sole proprietors with the Tax and Customs Board before entry into associate agreements. Mannatech must also comply with various EU regulations. The Veterinary and Food Board also enforces local legislation including Estonia Food Act and Medicine Act.

In Finland, the Finnish Food Act, the Finnish Food Packaging and Consumer Protection Acts, Act on Unfair Business Practice Act, Decrees and other regulations, as well as applicable EU regulations, regulate Mannatech products, product information, and the way Mannatech promotes its products. Additionally, certain principals applicable to multi-level marketing under the Money Collection Act (255/2006) apply to Mannatech's activities. Lastly, persons engaged in the manufacture, commission of manufacture or import of food supplements, must submit a written notification to the Finnish Food Safety Authority when marketing and selling in Finland. A notification is also required when the composition of preparation changes in terms of characteristics of substances or the preparation is withdrawn from the market.

In the Republic of Ireland, the primarily relevant legislation is the Consumer Protection Act of 2007, the Distance Selling Regulations Act of 2001, and the codes of practice of the Direct Selling Association of Ireland and the Advertising Standards Authority for Ireland. There is no equivalent in Irish law to the UK Trading Schemes Regulations, but the Direct Selling Association of Ireland codes, while not as prescriptive, contain many similar requirements. Lastly, the regulation of food and food supplements are generally harmonized throughout the EU and must conform to EU standards.

In Spain, our network marketing system, overall operations, and trade practices are governed by the Retail Trade Act and the Spanish Consumers Act. Such laws contain a wide range of provisions covering trade practices, including multi-level marketing, pyramid sales, warranties and product liability. While regulation of food supplements and cosmetics is generally harmonized throughout the EU and must conform to EU standards, the Spanish Agency for Medicines and Health Products oversees cosmetics and the Spanish Agency for Consumer Affairs, Food Safety and Nutrition oversees food supplements.

In South Africa, the Consumer Affairs Act 1988, the Competition Act 1998, and the Advertising Standards Authority Code of Advertising Practice (a voluntary code enforced by the media) govern business practices. The products are classified as complementary medicines for which there are no specific regulations. The Foodstuffs, Cosmetics and Disinfectants Act 1972, and the Medicines and Related Substances Act 1965 currently apply.

Other Regulations. Our operations are also subject to a variety of other regulations, including:

- social security taxes;
- value-added taxes;
- goods and services taxes;
- sales taxes;
- consumption taxes;
- income taxes;
- customs duties;
- employee/independent contractor regulations;
- employment, service pay, retirement pay, and profit sharing requirements;
- import/export regulations;
- federal securities laws; and
- antitrust laws.

In many markets, we are limited by the types of rules we can impose on our independent associates, including rules in connection with cooling off periods and termination criteria. If we do not comply with these requirements, we may be required to pay social security, unemployment benefits, workers' compensation, or other tax or tax-type assessments on behalf of our independent associates and may incur severance obligations if we terminate one of our independent associates.

In some countries, including the United States, we are also governed by regulations concerning the activities of our independent associates. Regulators may find that we are ultimately responsible for the conduct of our independent associates and may request or require that we take additional steps to ensure that our independent associates comply with these regulations. The types of conduct governed by these types of regulations may include:

- claims made about our products;
- promises or claims of income or other promises or claims by our independent associates; and
- sales of products in markets where the products have not been approved or licensed.

In some markets, including the United States, improper product claims by independent associates could result in our products being overly scrutinized by regulatory authorities. This review could result in our products being re-classified as drugs or classified into another product category that requires stricter regulations or labeling changes.

We continuously research and monitor the laws governing the conduct of our independent associates, our operations, our global associate career and compensation plan, and our products and sales aids within each of the countries in which we sell our products. We provide education for our independent associates regarding acceptable business conduct in each market through our policies and procedures, seminars, and other training materials and programs. However, we cannot guarantee that our independent associates will always abide by our policies and procedures and/or act in a professional and consistent manner.

Competition

Other Nutritional Supplement Companies. The nutritional supplement industry is steadily gaining momentum and is intensely competitive. Our current direct competitors selling similar nutritional products include:

- AdvoCare International
- GNC Holdings, Inc.;
- Herbalife Ltd.;
- Nature's Sunshine Products, Inc.;
- NOW Foods;
- Nu Skin Enterprises, Inc.;
- Reliv' International, Inc;
- Solgar Vitamin and Herb Company, Inc.;
- Swanson Health Products;
- Usana Health Sciences, Inc.; and
- Vitamin Shoppe Industries, Inc.

Network Marketing. Nutritional supplements are offered for sale in a variety of ways. Network marketing has a limited number of individuals interested in participating in the industry, and we must compete for those types of individuals. We believe network marketing is the best sales approach to sell our products for the following reasons:

- our products can be introduced into the global marketplace at a much lower up-front cost than through conventional methods;
- our key ingredients and differential components found in our proprietary products can be better explained through network marketing;
- the network marketing approach can quickly and easily adapt to changing market conditions;
- consumers appreciate the convenience of ordering from home, through a sales person, by telephone, or on the Internet; and
- network marketing enables independent associates to earn financial rewards.

We compete with other direct selling and network marketing companies for new independent associates and for retention of continuing independent associates. Some of our competitors have longer operating histories, are better known, or have greater financial resources. These companies include:

- Amway Corporation;
- Forever Living Products, Inc.;
- Herbalife International, Inc.;
- Mary Kay, Inc.;
- Nature's Sunshine Products, Inc.;
- Nu Skin Enterprises, Inc.;
- Shaklee Worldwide; and
- Usana Health Sciences, Inc.

The availability of independent associates decreases when other network marketing companies successfully recruit and retain independent associates for their operations. We believe we can successfully compete for independent associates by emphasizing the following:

- our exclusive, proprietary blend of high-quality products;
- our 24 year track record in the business of selling nutritional products;
- our model which does not require our independent associates to carry inventory or accounts receivable;
- our unique and financially rewarding global associate career and compensation plan;
- our innovative marketing and educational tools; and
- our easy and convenient delivery system.

Employees

At December 31, 2017 and 2016, we employed 252 and 290 people, respectively, as set forth below:

	2017	2016
Americas	162	185
Asia/Pacific	79	80
EMEA	11	25
Total	**252**	**290**

	2017	2016
Full-time employees	250	281
Part-time employees	2	9
Total	**252**	**290**

These numbers do not include our independent associates, who are independent contractors and are not employees.

Item 1A. Risk Factors

In addition to the other risks described in this report, the following risk factors should be considered in evaluating our business and future prospects:

1. If we are unable to attract and retain independent associates, our business may suffer.

Our future success depends largely upon our ability to attract and retain a large active base of independent associates and preferred customers. We cannot give any assurances that the number of our independent associates will continue at their current levels or increase in the future. Several factors affect our ability to attract and retain independent associates and preferred customers, including:

- on-going motivation of our independent associates;
- general economic conditions;
- significant changes in the amount of commissions paid;
- public perception and acceptance of the wellness industry;
- public perception and acceptance of network marketing;
- public perception and acceptance of our business and our products, including any negative publicity;
- the limited number of people interested in pursuing network marketing as a business;
- our ability to provide proprietary quality-driven products that the market demands; and
- competition in recruiting and retaining independent associates.

2. The loss of key high-level independent associate leaders could negatively impact our associate growth and our revenue.

As of December 31, 2017, we had approximately 215,000 active independent associates and preferred customer positions held by individuals who purchased our products within the last 12 months, of which 116 occupied the highest associate levels under our global compensation plan. These independent associate leaders are important in maintaining and growing our revenue. As a result, the loss of a high-level independent associate or a group of leading associates in the independent associates' networks of downlines, whether by their own choice or through disciplinary actions by us for violations of our policies and procedures, could negatively impact our associate growth and our revenue.

3. Changes to our associate compensation arrangements could be viewed negatively by some independent associates, could cause failure to achieve desired long-term results and have a negative impact on revenue.

Our associate compensation plan includes components that differ from market to market. We modify components of our compensation plan from time to time in an attempt to remain competitive and attractive to existing and potential independent associates including such modifications:

- to address changing market dynamics;
- to provide incentives to independent associates that are intended to help grow our business;
- to conform to local regulations; and
- to address other business needs.

We launched the first phase of a new associate compensation plan in July 2017 and will make adjustments to the plan as part of the second phase in 2018. The 2017 Associate Compensation Plan was designed to stimulate business growth and development for our active business-building associates and to maximize the buying experience for our preferred customers. In doing so, the Company hopes to better utilize commission dollars to stimulate Company growth. The 2017 Associate Compensation Plan provides revised income streams, new leadership levels and titles, and modified various volume requirements for our associates. Because of the size of our associate force and the complexity of our compensation plans, it is difficult to predict how independent associates will view such changes and whether such changes will negatively impact our revenue and profitability.

4. An increase in the amount of commissions and incentives paid to independent associates reduces our profitability.

The payment of commissions and incentives, including bonuses and prizes, is our most significant expense. Together, our commissions and incentives range approximately from 39% to 43% of our consolidated net sales. We closely monitor the amount of commissions and incentives as a percentage of net sales, and may periodically adjust our compensation plan to better manage these costs. There can be no assurance that changes to the compensation plan will be successful in achieving target levels of commissions and incentives as a percentage of net sales and preventing these costs from having a significant adverse effect on our earnings. Furthermore, such changes may make it difficult to attract and retain independent associates or cause us to lose some of our existing independent associates.

5. The loss of key management personnel could adversely affect our business.

We depend on the continued services of our executive officers and senior management team as they work closely with independent associate leaders and are responsible for our day-to-day operations. Our success depends in part on our ability to retain our executive officers, to compensate our executive officers at attractive levels, and to continue to attract additional qualified individuals to our management team. Although we have entered into employment agreements with certain senior executive officers, and do not believe that any of them are planning to leave or retire in the near term, we cannot assure that our senior executive officers or members of our senior management team will remain with us. The loss or limitation of the services of any of our executive officers or members of our senior management team, including our regional and country managers, or the inability to attract additional qualified management personnel could have a material adverse effect on our business, financial condition, results of operations, or independent associate relations.

6. If government regulations regarding network marketing change or are interpreted or enforced in a manner adverse to our business, we may be subject to new enforcement actions and material limitations regarding our overall business model.

Network marketing is always subject to extensive governmental regulations, including foreign, federal, and state regulations. Any change in legislation and regulations could affect our business. Furthermore, significant penalties could be imposed on us for failure to comply with various statutes or regulations. Violations may result from:

- ambiguity in statutes;
- regulations and related court decisions;
- the discretion afforded to regulatory authorities and courts interpreting and enforcing laws; and
- new regulations or interpretations of regulations affecting our business.

On January 4, 2018, The Federal Trade Commission (the "FTC") issued "Business Guidance Concerning Multi-Level Marketing" a non-binding guidance in question-and-answer format clarifying the FTC's enforcement position regarding multi-level marketing. The guidance focuses on the characteristics of multi-level marketing and delineates the factors that the FTC staff is likely to consider in assessing whether or not a compensation structure is problematic. The FTC has broad enforcement authority and while it issues guidance on how it interprets the applicable law, that guidance is not ultimately binding on the FTC. As a result, the FTC could decide to investigate or bring an enforcement action regarding practices that we interpret to be in line with applicable law and/or FTC guidance. For example, the FTC has challenged the distributor compensation plans used by other multi-level-marketing companies over the last few years. The FTC obtained consent decrees with those companies requiring those companies to (i) discontinue using all, or certain components of, their compensation plans; and (ii) implement a compensation plan that received prior approval from the FTC. While we prioritize ensuring that our business and compensation model are compliant, we cannot be certain that the FTC or similar regulatory body in another country, will not modify or otherwise amend its guidance, laws, or regulations or interpret in the same way that would render our current practices inconsistent with the same.

7. Independent associates could fail to comply with our associate policies and procedures or make improper product, compensation, marketing or advertising claims that violate laws or regulations, which could result in claims against us that could harm our financial condition and operating results.

We sell our products worldwide to a sales force of independent associates. The independent associates are independent contractors and, accordingly, we are not in a position to provide the same direction, motivation, and oversight as we would if associates were our own employees. As a result, there can be no assurance that our associates will participate in our marketing strategies or plans, accept our introduction of new products, or comply with our associate policies and procedures. All independent associates sign a written contract and agree to adhere to our policies and procedures, which prohibit associates from making false, misleading or other improper claims regarding products or income potential from the distribution of the products. However, independent associates may from time to time, without our knowledge and in violation of our policies, create promotional materials or otherwise provide information that does not accurately describe our marketing program. There is a possibility that some jurisdictions could seek to hold us responsible for independent associate activities that violate applicable laws or regulations, which could result in government or third party actions or fines against us, which could harm our financial condition and operating results.

8. We may be held responsible for certain taxes or assessments relating to the activities of our independent associates, which could harm our financial condition and operating results.

Our independent associates are subject to taxation and, in some instances, legislation or governmental agencies impose an obligation on us to collect taxes, such as value added taxes, and to maintain appropriate tax records. In addition, we are subject to the risk in some jurisdictions of being responsible for social security and similar taxes with respect to our distributors. In the event that local laws and regulations require us to treat our independent distributors as employees, or if our distributors are deemed by local regulatory authorities to be our employees, rather than independent contractors, we may be held responsible for social security and related taxes in those jurisdictions, plus any related assessments and penalties, which could harm our financial condition and operating results.

9. Challenges by private parties to the form of our network marketing system could harm our business.

We may be subject to challenges by private parties, including our independent associates and preferred customers, to the form of our network marketing system or elements of our business. In the United States, the network marketing industry and regulatory authorities have relied on the implementation of distributor rules and policies designed to promote retail sales to protect consumers, prevent inappropriate activities, and distinguish between legitimate network marketing distribution plans and unlawful pyramid schemes. We have adopted rules and policies based on case law, rulings of the FTC, discussions with regulatory authorities in several states, and domestic and global industry standards. As a member of the U.S. Direct Selling Association (the "DSA"), we are required to adhere to a code of ethics that protects our associates and their customers, and ensures all DSA members remain accountable to regulators, consumers, independent distributors, and the public. Legal and regulatory requirements concerning network marketing systems, however, involve a high level of subjectivity, are inherently fact-based, and are subject to judicial interpretation. Because of this, we can provide no assurance that we would not be harmed by the application or interpretation of statutes or regulations governing network marketing, particularly in any civil challenge by a current or former independent associate or preferred customer.

10. If our network marketing activities do not comply with government regulations, our business could suffer.

Many governmental agencies regulate our network marketing activities. A government agency's determination that our business or our independent associates have significantly violated a law or regulation could adversely affect our business. The laws and regulations for network marketing intend to prevent fraudulent or deceptive schemes. Our business faces constant regulatory scrutiny due to the interpretive and enforcement discretion given to regulators, periodic misconduct by our independent associates, adoption of new laws or regulations, and changes in the interpretation of new or existing laws or regulations.

In addition, in the past, and because of the industry in which we operate, we have experienced inquiries regarding specific independent associates.

11. If we violate governmental regulations or fail to obtain necessary regulatory approvals, our operations could be adversely affected.

Our operation is subject to extensive laws, governmental regulations, administrative determinations, court decisions, and similar constraints at the federal, state, and local levels in our domestic and foreign markets. These regulations primarily involve the following:

- the formulation, manufacturing, packaging, labeling, distribution, importation, sale, and storage of our products;
- the health and safety of dietary supplements, cosmetics and foods;
- trade practice laws and network marketing laws;
- our product claims and advertising by our independent associates;
- our network marketing system;
- pricing restrictions regarding transactions with our foreign subsidiaries or other related parties and similar regulations that affect our level of foreign taxable income;
- the assessment of customs duties;
- further taxation of our independent associates, which may obligate us to collect additional taxes and maintain additional records; and
- export and import restrictions.

Any unexpected new regulations or changes in existing regulations could significantly restrict our ability to continue operations, which could adversely affect our business. For example, changes regarding health and safety and food and drug regulations for our nutritional products could require us to reformulate our products to comply with such regulations.

On November 14, 2017, we received a Warning Letter from the FDA citing improper claims for our BOUNCEBACK® supplement and labeling issues pertaining to other products. We sent our response to the FDA on December 5, 2017 noting that we removed the problematic claims from our websites and provided revised renderings of the cited product labels. We believe this response meets the concerns raised by the FDA and do not anticipate further action.

In some foreign countries, nutritional products are considered foods, while other countries consider them drugs. Future health and safety or food and drug regulations could delay or prevent our introduction of new products or suspend or prohibit the sale of existing products in a given country or marketplace. In addition, if we expand into other foreign markets, our operations or products could also be affected by the general stability of such foreign governments and the regulatory environment relating to network marketing and our products. If our products are subject to high customs duties, our sales and competitive position could suffer as compared to locally produced goods. Furthermore, import restrictions in certain countries and jurisdictions could limit our ability to import products from the United States.

12. Increased regulatory scrutiny of nutritional supplements as well as new regulations that are being adopted in some of our markets with respect to nutritional supplements could result in more restrictive regulations and harm our results if our supplements or advertising activities are found to violate existing or new regulations or if we are not able to effect necessary changes to our products in a timely and efficient manner to respond to new regulations.

There has been an increasing movement in the United States and other markets to increase the regulation of dietary supplements, which could impose additional restrictions or requirements on us and increase the cost of doing business. The FDA created the Office of Dietary Supplements ("ODSP") on December 21, 2015. The creation of this new office elevates the FDA's program from its previous status as a division under the Office of Nutrition and Dietary Supplements. ODSP will continue to monitor the safety of dietary supplements.

In several of our markets, new regulations have been adopted, or are likely to be adopted, in the near-term that will impose new requirements, make changes in some classifications of supplements under the regulations, or limit the claims we can make. In addition, there has been increased regulatory scrutiny of nutritional supplements and marketing claims under existing and new regulations. In Europe, for example, we are unable to market supplements that contain ingredients that have not been previously marketed in Europe without going through an extensive registration and approval process. Europe is also expected to adopt additional regulations in the future to set new limits on acceptable levels of nutrients. South Africa has also implemented new "complementary medicine" legislation, which requires a significant dossier in order to register current and new products. Mannatech is working toward complying with the new legislation and is in contact with the Direct Selling Association in South Africa. In August 2016, the FDA published its revised draft guidance on Dietary Supplements: New Dietary Ingredient Notifications and Related Issues. If a company sells a dietary supplement containing an ingredient that FDA considers either not a dietary ingredient or a new dietary ingredient ("NDI") that needs an NDI notification, the agency may threaten or initiate enforcement against the Company. For example, it might send a warning letter that can trigger consumer lawsuits, demand a product recall, or even work with the Department of Justice to bring a criminal action. Our operations could be harmed if new guidance or regulations require us to reformulate products or effect new registrations, if regulatory authorities make determinations that any of our products do not comply with applicable regulatory requirements, if the cost of complying with regulatory requirements increases materially, or if we are not able to effect necessary changes to our products in a timely and efficient manner to respond to new regulations. In addition, our operations could be harmed if governmental laws or regulations are enacted that restrict the ability of companies to market or distribute nutritional supplements or impose additional burdens or requirements on nutritional supplement companies.

13. If we are unable to protect the proprietary rights of our products, our business could suffer.

Our success and competitive position largely depends on our ability to protect the following proprietary rights:

- our Ambrotose® complex, a glyconutritional dietary supplement ingredient consisting of a blend of monosaccharides, or sugar molecules, used in the majority of our products;
- the MTech AO Blend® formulation, our proprietary antioxidant technology used in the Ambrotose AO® complex; and
- a compound used in our reformulated Advanced Ambrotose® complex that allows for a more potent concentration of the full range of mannose-containing polysaccharides occurring naturally in aloe.

We have filed patent applications for the technology relating to our Ambrotose®, Ambrotose AO®, PhytoMatrix®, NutriVerus™, PhytoBurst®, and GI-ProBalance® products in the United States and certain foreign countries. As of December 31, 2017, we had 11 patents for the technology relating to our Ambrotose formulation, two of which were issued in the United States and the remainder of which were issued, granted, and validated in 9 foreign jurisdictions. In addition, we have entered into confidentiality agreements with our independent associates, suppliers, manufacturers, directors, officers, and consultants to help protect our proprietary rights. Nevertheless, we continue to face the risk that our pending patent applications for our products may not issue or that the patent protection granted is more limited than originally requested. As a precaution, we consult with outside legal counsel and consultants to help ensure that we protect our proprietary rights. However, our business, profitability, and growth prospects could be adversely affected if we fail to receive adequate protection of our proprietary rights.

Although several patents pertaining to Ambrotose® technology have expired, Mannatech continues to actively explore additional patent protection of its technology and pursue expanded patent protection strategies. Our Ambrotose® product formulation has proprietary elements and we have contractual arrangements with certain suppliers affording us exclusive access to certain ingredients in those formulations. We have a number of pending patent applications for additional protection of Ambrotose®-related technology. Four of these patents have already issued, and the remaining patent applications are at various stages of processing, depending on the timeline of each market's patent offices.

Most of our patents for the Ambrotose AO®, GI-ProBalance®™, PhytoMatrix®, NutriVerus™, and PhytoBlend® formulations and our patents in the field of biomarker assays do not expire for another seven or more years.

14. Our inability to develop and introduce new products that gain independent associate, preferred customer, and market acceptance could harm our business.

A critical component of our business is our ability to develop new products that create enthusiasm among our independent associates and preferred customers. If we are unable to introduce new products, our independent associate productivity could be harmed. In addition, if any new products fail to gain market acceptance, are restricted by regulatory requirements or have quality problems, this would harm our results of operations. Factors that could affect our ability to continue to introduce new products include, among others, government regulations, the inability to attract and retain qualified research and development staff, the termination of third-party research and collaborative arrangements, proprietary protections of competitors that may limit our ability to offer comparable products, and the difficulties in anticipating changes in consumer tastes and buying preferences.

15. Our failure to appropriately respond to changing consumer preferences and demand for new products or product enhancements could significantly harm our relationship with independent associates and preferred customers, our product sales, as well as our financial condition and operating results.

Our business is subject to changing consumer trends and preferences, including rapid and frequent changes in demand for products, new product introductions, and enhancements. Our failure to accurately predict these trends could negatively impact consumer opinion of our products, which in turn could harm our independent associate and preferred customer relationships and cause the loss of sales. The success of our new product offerings and enhancements depends upon a number of factors, including our ability to:

- accurately anticipate consumer needs;
- innovate and develop new products or product enhancements that meet these needs;
- successfully commercialize new products or product enhancements in a timely manner;
- price our products competitively;
- manufacture and deliver our products in sufficient volumes and in a timely manner; and
- differentiate our product offerings from those of our competitors.

If we do not introduce new products or make enhancements to meet the changing needs of our independent associates and preferred customers in a timely manner, some of our products could be rendered obsolete, which could negatively impact our revenues, financial condition, and operating results.

16. If our outside suppliers and manufacturers fail to supply products in sufficient quantities and in a timely fashion, our business could suffer.

Outside manufacturers make all of our products. Our profit margins and timely product delivery are dependent upon the ability of our outside suppliers and manufacturers to supply us with products in a timely and cost-efficient manner. Our ability to enter new markets and sustain satisfactory levels of sales in each market depends on the ability of our outside suppliers and manufacturers to provide required levels of ingredients and products and to comply with all applicable regulations. As a precaution, we have approved alternate suppliers and manufacturers for our products. However, the failure of our primary suppliers or manufacturers to supply ingredients or produce our products could adversely affect our business operations.

We believe we have dependable suppliers for all of our ingredients and we have identified alternative sources for all of our ingredients, except Arabinogalactan. Due to the unique nature of Arabinogalactan, an important component used in the formulation of our Ambrotose ® complex, we are unable to identify an alternative supplier at this time. If our suppliers are unable to perform, any delay in replacing or substituting such ingredients could affect our business.

17. The loss of suppliers or shortages of raw materials could have an adverse effect on our business, financial condition, or results of operations.

We depend on outside suppliers for raw materials. Our contract manufacturers acquire all of the raw materials for manufacturing our products from third-party suppliers. In the event we were to lose any significant suppliers and have trouble in finding or transitioning to alternative suppliers, it could result in product shortages or product back orders, which could harm our business. There can be no assurance that suppliers will be able to provide our contract manufacturers the raw materials in the quantities and at the appropriate level of quality that we request or at a price that we are willing to pay. We are also subject to delays caused by any interruption in the production of these materials including weather, crop conditions, climate change, transportation interruptions and natural disasters or other catastrophic events.

18. If we are exposed to product liability claims, we may be liable for damages and expenses, which could affect our overall financial condition.

We could face financial liability from product liability claims if the use of our products results in significant loss or injury. We can make no assurances that we will not be exposed to any substantial future product liability claims. Such claims may include claims that our products contain contaminants, that we provide our independent associates and consumers with inadequate instructions regarding product use, or that we provide inadequate warnings concerning side effects or interactions of our products with other substances. We believe that we, our suppliers, and our manufacturers maintain adequate product liability insurance coverage. However, a substantial future product liability claim could exceed the amount of insurance coverage or could be excluded under the terms of an existing insurance policy, which could adversely affect our overall future financial condition.

In recent years a discovery of Bovine Spongiform Encephalopathy, ("BSE"), which is commonly referred to as "Mad Cow Disease", has caused concern among the general public. As a result, some countries have banned the importation or sale of products that contain bovine materials sourced from locations where BSE has been identified. We have changed the vast majority of our capsules to a vegetable base. However, if a vegetable base is not available or practical for use, certifications are required to ensure the capsule material is BSE-free. The higher costs could affect our financial condition, results of operations, and our cash flows.

19. Concentration Risk

A significant portion of our revenue is derived from our Ambrotose ®, Advanced Ambrotose®, Manapol®, PLUS™ products and TruHealth™ products. A decline in sales value of such products could have a material adverse effect on our earnings, cash flows, and financial position. Revenue from these products were as follows for the years ended December 31, 2017 and 2016 *(in thousands, except percentages)*:

	2017		2016	
	Sales by product	**% of total net sales**	**Sales by product**	**% of total net sales**
Advanced Ambrotose®	$ 52,592	29.8%	$ 55,863	31.0%
TruHealth™	16,652	9.4%	9,220	5.1%
Manapol® Powder	11,183	6.3%	2,153	1.2%
Ambrotose®	8,459	4.8%	10,196	5.7%
PLUS ™	7,461	4.2%	7,935	4.4%
Total	**$ 96,347**	**54.5%**	**$ 85,367**	**47.4%**

Our business is not currently exposed to customer concentration risk given that no independent associate has ever accounted for more than 10% of our consolidated net sales.

20. If we incur substantial liability from litigation, complaints, or enforcement actions or incur liabilities or penalties resulting from misconduct by our independent associates, our financial condition could suffer.

Routine enforcement actions and complaints are common in our industry. Although we believe we fully cooperate with regulatory agencies and use various means to address misconduct by our independent associates, including maintaining policies and procedures to govern the conduct of our independent associates and conducting training seminars, it is still difficult to detect and correct all instances of misconduct. Violations of our policies and procedures by our independent associates could lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or foreign regulatory authorities against us and/or our independent associates in each country. Because we have expanded into foreign countries, our policies and procedures for our independent associates differ depending on the different legal requirements of each country in which an independent associate does business. Any future litigation, complaints, and enforcement actions involving us and/or our independent associates could consume considerable amounts of financial and other corporate resources, which could have a negative impact on our business, profitability, and growth prospects.

21. The global nutrition and skin care industries are intensely competitive and the strengthening of any of our competitors could harm our business.

The global nutrition and skin care industries are intensely fragmented and competitive. We compete for independent associates with other network marketing companies outside the global nutrition and skin care industries. Many of our competitors have greater name recognition and financial resources, which may give them a competitive advantage. Our competitors may also be able to devote greater resources to marketing, promotional, and pricing campaigns that may influence our continuing and potential independent associates and preferred customers to buy products from competitors rather than from us. Such competition could adversely affect our business and current market share.

22. A downturn in the economy could affect consumer purchases of discretionary items such as the health and wellness products that we offer, which could have an adverse effect on our business, financial condition, profitability, and cash flows.

We appeal to a wide demographic consumer profile and offer a broad selection of health and wellness products. A downturn in the economy could adversely impact consumer purchases of discretionary items such as health and wellness products. In past years, the United States and global economies slowed dramatically as a result of a variety of problems, including turmoil in the credit and financial markets, concerns regarding the stability and viability of major financial institutions, the state of the housing markets, and volatility in worldwide stock markets. In the event of such economic downturn, the U.S. and global economies could become significantly challenged in a recessionary state for an indeterminate period of time. These economic conditions could cause many of our existing and potential associates to delay or reduce purchases of our products for some time, which in turn could harm our business by adversely affecting our revenues, results of operations, cash flows and financial condition. We cannot predict these economic conditions or the impact they would have on our consumers or business.

23. If our international markets are not successful, our business could suffer.

We currently sell our products in the international markets of Canada, Mexico, Colombia, Austria, the Czech Republic, Denmark, Estonia, Finland, Germany, the Republic of Ireland, Namibia, Netherlands, Norway, South Africa, Spain, Sweden, the United Kingdom, Australia, Japan, New Zealand, the Republic of Korea, Singapore, Taiwan, Hong Kong and China. We operate in China on a non-direct selling business model instead of our traditional network marketing model. In China, multi-level marketing is prohibited by the Prohibition of Pyramid Selling and direct selling without a license is prohibited by the Regulation on the Administration of Direct Sales. Our international operations could experience changes in legal and regulatory requirements, as well as difficulties in adapting to new foreign cultures and business customs. If we do not adequately address such issues, our international markets may not meet growth expectations. Our international operations and future expansion plans are subject to political, economic, and social uncertainties, including:

- inflation;
- the renegotiation or modification of various agreements;
- increases in custom duties and tariffs;
- changes and limits in export controls;
- complex U.S. and foreign laws, treaties and regulations, including without limitation, tax laws, the U.S. Foreign Corrupt Practices Act ("FCPA"), and the Bribery Act of 2010 ("U.K. Anti-Bribery Act);
- trademark availability and registration issues;
- changes in exchange rates;
- changes in taxation;
- wars, civil unrest, acts of terrorism and other hostilities;
- political, economic, and social conditions;
- changes in the perception of network marketing; and
- risk of our independent associates offering business opportunities in China.

The risks outlined above could adversely affect our ability to sell products, obtain international customers, or to operate our international business profitably, which would have a negative impact on our overall business and results of operations. Furthermore, any negative changes in our distribution channels may force us to invest significant time and money related to our distribution and sales to maintain our position in certain international markets.

24. Adverse or negative publicity could cause our business to suffer.

Our business depends, in part, on the public's perception of our integrity and the safety and quality of our products. Any adverse publicity could negatively affect the public's perception about our industry, our products, or our reputation and could result in a significant decline in our operations and/or the number of our independent associates. Specifically, we are susceptible to adverse or negative publicity regarding:

- the nutritional supplements industry;
- skeptical consumers;
- competitors;
- the safety and quality of our products and/or our ingredients;
- regulatory investigations of our products or our competitors' products;
- the actions of our independent associates;
- the direct selling/network marketing industry; and
- scandals within the industries in which we operate.

25. If our information technology system fails or if the implementation of new information technology systems is not executed efficiently and effectively, our business, financial position, and our operating results could be adversely affected.

Like many companies, our business is heavily dependent upon our information technology infrastructure to effectively manage and operate many of our key business functions, including:

- order processing;
- supply chain management;
- customer service;
- product distribution;
- commission processing;
- cash receipts and payments; and
- financial reporting.

These systems and operations are vulnerable to damage and interruption from fires, earthquakes, telecommunications failures, and other events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Although we maintain an extensive security system and business continuity program that was developed under the guidelines published by the National Institute of Standards of Technology, a long-term failure or impairment of any of our information technology systems could adversely affect our ability to conduct day-to-day business.

Occasionally information technology systems must be upgraded or replaced and if this system implementation is not executed efficiently and effectively, the implementation may cause interruptions in our primary management information systems, which may make our website or services unavailable thereby preventing us from processing transactions, which would adversely affect our financial position or operating results.

The regulatory climate for data privacy and protection continues to grow in scope and complexity both domestically and in the international markets in which we operate. Although there is no single federal law in the United States imposing a cross-sectoral data breach notification obligation, virtually every state has enacted breach notification requirements. Additionally, many of the international countries in which we operate have proposed or enacted laws or regulations on the appropriate use and disclosure of financial and personal data. Currently, there is proposed draft regulation in Canada that, if adopted, will require companies based in Canada that experience a data breach to provide information to the Office of the Privacy Commission of Canada and to record data breaches. The European Union ("EU") adopted the General Data Protection Regulation ("GDPR") on April 27, 2016. The GDPR goes into effect on May 25, 2018. The GDPR applies to organizations based in the EU and organizations based outside of the EU that offer products or services to individuals in the EU or that otherwise monitor individuals in the EU. While U.S. state laws generally cover specific categories of sensitive personal data (e.g., social security numbers, bank account numbers, and credit card numbers), the GDPR notification requirements will apply to incidents involving any personal data, meaning any data related to an identified person. Our failure or inability to comply with data protection regimes domestically and in foreign countries could result in fines, penalties, injunctions, or material litigation expenditures.

With increased frequency in recent years, cyber-attacks against companies have resulted in breaches of data security. Our business requires the storage and transmission of suppliers' data and our independent associates' and customers' personal, credit card, and other confidential information. Our information technology systems are susceptible to a growing and evolving threat of cybersecurity risk. Any substantial compromise of our data security, whether externally or internally, or misuse of associate, customer, or employee data, could cause considerable damage to our reputation, cause the public disclosure of confidential information, and result in lost sales, significant costs, and litigation, which would negatively affect our financial position and results of operations. Although we maintain policies and processes surrounding the protection of sensitive data, which we believe to be adequate, there can be no assurances that we will not be subject to such claims in the future.

26. Taxation and transfer pricing affect our operations and we could be subjected to additional taxes, duties, interest, and penalties in material amounts, which could harm our business.

As a multinational corporation, in many countries, including the United States, we are subject to transfer pricing and other tax regulations designed to ensure that our intercompany transactions are consummated at prices that have not been manipulated to produce a desired tax result, that appropriate levels of income are reported as earned by the local entities, and that we are taxed appropriately on such transactions. Regulators closely monitor our corporate structure, intercompany transactions, and how we effectuate intercompany fund transfers. If regulators challenge our corporate structure, transfer pricing methodologies or intercompany transfers, our operations may be harmed and our effective tax rate may increase. Scrutiny has increased with the advent of the OECD Base Erosion and Profit Shifting project.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act ("Act"). The estimated effects based upon current implementation of the Act have been incorporated into our financial results. As additional data is prepared and analyzed and as additional clarification and implementation is issued on the new tax law, it may be necessary to adjust the provisional amounts. Any adjustments could have a material impact on our profitability. In addition, there is a risk that states and foreign jurisdictions may amend their tax laws in response to the Act, which could have a material impact on our future results. Our existing tax structure was designed prior to this legislation. Under the Act, our future taxes might be higher, which may have a material impact on our profitability.

We are subject to income taxes in the U.S. and numerous international jurisdictions. Our income tax provision and cash tax liability in the future could be adversely affected by changes in earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws and the discovery of new information in the course of our tax return preparation process. We are also subject to ongoing tax audits. These audits can involve complex issues, which may require an extended period of time to resolve and can be highly judgmental. Tax authorities may disagree with certain tax reporting positions taken by us and, as a result, assess additional taxes against us. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. The amounts ultimately paid upon resolution of these or subsequent tax audits could be materially different from the amount previously included in our income tax provision, and, therefore, could have a material impact on our profitability.

27. Currency exchange rate fluctuations could reduce our overall profits.

For the year ended December 31, 2017, we recognized 72.2% of net sales in markets outside of the United States and 63.7% in markets outside of the Americas. For the year ended December 31, 2016, we recognized 70.5% of net sales in markets outside of the United States and 61.1% in markets outside of the Americas. In preparing our consolidated financial statements, we are required to translate certain financial information from foreign currencies to the United States dollar using either the spot rate or the weighted-average exchange rate. If the United States dollar changes relative to applicable local currencies, there is a risk our reported sales, operating expenses, and net income could significantly fluctuate. For example, while our 2017 net sales declined 3.3% on a Constant dollar basis (see Item 7, *Non-GAAP Financial Measures*), favorable foreign exchange caused a $2.3 million increase in GAAP net sales as compared to 2016. In other words, sales would have been $2.3 million lower, except for the impact of foreign exchange. There can be no assurance that foreign currency fluctuations will not have a material adverse effect on our business, assets, financial condition, liquidity, results of operations or cash flows. We are not able to predict the degree of exchange rate fluctuations, nor can we estimate the effect any future fluctuations may have upon our future operations. To date, we have not entered into any hedging contracts or participated in any hedging or derivative activities.

28. Our stock price is volatile and may fluctuate significantly.

The price of our common stock is subject to sudden and material increases and decreases. Decreases could adversely affect investments in our common stock. The price of our common stock and the price at which we could sell securities in the future could significantly fluctuate in response to:

- broad market fluctuations and general economic conditions;
- fluctuations in our financial results;
- future securities offerings;
- changes in the market's perception of our products or our business, including false or negative publicity;
- governmental regulatory actions;
- the outcome of any lawsuits;
- financial and business announcements made by us or our competitors;
- the demand and daily trading volume of our shares;
- the general condition of the industry; and
- the sale of large amounts of stock by insiders.

In addition, the stock market has experienced extreme price and volume fluctuations in recent years that have significantly affected the quoted prices of the securities of many companies. The changes sometimes appear to occur without regard to specific operating performance. The price of our common stock in the open market could fluctuate based on factors that have little or nothing to do with us or that are outside of our control. For example, general economic conditions, such as recession or interest rate or currency rate fluctuations in the United States or abroad, could negatively affect the market price of our common stock in the future.

29. Certain shareholders, directors, and officers own a significant amount of our stock, which could allow them to influence corporate transactions and other matters.

As of December 31, 2017, our directors and executive officers collectively with their families and affiliates, beneficially owned approximately 17.9% of our total outstanding common stock. As a result, if two or more of these shareholders choose to act together based on their current share ownership, they may be able to control a significant percentage of the total outstanding shares of our common stock, which could affect the outcome of a shareholder vote on the election of directors, the adoption of stock option plans, the adoption or amendment of provisions in our articles of incorporation and bylaws, or the approval of mergers and other significant corporate transactions.

30. We have implemented anti-takeover provisions that may help discourage a change of control.

Certain provisions in our articles of incorporation, bylaws, and the Texas Business Organizations Code help discourage unsolicited proposals to acquire our Company, even if the proposal may benefit our shareholders. Our articles of incorporation authorize the issuance of preferred stock without shareholder approval. Our Board of Directors has the power to determine the price and terms of any preferred stock. The ability of our Board of Directors to issue one or more series of preferred stock without shareholders' approval could deter or delay unsolicited changes of control by discouraging open market purchases of our common stock or a non-negotiated tender or exchange offer for our common stock. Discouraging open market purchases may be disadvantageous to our shareholders who may otherwise desire to participate in a transaction in which they would receive a premium for their shares.

In addition, other provisions may also discourage a change of control by means of a tender offer, open market purchase, proxy contest or otherwise. Our charter documents provide for three classes of directors on our Board of Directors with members of each class serving staggered three year terms. Our bylaws provide that directors are elected by a plurality vote and that directors can only be removed for cause upon the affirmative vote of the holders of a majority of the issued and outstanding shares entitled to be cast for the election of such directors. Furthermore, our bylaws establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings. In addition, the Texas Business Organization Code restricts, subject to exceptions, business combinations with any "affiliated shareholder." Any or all of these provisions could delay, deter or help prevent a takeover of our Company and could limit the price investors are willing to pay for our common stock.

31. Our failure to comply with the NASDAQ Global Select Market continued listing standards may adversely affect the price and liquidity of our shares of common stock as well as our ability to raise capital in the future.

Our common stock is currently listed on the NASDAQ Global Select Market. Continued listing of a security on Nasdaq is conditioned upon compliance with various continued listing standards. There can be no assurance that we will continue to satisfy the requirements for maintaining listing on Nasdaq. If we are unsuccessful in maintaining compliance with the continued listing requirements of Nasdaq, then our common stock could be delisted. If our common stock is delisted and we cannot obtain listing on another major market or exchange, our common stock's liquidity would suffer, and we would likely experience reduced investor interest. Such factors may result in a decrease in our common stock's trading price. Delisting may also restrict us from issuing additional securities or securing financing.

As of the date of issuance of this report, we were in compliance with the continued listing requirements. However, we cannot assure you that we will be successful in continuing to meet all requisite continued listing criteria.

32. We are not required to pay dividends, and our Board of Directors may decide not to declare dividends in the future.

The declaration of dividends on our common stock is solely within the discretion of our Board of Directors, subject to limitations under Texas law stipulating that dividends may not be paid if payment therefore would cause the corporation to be insolvent or if the amount of the dividend would exceed the surplus of the corporation. Our Board of Directors may decide not to declare dividends or we could be prevented from declaring a dividend because of legal or contractual restrictions. The failure to pay dividends could reduce our stock price.

33. We rely upon our existing cash balances and cash flow from operations to fund our business and meet our contractual obligations. In the event that we do not generate adequate cash flow from operations, we will need to raise money through a debt or equity financing, if available, or curtail operations.

The adequacy of our cash resources to continue to meet our future operational needs depends, in large part, on our ability to increase product sales and/or reduce operating costs and some of these costs are fixed contractual obligations. As of December 31, 2017 and 2016, cash and cash equivalents held in bank accounts in foreign countries totaled $30.6 million and $27.5 million, respectively.

We maintain supply agreements with our suppliers and manufacturers. Certain of our supply agreements contain exclusivity clauses for the supply of certain raw materials and products, some of which are conditioned upon compliance with minimum purchase requirements. One of our supply agreements, under which the supplier provides us with certain aloe vera-based products, requires us to purchase products in an aggregate amount of $14.9 million through 2020. Failure to satisfy minimum purchase requirements could result in the loss of exclusivity, which could adversely affect our business.

If we are unsuccessful in generating positive cash flow from operations, we could exhaust our available cash resources and be required to secure additional funding through a debt or equity financing, transfer cash in a manner that could be taxed, significantly scale back our operations, and/or discontinue many of our activities, which could negatively affect our business and prospects. Additional funding may not be available or may only be available on unfavorable terms.

34. The reduced disclosure requirements applicable to us as a "smaller reporting company" may make our common stock less attractive to investors.

We are a "smaller reporting company" as defined in Rule 12b-2 of the Exchange Act. As a smaller reporting company we prepare and file SEC forms similar to other SEC reporting companies; however, the information disclosed may differ and be less comprehensive. If some investors find our common stock less attractive as a result of less comprehensive information we may disclose pursuant to the exemptions available to us as a smaller reporting company, there may be a less active trading market for our common stock and our stock price may be more volatile than that of an otherwise comparable company that does not avail itself of the same or similar exemptions.

Circumstances and conditions may change. Accordingly, additional risks and uncertainties not currently known, or that we currently deem not material, may also adversely affect our business operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease property at several locations for our headquarters and distribution facilities, including:

Location	Size	Expiration date
Flower Mound, Texas (corporate headquarters)	52,992 sq. feet	April 2028
Coppell, Texas (distribution center)	75,000 sq. feet[1]	March 2018
Coppell, Texas	110,000 sq. feet	March 2018
St. Leonards, Australia (Australian headquarters)	850 sq. meters[2]	December 2018
Shibuya-ku, Tokyo, Japan (Japanese headquarters)	150 Tsubos[3]	September 2019
Chuo-ku, Osaka, Japan (Japanese training center)	73 Tsubos[4]	August 2020
Gangnam-gu, Seoul, Korea (Republic of Korea headquarters)	718 Pyong[5]	June 2018
Seo-gu, Daejun, Korea (Regional center)	113 Pyong[6]	June 2018
Haewoondae-gu, Busan, Korea (Pusan training center)	191 Pyong[7]	March 2019
Incheon, South Korea (Incheon training center)	218 Pyong[8]	April 2019
Seoul, South Korea (office)	99 Pyong[9]	June 2018
Taipei, Taiwan (Taiwan headquarters)	172 Pings[10]	February 2020
Kaohsiung, Taiwan (Taiwan training center)	102 Pings[11]	June 2020
Zug, Switzerland (Switzerland headquarters)	680 sq. meters[12]	— [19]
Tsim Sha Tsui, Kowloon, Hong Kong (office)	4,334 sq. feet	June 2019
Hengqin, Zhuhai, China (office)	677 sq. feet	November 2018
Tianhe, Guangzhou, China (office)	355 sq. feet	July 2018
Richmond, BC (Canada training center)	1,963 sq. feet	September 2022
Markham, ON (office)	1,714 sq. feet	September 2019
Bedfordview, South Africa (office)	383 sq. meters[13]	— [20]
Guadalajara, Mexico (Mexico headquarters)	389 sq. meters[14]	March 2020
Mexico City, Mexico (customer service center)	123 sq. meters[15]	August 2018
Monterrey, Mexico (office)	149.16 sq. meters[16]	June 2018
Tuxtla, Mexico (office)	23.76 sq. meters[17]	October 2018
Colima, Mexico (office)	68 sq. meters[18]	January 2019
Singapore (meeting center)	1,098 sq. feet	September 2018
Bogota, Columbia (office)	700 sq. feet	— [19]

[1] The Company subleases a majority of this space to Integrated Distribution and Logistics Direct, LLC, which provides warehousing and distribution services.
[2] Approximately 9,150 square feet & subleases 2,153 sq. ft. to Morrison Design Partnership.
[3] Approximately 5,338 square feet.
[4] Approximately 2,598 square feet.
[5] Approximately 25,549 square feet.
[6] Approximately 4,021 square feet.
[7] Approximately 6,796 square feet.
[8] Approximately 7,757 square feet.
[9] Approximately 3,523 square feet.
[10] Approximately 6,119 square feet.
[11] Approximately 3,629 square feet.
[12] Approximately 7,320 square feet.
[13] Approximately 4,123 square feet.
[14] Approximately 4,187 square feet.
[15] Approximately 1,324 square feet.
[16] Approximately 1,606 square feet.
[17] Approximately 256 square feet.
[18] Approximately 732 square feet.
[19] Renewable annually.
[20] Renewable monthly.

To maximize our operating strategy and minimize costs, we contract with third-party distribution and fulfillment facilities in our three regions: (i) the Americas, (ii) EMEA and (iii) Asia/Pacific. By entering into these third-party distribution facility agreements, our offices maintain flexible operating capacity, minimize shipping costs, and are able to process an order within 24-hours after order placement and receipt of payment.

Item 3. Legal Proceedings

See Note 12 to our Consolidated Financial Statement, *Litigation*, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market for Our Common Stock **.** On February 12, 1999, we completed our initial public offering. Our common stock is currently trading on Nasdaq under the symbol "MTEX." As of February 28, 2018, we had an aggregate of 2,719,271 shares of our common stock outstanding and the closing price on such date was $13.85. Below are the high and low closing prices of our common stock as reported on the Nasdaq for each quarter of the fiscal years ended December 31, 2017 and 2016:

2017:	Low	High
First Quarter	$ 15.00	$ 20.35
Second Quarter	$ 13.10	$ 16.61
Third Quarter	$ 14.00	$ 16.65
Fourth Quarter	$ 13.61	$ 15.00

2016:	Low	High
First Quarter	$ 16.85	$ 24.33
Second Quarter	$ 18.58	$ 22.88
Third Quarter	$ 16.64	$ 20.59
Fourth Quarter	$ 16.25	$ 21.85

Holders. As of February 28, 2018, there were 1,475 shareholders of record.

Dividends. During the year ended December 31, 2017, the Company declared and paid dividends on its outstanding common stock amounting to an aggregate of $1.4 million. During the year ended December 31, 2016, the Company declared and paid dividends on its outstanding common stock amounting to an aggregate of $0.7 million.

Recent Sales of Unregistered Securities. None.

Uses of Proceeds from Registered Securities. None.

Issuer Purchases of Equity Securities.

The following information is provided pursuant to Item 703 of Regulation S-K:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs[a]	Dollar value of shares that may yet be purchased [b] (in thousands)
October 1, 2017 - October 31, 2017	—	$ —	—	$ 19,584
November 1, 2017 - November 30, 2017	—	$ —	—	19,584
December 1, 2017 - December 31, 2017	5,551	$ 14.72	5,551	19,502
Total	**5,551**		**5,551**	

[a] We have an ongoing authorization, originally approved by our Board of Directors on August 28, 2006, and subsequently reactivated by our Board of Directors in August of 2016, to repurchase up to $0.5 million (of the original $20.0 million authorization) in shares of our common stock in the open market. In December of 2017, our Board of Directors reactivated an additional $0.5 million (of the original $20.0 million authorization) in shares of our common stock to be repurchased in the open market.

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

Item 6. Selected Financial Data

Not applicable for a Smaller Reporting Company

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist in the understanding of our consolidated financial position and our results of operations for each of the two years ended December 31, 2017 and 2016. This discussion should be read in conjunction with "Item 15. – Consolidated Financial Statements and related notes," beginning on page F-1 of this report and with other financial information included elsewhere in this report. Unless stated otherwise, all financial information presented below, throughout this report, and in the consolidated financial statements and related notes includes Mannatech and all of our subsidiaries on a consolidated basis. Refer to the *Non-GAAP Financial Measure* section herein for a description of how Constant dollar ("Constant dollar") growth rate (a Non-GAAP financial metric) is determined.

COMPANY OVERVIEW

Mannatech is a global wellness solution provider, which was incorporated and began operations in November 1993. We develop and sell innovative, high quality, proprietary nutritional supplements, topical and skin care and anti-aging products, and weight-management products that target optimal health and wellness. We currently sell our products in three regions: (i) the Americas (the United States, Canada, Colombia and Mexico); (ii) Europe/the Middle East/Africa ("EMEA") (Austria, the Czech Republic, Denmark, Estonia, Finland, Germany, the Republic of Ireland, Namibia, the Netherlands, Norway, South Africa, Spain, Sweden and the United Kingdom); and (iii) Asia/Pacific (Australia, Japan, New Zealand, the Republic of Korea, Singapore, Taiwan, Hong Kong, and China).

On July 1, 2017, we revised our 2017 Associate Compensation Plan, which was designed to stimulate business growth and development for our active business building associates and to maximize the buying experience for our preferred customers. In doing so, the Company hopes to better utilize commission dollars to stimulate Company growth. The 2017 Associate Compensation Plan provides revised income streams, new leadership levels and titles, and modified various volume requirements for our associates. In addition, the 2017 Associate Compensation Plan re-designated members as preferred customers and modified their pricing structure.

We conduct our business as a single reporting segment and primarily sell our products through a network of approximately 215,000 active associates and preferred customer positions held by individuals that had purchased our products and/or packs or paid associate fees during the last 12 months, who we refer to as *current associates and preferred customers*. New pack sales and the receipt of new associate fees in connection with new positions in our network are leading indicators for the long-term success of our business. New associate or preferred customer positions are created in our network when our associate fees are paid or packs and products are purchased for the first time under a new account. We operate as a seller of nutritional supplements, topical and skin care and anti-aging products, and weight-management products through our network marketing distribution channels operating in 25 countries and direct e-commerce retail in China. We review and analyze net sales by geographical location and by packs and products on a consolidated basis. Each of our subsidiaries sells similar products and exhibits similar economic characteristics, such as selling prices and gross margins.

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

Current Economic Conditions and Recent Developments

Overall net sales decreased $3.6 million, or 2.0%, for 2017, as compared to 2016. While our 2017 net sales declined $5.9 million, or 3.3%, on a Constant dollar basis (see Non-GAAP Measures, below), favorable foreign exchange caused a $2.3 million increase in GAAP net sales as compared to 2016.

Our operations outside of the Americas accounted for approximately 63.7% and 61.1% of our consolidated net sales for 2017 and 2016, respectively.

The net sales comparisons for the year ended December 31, 2017 and December 31, 2016 were primarily affected by our 2017 Associate Compensation Plan, which was strategically designed to de-emphasize the importance of pack sales in order to stay current and competitive with industry changes.

In connection with the 2017 Associate Compensation Plan, pack sales have been replaced with associate fees for the United States, Canada, South Africa, Japan, Australia, New Zealand, Singapore, Hong Kong, and Taiwan. Associate fees, which an associate must pay annually in order to be entitled to earn commissions, benefits and incentives in these regions, now average approximately $50 annually (which may vary across geographic markets). Pack sales had an average value of $197 during fiscal year 2017 before we implemented the 2017 Associate Compensation Plan. As we roll out associate fees (and replace pack sales) across our remaining markets, we expect to see a decrease in future sales volumes from pack sales. However, actual results may vary from our expectations.

As a result of this aforementioned change associated with implementing the 2017 Associate Compensation Plan, pack sales (as well as other revenue metrics related to packs) decreased relative to comparative periods. The number of packs sold to, and associate fees paid by, new and continuing independent associates and preferred customers decreased 16.5% during 2017 to approximately 104,600 as compared to 125,300 during 2016. In addition, average pack value decreased by $77, to $136 for the year ended December 31, 2017, as compared to $213 for the same period in 2016.

The number of product orders decreased 4.1% during the year ended December 31, 2017 to approximately 942,300 as compared to 982,600 during the same period in 2016. This decrease was partially offset by a $16 increase in the average product order sale, to $182 for the year ended December 31, 2017, as compared to $166 for the same period in 2016.

Excluding the effects due to the translation of foreign currencies into U.S. dollars, net sales would have decreased $5.9 million for 2017. These adjusted net sales expressed in Constant dollars are a non-GAAP financial measure discussed in further detail below.

RESULTS OF OPERATIONS

Year Ended December 31, 2017 compared to Year Ended December 31, 2016

The tables below summarize our consolidated operating results in dollars and as a percentage of net sales for the years ended December 31, 2017 and 2016 *(in thousands, except percentages)*.

	2017		2016		Change	
	Total Dollars	% of net sales	Total dollars	% of net sales	Dollar	Percentage
Net sales	**$ 176,696**	**100.0 %**	**$ 180,304**	**100.0 %**	**$ (3,608)**	**(2.0)%**
Cost of sales	35,667	20.2 %	36,564	20.3 %	(897)	(2.5)%
Gross profit	**141,029**	**79.8 %**	**143,740**	**79.7 %**	**(2,711)**	**(1.9)%**
Operating expenses:						
Commissions and incentives	74,550	42.2 %	74,215	41.2 %	335	0.5 %
Selling and administrative expenses	35,470	20.1 %	37,217	20.6 %	(1,747)	(4.7)%
Depreciation and amortization	1,864	1.0 %	1,898	1.0 %	(34)	(1.8)%
Other operating costs	26,626	15.1 %	29,749	16.5 %	(3,123)	(10.5)%
Total operating expenses	138,510	78.4 %	143,079	79.4 %	(4,569)	(3.2)%
Income from operations	**2,519**	**1.4 %**	**661**	**0.4 %**	**1,858**	**281.1 %**
Interest income	274	0.2 %	174	0.1 %	100	57.5 %
Other (expense), net	(333)	(0.2)%	(1,790)	(1.0)%	1,457	81.4 %
Income (Loss) before income taxes	**2,460**	**1.4 %**	**(955)**	**(0.5)%**	**3,415**	**357.6 %**
Income tax benefit (provision)	(4,247)	(2.4)%	369	0.2 %	(4,616)	(1,250.9)%
Net loss	**$ (1,787)**	**(1.0)%**	**$ (586)**	**(0.3)%**	**$ (1,201)**	**(204.9)%**

Non-GAAP Financial Measures

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

	2017		2016	Constant $ Change	
	GAAP Measure: Total $	Non-GAAP Measure: Constant $	GAAP Measure: Total $	Dollar	Percent
Net sales	176.7	174.4	$ 180.3	(5.9)	(3.3)%
Product	157.9	155.8	148.6	7.2	4.8 %
Pack and associate fees[a]	14.2	14.0	26.7	(12.7)	(47.6)%
Other	4.6	4.6	5.0	(0.4)	(8.0)%
Gross profit	141.0	139.2	143.7	(4.5)	(3.1)%
Income from operations	2.5	1.9	0.7	1.2	171.4 %

[a]Coincident with the introduction of the 2017 Associate Compensation Plan, which was implemented on July 1, 2017, the Company collects associate fees, which each associate pays to the Company annually in order to be entitled to earn commissions, benefits and incentives for that year. The Company collected associate fees within the United States, Canada, South Africa, Japan, Australia, New Zealand, Singapore, Hong Kong, and Taiwan during the year ended December 31, 2017. Prior to the change, associates purchased packs that were bundles of products within these respective geographic markets. Since implementing the 2017 Associate Compensation Plan, total associate fees represented an immaterial amount of total sales.

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

Consolidated net sales by region for the years ended December 31, 2017 and 2016 were as follows *(in millions, except percentages)*:

	2017		2016	
Americas	$ 64.2	36.3%	$ 70.2	38.9%
Asia/Pacific	98.8	55.9%	96.2	53.4%
EMEA	13.7	7.8%	13.9	7.7%
Total	**$ 176.7**	**100.0%**	**$ 180.3**	**100.0%**

Net Sales

Overall net sales decreased by $3.6 million, or 2.0%, for 2017, as compared to 2016. For the year ended December 31, 2017, our operations outside of the Americas accounted for approximately 63.7% of our consolidated net sales, whereas in the same period in 2016, our operations outside of the Americas accounted for approximately 61.1% of our consolidated net sales.

Sales for the Americas decreased by $6.0 million, or 8.5%, to $64.2 million for 2017 as compared to $70.2 million for the same period in 2016. This decrease was primarily due to a 5.1% decrease in revenue per active independent associate and preferred customer and a 6.9% decline in the number of active independent associates and preferred customers. During the year ended December 31, 2017, the loyalty program in the Americas increased sales by $0.2 million, as compared to the same period in 2016.

During 2017, Asia/Pacific sales increased by $2.6 million, or 2.7%, to $98.8 million as compared to $96.2 million for 2016. This increase was primarily due to a 10.3% increase in revenue per active independent associate and preferred customer and a 2.4% increase in the number of active independent associates and preferred customers. During the year ended December 31, 2017, the loyalty program in Asia/Pacific decreased sales by $0.7 million, as compared to the same period in 2016. Foreign currency exchange had the effect of increasing revenue by $1.5 million for the year ended December 31, 2017, as compared to the same period in 2016. The currency impact is primarily due to the strengthening of the Korean Won, Australian Dollar, and Taiwanese Dollar, which was partially offset by the weakening of the Japanese Yen.

During 2017, EMEA sales decreased by $0.2 million, or 1.4%, to $13.7 million as compared to $13.9 million for 2016. This decrease was primarily due to a 13.1% decrease in revenue per active independent associate and preferred customer, which was partially offset by a 5.3% increase in the number of active independent associates and preferred customers. During the year ended December 31, 2017, the loyalty program in EMEA increased net sales by $0.1 million. Foreign currency exchange had the effect of increasing revenue by $0.8 million when the year ended December 31, 2017 is compared to the same period in 2016. The currency impact is primarily due to the strengthening of the South African Rand, which was partially offset by the weakening of the British Pound.

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

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

Our sales mix for the years ended December 31, was as follows *(in millions, except percentages)*:

			Change	
	2017	2016	Dollar	Percentage
Consolidated product sales	$ 157.9	$ 148.6	$ 9.3	6.3 %
Consolidated pack sales and associate fees[a]	14.2	26.7	(12.5)	(46.8)%
Consolidated other, including freight	4.6	5.0	(0.4)	(8.0)%
Total consolidated net sales	**$ 176.7**	**$ 180.3**	**$ (3.6)**	**(2.0)%**

[a]Coincident with the introduction of the 2017 Associate Compensation Plan, which was implemented on July 1, 2017, the Company collects associate fees, which each associate pays to the Company annually in order to be entitled to earn commissions, benefits and incentives for that year. The Company collected associate fees within the United States, Canada, South Africa, Japan, Australia, New Zealand, Singapore, Hong Kong, and Taiwan during the year ended December 31, 2017. Prior to the change, associates purchased packs that were bundles of products within these respective geographic markets. Since implementing the 2017 Associate Compensation Plan, total associate fees represented an immaterial amount of total sales.

Product Sales

Our product sales are made to independent associates and preferred customers at published wholesale prices. Product sales for the year ended December 31, 2017 increased by $9.3 million, or 6.3%, to $157.9 million, as compared to $148.6 million for the same period in 2016. The increase in product sales was primarily due to an increase in average order size. The average order value in 2017 was $182, as compared to $166 for the same period in 2016. The number of orders processed during the year ended December 31, 2017 decreased by 4.1% as compared to the same period in 2016.

Pack Sales and Associate Fees

As a result of the 2017 Associate Compensation Plan, which was implemented on July 1, 2017, the Company now collects associate fees in lieu of selling packs in certain markets. Associate fees are paid annually by new and continuing associates to the Company, which entitle them to earn commissions, benefits and incentives for that year. The Company collected associate fees in lieu of pack sales within the United States, Canada, South Africa, Japan, Australia, New Zealand, Singapore, Hong Kong, and Taiwan during the year ended December 31, 2017. Prior to the change, pack sales represented sales of packs that were bundles of products within these respective geographic markets. Since implementing the 2017 Associate Compensation Plan, total associate fees for these respective geographic markets represented an immaterial amount of total sales. In order to stay current and competitive with the industry changes, the 2017 Associate Compensation Plan was strategically designed to deemphasize the importance of pack sales. As such, over the course of the next year, we will seek to replace pack sales with associate fees in all of our geographic markets.

In markets other than the United States, Canada, South Africa, Japan, Australia, New Zealand, Singapore, Hong Kong, and Taiwan, packs may still be purchased by our associates who wish to build a Mannatech business. We also do not collect associate fees or sell packs in our non-direct selling business in mainland China. These packs contain products that are discounted from both the published retail and associate prices. There are several pack options available to our associates. In certain of these markets, pack sales are completed during the final stages of the registration process and can provide new associates with valuable training and promotional materials, as well as products for resale to retail customers, demonstration purposes, and personal consumption. Business-building associates in these markets can also purchase an upgrade pack, which provides the associate with additional promotional materials, additional products, and eligibility for additional commissions and incentives.

The dollar amount of pack sales and associate fees associated with new and continuing independent associate positions held by individuals in our network was as follows, for the years ended December 31 (*in millions, except percentages):*

			Change	
	2017	2016	Dollar	Percentage
New	$ 6.7	$ 11.8	$ (5.1)	(43.2)%
Continuing	7.5	14.9	(7.4)	(49.7)%
Total	**$ 14.2**	**$ 26.7**	**$ (12.5)**	**(46.8)%**

Total pack sales and associate fees for the year ended December 31, 2017 decreased by $12.5 million, or 46.8%, to $14.2 million, as compared to $26.7 million for the same period in 2016 as the number of packs sold decreased by 16.5%. Also, the average pack value for the year ended December 31, 2017 was $136, as compared to $213 for the same period in 2016.

During 2017 and 2016, we took the following actions to help increase the number of independent associates and preferred customers:

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

The approximate number of active new and continuing active associates and preferred customers who purchased our packs or products or paid associate fees during the twelve months ended December 31 was as follows:

	2017		2016	
New	96,000	44.7%	103,000	46.4%
Continuing	119,000	55.3%	119,000	53.6%
Total	**215,000**	**100.0%**	**222,000**	**100.0%**

Other Sales

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

For the year ended December 31, 2017, other sales decreased by $0.4 million, or 8.0%, to $4.6 million, as compared to $5.0 million for the same period in 2016. The decrease was primarily due to a decrease in freight revenues, which was partially offset by an increase in event fees.

Gross Profit

For the year ended December 31, 2017, gross profit decreased by $2.7 million, or 1.9%, to $141.0 million, as compared to $143.7 million for the same period in 2016. Gross profit as a percentage of net sales increased to 79.8% for 2017, as compared to 79.7% for 2016. The increase in gross profit percentage was primarily due to favorable effects of foreign exchange and a change in sales mix towards products with a better margin.

Commission and Incentives

Commission expenses increased for the year ended December 31, 2017, by 1.1%, or $0.8 million to $71.3 million, as compared to $70.5 million for the same period in 2016. Commissions as a percentage of net sales were 40.4% for the year ending December 31, 2017 and 39.1% for the same period in the prior year. This increase was due to transition costs of adopting the 2017 Associate Compensation Plan on July 1, 2017 and transitioning away from the legacy associate compensation plan.

Incentive costs decreased for the year ended December 31, 2017 by 13.5%, or $0.5 million, to $3.2 million as compared to $3.7 million for the same period in 2016. The costs of incentives, as a percentage of net sales decreased to 1.8% for the year ended December 31, 2017, as compared to 2.1% for the same period in 2016.

Selling and Administrative Expenses

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

For the year ended December 31, 2017, overall selling and administrative expenses decreased by $1.7 million, or 4.7%, to $35.5 million, as compared to $37.2 million for the same period in 2016. The decrease in selling and administrative expenses consisted of a $1.5 million decrease in payroll related costs as we had a greater number of employees in the prior comparative period, a $0.2 million decrease in marketing costs, and a $0.4 million decrease in stock based compensation expense. These decreases were partially offset by a $0.4 million increase in warehouse costs as we expand our non-direct selling business in China.

Other Operating Costs

Other operating costs include accounting/legal/consulting fees, travel and entertainment expenses, credit card processing fees, off-site storage fees, utilities, bad debt, and other miscellaneous operating expenses.

For the year ended December 31, 2017, other operating costs decreased by $3.1 million, or 10.5%, to $26.6 million, as compared to $29.7 million for the same period in 2016. For the year ended December 31, 2017, other operating costs, as a percentage of net sales, were 15.1%, as compared to 16.5% for the same period in 2016. The decrease was due to a $1.2 million decrease in travel and entertainment costs, a $0.5 million decrease in legal and consulting fees, a $0.3 million decrease in office expenses, and a $0.2 million decrease in each of the following expense categories: bad debt expense, accounting and auditing fees, and research and development. In addition, the decrease was further caused by a $0.4 million impairment of internally developed software during the third quarter of 2016.

Depreciation and Amortization Expense

For each of the years ended December 31, 2017 and 2016, depreciation and amortization expense was $1.9 million.

Other Expense, net

Primarily due to foreign exchange gains, other expense was $0.3 million and $1.8 million for the years ending December 31, 2017 and 2016, respectively.

Provision for Income Taxes

Provision for income taxes include current and deferred income taxes for both our domestic and foreign operations. Our statutory income tax rates by jurisdiction are as follows, for the years ended December 31:

Country	2017	2016
Australia	30.0%	30.0%
Canada	26.5%	26.5%
Denmark	22.0%	22.0%
Japan	34.8%	35.4%
Mexico	30.0%	30.0%
Norway	24.0%	25.0%
Republic of Korea	22.0%	22.0%
Singapore	17.0%	17.0%
South Africa	28.0%	28.0%
Sweden	22.0%	22.0%
Switzerland	16.2%	16.2%
Taiwan	17.0%	17.0%
United Kingdom	19.3%	20.0%
United States	35.0%	35.0%
Cyprus	12.5%	12.5%
Hong Kong	16.5%	16.5%
Ukraine[1]	18.0%	18.0%
Gibraltar	10.0%	10.0%
Colombia	34.0%	34.0%
China[2]	25.0%	25.0%
Russia[3]	20.0%	20.0%

[1]On March 21, 2014, the Company suspended operations in the Ukraine, but maintains the legal entity, Mannatech Ukraine LLC.

[2]On February 24, 2016, the Company established a legal entity in China called Meitai Daily Necessity & Health Products Co., Ltd.

[3]On August 1, 2016, the Company established a legal entity in Russia called Mannatech RUS Ltd., but currently does not operate in Russia

Foreign Tax

Income from our international operations is subject to taxation in the countries in which we operate.

U.S. Tax

On December 22, 2017, President Trump signed into law H.R. 1/Public Law No. 115-97, “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018.” Pursuant to ASC 740-10-25-47, the effects of the new federal legislation are recognized upon enactment, which is the date the president signs a bill into law.

The Securities and Exchange Commission staff (“SEC Staff”) recognized that entities may not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting under ASC 740 for certain income tax effects of the Act in the reporting period that includes the date of enactment. SEC Staff issued guidance in Staff Accounting Bulletin No. 118 (or "SAB 118") to address this situation. SAB 118 provides that to the extent an entity can complete the income tax accounting effects of the Act, the completed amount is reported. To the extent the entity cannot complete the calculation for certain income tax effects of the Act, the entity may provide a reasonable estimate and report this provisional amount in the first reporting period in which the entity is able to make a reasonable estimate. If the entity is unable to make a reasonable estimate, then the entity will not report any provisional amounts and will continue to report the effects of the tax law in effect immediately prior to the Act. The measurement period begins in the period of enactment and ends when the entity has obtained, prepared, and analyzed the information needed to complete the accounting requirements under ASC 740; however, the measurement period should not extend beyond one year from the enactment date.

Following is a summary of the tax effects of the Act:

Corporate Tax Rate Change: The Act includes a decrease to the U.S. corporate income tax rate effective January 1, 2018, from 35 percent to 21 percent, which requires a re-measurement of deferred tax assets and liabilities pursuant to ASC 740-10-25-47. For the year ended December 31, 2017, Mannatech recorded deferred tax expense of $0.8 million as a provisional estimate related to revaluing its deferred tax assets and liabilities to the newly enacted tax rate.

Deemed Repatriation of Foreign Earnings ("Transition Tax"): The Act provides that a U.S. shareholder of a specified foreign corporation ("SFC") must include in gross income, at the end of the SFC's last tax year beginning before January 1, 2018, the U.S. shareholder's pro rata share of certain of the SFC's undistributed and previously untaxed post-1986 foreign earnings and profits and base the calculation on the greater of the Earnings and Profits ("E&P") as of November 2, 2017, or December 31, 2017. Mannatech has recorded a current tax expense of $1.7 million after foreign tax credits as a provisional estimate.

Global Intangible Low Taxed Income: The Act creates a requirement that certain income earned by controlled foreign corporations ("CFCs") must be included currently in the gross income of the CFC's U.S. shareholder. Global Intangible Low Tax Income ("GILTI") is the excess of the shareholder's net CFC tested income over the net deemed tangible income return ("the routine return"), which is defined as the excess of (1) 10 percent of the aggregate of the U.S. shareholder's pro rata share of the qualified business asset investment of each CFC with respect to which it is a U.S. shareholder over (2) the amount of certain interest expense taken into account in the determination of the net CFC-tested income.

A deduction is permitted to a domestic corporation in an amount equal to 50 percent of the sum of the GILTI inclusion and the amount treated as a dividend, subject to certain limitations. The GILTI provisions are effective for tax years beginning on or after January 1, 2018.

In Financial Accounting Standards Board ("FASB") staff Q&A Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, the FASB staff noted that Accounting Standards Codification ("ASC") 740 ("Topic 740"), *Income Taxes*, was not clear with respect to the appropriate accounting for GILTI, and accordingly, an entity may either: (1) elect to treat taxes on GILTI as period costs similar to special deductions, or (2) recognize deferred tax assets and liabilities when basis differences exist that are expected to affect the amount of GILTI inclusion upon reversal (the deferred method). Mannatech has not yet adopted an accounting policy related to GILTI.

Unremitted Foreign Earnings: For each of its foreign subsidiaries, the company makes an assertion regarding the amount of earnings intended for permanent reinvestment, with the balance available to be repatriated to the United States. The Tax Cuts and Jobs Act requires companies to pay a one-time transition tax on earnings of foreign subsidiaries, a majority of which were previously considered permanently reinvested by the company. It is the Company's intention to repatriate its previously taxed income ("PTI") of approximately $25 million, which is a provisional estimate as it includes the PTI generated from the Company's provisional estimate of the transition tax. In addition to the one-time transition tax, a deferred tax liability for withholding taxes of $1.3 million has been accrued on the estimated PTI at December 31, 2017, along with an offsetting deferred tax asset for the U.S. foreign tax credit that would be generated. The Company is currently evaluating the impact of the Act on its permanent reinvestment assertion for any remaining outside basis difference after considering the transition tax. The repatriation of incremental outside basis difference could result in an adjustment to the tax liability due to contributing factors such as withholding taxes, income taxes and the impact of foreign currency movements. As such, the company is still evaluating any remaining outside basis difference.

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

As of December 31, 2017 and 2016, we maintained or increased our valuation allowance for deferred tax assets in the following table *(in millions)*, as we believe the "*more likely than not*" criterion for recognition and realization purposes, as defined in Topic 740, cannot be met. The U.S. valuation allowance increased due to the carryover of foreign tax credits that we do not anticipate to utilize in future years.

Country	2017	2016
Colombia	$ 0.6	$ 0.3
Mexico	2.8	2.4
South Africa	0.1	—
Sweden	0.1	0.1
Switzerland	—	0.1
Taiwan	0.8	1.3
Ukraine	0.1	0.1
United Kingdom	0.1	—
United States	6.8	4.1
Other Jurisdictions	—	0.1
Total	**$ 11.4**	**$ 8.5**

For the years ended December 31, 2017 and 2016, the Company's effective tax rate was 172.7% and 38.7%, respectively. For 2017, the Company had a significant increase in its rate due to the impact of the Act. Items decreasing the effective income tax rate included the favorable rate difference from foreign jurisdictions, utilization of foreign tax credits against the transition tax, and certain tax reserve items removed due to expiration of applicable statute of limitations. Items increasing the effective income tax rate included transition tax, return to provision and prior year adjustments, and change in valuation allowance. For 2016, the Company had a tax benefit due to loss before income tax. Items decreasing the effective income tax rate included the favorable rate difference from foreign jurisdictions, return to provision adjustment, release of valuation allowances with respect to Switzerland and certain tax reserve items removed due to expiration of applicable statute of limitations. Items increasing the effective income tax rate included foreign exchange losses and "Subpart F income" resulting from controlled foreign corporation operations.

SEASONALITY

We believe the impact of seasonality on our consolidated results of operations is minimal. We have experienced and believe we will continue to experience variations on our quarterly results of operations in response to, among other things:

- the timing of the introduction of new products and incentives;
- our ability to attract and retain associates and preferred customers;
- the timing of our incentives and contests;
- the general overall economic outlook;
- government regulations;
- the outcome of certain lawsuits;
- the perception and acceptance of network marketing; and
- the consumer perception of our products and overall operations.

As a result of these and other factors, our quarterly results may vary significantly in the future. Period-to-period comparisons should not be relied upon as an indication of future performance since we can give no assurances that revenue trends in new markets, as well as in existing markets, will follow our historical patterns. The market price of our common stock may also be adversely affected by the above factors.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

As of December 31, 2017, our cash and cash equivalents increased by 31.4%, or $9.0 million, to $37.7 million from $28.7 million as of December 31, 2016. The Company is required to restrict cash for direct selling insurance premiums and credit card sales in the Republic of Korea. The current portion of restricted cash remained the same at $1.5 million at both December 31, 2017 and 2016. Fluctuations in currency rates produced an increase of $3.4 million in cash and cash equivalents in 2017 as compared to an increase of $1.5 million in 2016.

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

Working Capital

Working capital represents total current assets less total current liabilities. At December 31, 2017, our working capital increased by $2.0 million, or 9.6%, to $22.8 million from $20.8 million at December 31, 2016. The increase in working capital is primarily due to an increase in cash, offset by a decrease in inventory and an increase in taxes payable.

Net Cash Flows

Our net consolidated cash flows consisted of the following, for the years ended December 31 *(in millions)*:

Provided by / (used in):	**2017**	**2016**
Operating activities	$ 10.0	$ —
Investing activities	$ (1.3)	$ (2.3)
Financing activities	$ (3.1)	$ (2.5)

Operating Activities

Cash provided by operating activities increased by $10.0 million for the year ended December 31, 2017, as compared to the same period in 2016. For the year ended December 31, 2017, sources of cash include inventories, prepaid expenses, commissions and incentives payable, accounts payable, and taxes payable. During this period, uses of cash include deferred commissions, accounts receivable, restricted cash and accrued expenses.

Investing Activities

For the year ended December 31, 2017, our investing activities used cash of $1.3 million, as compared to cash used of $2.3 million for the same period of 2016. During the year ended December 31, 2017, we invested $1.1 million in computer hardware and software, $0.1 million for leasehold improvements and $0.1 million in office furniture and equipment. During the year ended December 31, 2016, we invested approximately $1.6 million in back-office software projects, approximately $0.6 million in leasehold improvements in various international offices and training centers, and approximately $0.1 in office furniture and equipment.

Financing Activities

For the year ended December 31, 2017, our financing activities used cash of $3.1 million compared to cash used of $2.5 million for the same period of 2016. For the year ended December 31, 2017, we used approximately $1.6 million in the repayment of capital lease obligations, $1.4 million in the payment of dividends to shareholders, and $0.2 million in the repurchase of common stock, which was partially offset by cash provided by the exercise of stock options. For the year ended December 31, 2016, we used cash of approximately $1.6 million to repay capital lease obligations, $0.7 million for payment of dividends to shareholders, and $0.3 million for the repurchase of common stock, which was partially offset by cash provided by the exercise of stock options.

General Liquidity and Cash Flows

Short Term Liquidity

We believe our existing liquidity and cash flows from operations are adequate to fund our normal expected future business operations for the next 12 months. As our primary source of liquidity is our cash flows from operations, this will be dependent on our ability to maintain and/or continue to improve revenue as compared to our operational expenses. However, if our existing capital resources or cash flows become insufficient to meet current business plans, projections, and existing capital requirements, we may be required to raise additional funds, which may not be available on favorable terms, if at all. As of December 31, 2017 and 2016, cash and cash equivalents held in bank accounts in foreign countries totaled $30.6 million and $27.5 million, respectively

We are engaged in ongoing audits in various tax jurisdictions and other disputes in the normal course of business. It is impossible at this time to predict whether we will incur any liability, or to estimate the ranges of damages, if any, in connection with these matters. Adverse outcomes on these uncertainties may lead to substantial liability or enforcement actions that could adversely affect our cash position. For more information, see Note 7 *Income Taxes* and Note 12 *Litigation* to our Consolidated Financial Statements.

Long Term Liquidity

We believe our cash flows from operations should be adequate to fund our normal expected future business operations and possible international expansion costs for the long term. As our primary source of liquidity is from our cash flows from operations, this will be dependent on our ability to maintain and and/or improve revenue as compared to operational expenses.

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

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

CONTRACTUAL OBLIGATIONS

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

	2018	2019	2020	2021	2022	Thereafter	Total
Capital lease obligations	$ 241	$ 78	$ 40	$ 28	$ 7	$ —	$ 394
Purchase obligations [1][2]	5,175	5,100	4,675	—	—	—	14,950
Operating leases	2,639	1,353	602	487	491	2,801	8,373
Note payable and other financing arrangements	831	—	—	—	—	—	831
Employment agreements	710	—	—	—	—	—	710
Royalty agreement	59	59	59	6	—	—	183
Tax liability [3]	—	—	—	—	—	166	166
Other obligations [4]	223	26	140	83	58	947	1,477
Total commitments and obligations	**$ 9,878**	**$ 6,616**	**$ 5,516**	**$ 604**	**$ 556**	**$ 3,914**	**$ 27,084**

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

[2]Excludes approximately $10.7 million of finished product purchase orders that may be canceled or with delivery dates that have changed as of December 31, 2017.

[3]Represents the tax liability associated with uncertain tax positions, see Note 7 to our Consolidated Financial Statements, *Income Taxes* to our consolidated financial statements.

(4)Other obligations are composed of pension obligations related to the Company's international operations (approximately $1.1 million) and lease restoration obligations (approximately $0.4 million).

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

OFF-BALANCE SHEET ARRANGEMENTS

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

MARKET RISKS

Please see “Quantitative and Qualitative Disclosure about Market Risk” under Item 7A of this Form 10-K for additional information about our Market Risks.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The application of GAAP requires us to make estimates and assumptions that affect the reported values of assets and liabilities at the date of our financial statements, the reported amounts of revenues and expenses during the reporting period, and the related disclosures of contingent assets and liabilities. We use estimates throughout our financial statements, which are influenced by management’s judgment and uncertainties. Our estimates are based on historical trends, industry standards, and various other assumptions that we believe are applicable and reasonable under the circumstances at the time the consolidated financial statements are prepared. Our Audit Committee reviews our critical accounting policies and estimates. We continually evaluate and review our policies related to the portrayal of our consolidated financial position and consolidated results of operations that require the application of significant judgment by our management. We also analyze the need for certain estimates, including the need for such items as allowance for doubtful accounts, inventory reserves, long-lived fixed assets and capitalization of internal-use software development costs, reserve for uncertain income tax positions and tax valuation allowances, revenue recognition, sales returns, and deferred revenues, accounting for stock-based compensation, and contingencies and litigation. Historically, actual results have not materially deviated from our estimates. However, we caution readers that actual results could differ from our estimates and assumptions applied in the preparation of our consolidated financial statements. If circumstances change relating to the various assumptions or conditions used in our estimates, we could experience an adverse effect on our financial position, results of operations, and cash flows. We have identified the following applicable critical accounting policies and estimates as of December 31, 2017:

Inventory Reserves

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

We also review inventory for obsolescence in a similar manner and any inventory identified as obsolete is reserved or written off. Our determination of obsolescence is based on assumptions about the demand for our products, product expiration dates, estimated future sales, and general future plans. We monitor actual sales compared to original projections, and if actual sales are less favorable than those originally projected by us, we record an additional inventory reserve or write-down. Historically, our estimates have been close to our actual reported amounts. However, if our estimates regarding inventory obsolescence are inaccurate or consumer demand for our products changes in an unforeseen manner, we may be exposed to additional material losses or gains in excess of our established estimated inventory reserves. At December 31, 2017 and 2016, our inventory reserves were $0.6 million and $0.4 million, respectively.

Long Lived Fixed Assets and Capitalization of Software Development Costs

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

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

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

Historically, our estimates and assumptions related to the carrying value and the estimated useful lives of our fixed assets have not materially deviated from actual results. As of December 31, 2017, the estimated useful lives and net carrying values of fixed assets are as follows:

	Estimated useful life	Net carrying value at December 31, 2017
Office furniture and equipment	5 to 7 years	$0.5 million
Computer hardware and software	3 to 5 years	2.3 million
Automobiles	3 to 5 years	—
Leasehold improvements[(1)]	2 to 10 years	0.7 million
Total net carrying value at December 31, 2017		**$3.5 million**

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

The net carrying costs of fixed assets and construction in progress are exposed to impairment losses if our assumptions and estimates of their carrying values change, there is a change in estimated future cash flow, or there is a change in the estimated useful life of the fixed asset. Based on management's analysis, no material impairments existed during the year ended December 31, 2017. During the year ended December 31, 2016, a $0.4 million impairment was recorded related to internally developed software.

Uncertain Income Tax Positions and Tax Valuation Allowances

As of December 31, 2017, we recorded $0.2 million in other long-term liabilities on our consolidated balance sheet related to uncertain income tax positions. As required by FASB ASC Topic 740, Income Taxes, we use judgments and make estimates and assumptions related to evaluating the probability of uncertain income tax positions. We base our estimates and assumptions on the potential liability related to an assessment of whether the income tax position will "*more likely than not"* be sustained in an income tax audit. We are also subject to periodic audits from multiple domestic and foreign tax authorities related to income tax and other forms of taxation. These audits examine our tax positions, timing of income and deductions, and allocation procedures across multiple jurisdictions. Depending on the nature of the tax issue, we could be subject to audit over several years. Therefore, our estimated reserve balances and liability related to uncertain income tax positions may exist for multiple years before the applicable statute of limitations expires or before an issue is resolved by the taxing authority. Additionally, we may be requested to extend the statute of limitations for tax years under audit. It is reasonably possible the tax jurisdiction may request that the statute of limitations be extended, which may cause the classification between current and long-term to change. We believe our tax liabilities related to uncertain tax positions are based upon reasonable judgment and estimates; however, if actual results materially differ, our effective income tax rate and cash flows could be affected in the period of discovery or resolution. There are ongoing income tax audits in various international jurisdictions that we believe are not material to our financial statements.

We also review the estimates and assumptions used in evaluating the probability of realizing the future benefits of our deferred tax assets and record a valuation allowance when we believe that a portion or all of the deferred tax assets may not be realized. If we are unable to realize the expected future benefits of our deferred tax assets, we are required to provide a valuation allowance. We use our past history and experience, overall profitability, future management plans, and current economic information to evaluate the amount of valuation allowance to record. As of December 31, 2017, we maintained a valuation allowance for deferred tax assets arising from our operations of $11.4 million because they did not meet the "more likely than not" criteria as defined by the recognition and measurement provisions of FASB ASC Topic 740, Income Taxes. In addition, as of December 31, 2017, we had deferred tax assets, after valuation allowance, totaling $4.5 million, which may not be realized if our assumptions and estimates change, which would affect our effective income tax rate and cash flows in the period of discovery or resolution.

In February 2018, the FASB issued Accounting Standards Update No. 2018-02 (ASU 2018-02), *Income Statement - Reporting Comprehensive Income (Topic 220)*. The guidance in ASU 2018-02 allows an entity to elect to reclassify the stranded tax effects related to the Act from accumulated other comprehensive income into retained earnings. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the effect this standard will have on its Consolidated Financial Statements.

Revenue Recognition and Deferred Commissions

Our revenue is derived from sales of individual products, sales of starter and renewal packs, associate fees and shipping fees. Substantially all of our product and pack sales are to associates and preferred customers at published wholesale prices. We record revenue net of any sales taxes and record a reserve for expected sales returns based on historical experience. We recognize revenue from shipped packs and products upon receipt by the customer. Corporate-sponsored event revenue is recognized when the event is held.

As a result of the 2017 Associate Compensation Plan, which was implemented on July 1, 2017, we also collect associate fees, which associates pay to the Company annually in order to earn commissions, benefits and incentives for that year. Associate fees are recognized evenly over the course of the annual period of the associate's contract. We collected associate fees within the United States, Canada, South Africa, Japan, Australia, New Zealand, Singapore, Hong Kong, and Taiwan during the year ended December 31, 2017.

The arrangement regarding associate fees has three service elements: providing new associates with the eligibility to earn commissions, benefits and incentives for twelve months and a complimentary three-month subscription package for the Success Tracker™ and Mannatech+ customized electronic business-building tools. Each of these service elements is provided over time to the customer. For the year ended December 31, 2017, all of these service elements were combined as a single unit of accounting as the separation criteria within ASC 605-25, *Revenue Recognition*, were not met to result in multiple units of accounting.

We defer certain components of revenue. At December 31, 2017 and December 31, 2016, deferred revenue was $8.6 million and $8.2 million, respectively. When participating in our loyalty program, customers earn loyalty points from qualified automatic orders that can be applied to future purchases. We defer the dollar equivalent in revenue of these points until the points are applied, forfeited or expired, which includes an estimate of the percentage of the unvested loyalty points that are expected to be forfeited or expired. The deferred revenue associated with the loyalty program at December 31, 2017 and December 31, 2016 was $6.4 million and $7.0 million, respectively. Deferred revenue consisted primarily of: (i) sales of packs and products shipped but not received by the customers by the end of the respective period; (ii) revenue from the loyalty program; and (iii) prepaid registration fees from customers planning to attend a future corporate-sponsored event. In total current assets, we defer commissions on (i) the sales of packs and products ordered but not received by the customers by the end of the respective period and (ii) the loyalty program. Deferred commissions were $3.9 million and $3.2 million at December 31, 2017 and December 31, 2016, respectively.

Loyalty program		*(in thousands)*
Loyalty deferred revenue as of January 1, 2016	$	8,073
Loyalty points forfeited or expired		(6,963)
Loyalty points used		(15,451)
Loyalty points vested		20,085
Loyalty points unvested		1,289
Loyalty deferred revenue as of December 31, 2016	$	7,033
Loyalty deferred revenue as of January 1, 2017	$	7,033
Loyalty points forfeited or expired		(5,895)
Loyalty points used		(14,316)
Loyalty points vested		17,836
Loyalty points unvested		1,748
Loyalty deferred revenue as of December 31, 2017	$	6,406

Product Return Policy

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

- ***Retail Customer Product Return Policy.*** This policy allows a retail customer to return any of our products to the original associate who sold the product and receive a full cash refund from the associate for the first 180 days following the product's purchase if located in the United States and Canada, and for the first 90 days following the product's purchase in other countries where we sell our products. The associate may then return or exchange the product based on the associate product return policy.

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

Historically, sales returns estimates have not materially deviated from actual sales returns, as the majority of our customers who return merchandise do so within the first 90 days after the original sale. Based upon our return policies and historical experience, we estimate a sales return reserve for expected sales refunds over a rolling six-month period. If actual results differ from our estimated sales returns reserves due to various factors, the amount of revenue recorded each period could be materially affected. Historically, our sales returns have not materially changed through the years and have averaged 1.5% or less of our gross sales. For the year ended December 31, 2017 our sales return reserve was composed of the following *(in thousands)*:

	December 31, 2017
Sales reserve as of January 1, 2017	$ 129
Provision related to sales made in current period	1,274
Adjustment related to sales made in prior periods	3
Actual returns or credits related to current period	(1,156)
Actual returns or credits related to prior periods	(133)
Sales reserve as of December 31, 2017	$ 117

Accounting for Stock-Based Compensation

We grant stock options to our employees, board members, and consultants. At the date of grant, we determine the fair value of a stock option award and recognize compensation expense over the requisite service period, or the vesting period of such stock option award, which is two or three years. The fair value of the stock option award is calculated using the Black-Scholes option-pricing model (the "calculated fair value"). The Black-Scholes option-pricing model requires us to apply judgment and use highly subjective assumptions, including expected stock option life, expected volatility, expected average risk-free interest rates, and expected forfeiture rates. For the year ended December 31, 2017, our assumptions and estimates used for the calculated fair value of stock options granted in 2017 were as follows:

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

Historically, our estimates and underlying assumptions have not materially deviated from our actual reported results and rates. However, we base assumptions we use on our best estimates, which involves inherent uncertainties based on market conditions that are outside of our control. If actual results are not consistent with the assumptions we use, the stock-based compensation expense reported in our consolidated financial statements may not be representative of the actual economic cost of stock-based compensation. For example, if actual employee forfeitures significantly differ from our estimated forfeitures, we may be required to adjust our consolidated financial statements in future periods. As of December 31, 2017, using our current assumptions and estimates, we anticipate recognizing $0.2 million in gross compensation expense through 2019 related to unvested stock options outstanding.

If we grant additional stock options in the future, we would be required to recognize additional compensation expense over the vesting period of such stock options in our consolidated statement of operations. As of December 31, 2017, we had 240,000 shares available for grant in the future.

Contingencies and Litigation

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

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customer*s. This new standard requires companies to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. Under the new standard, revenue is recognized when a customer obtains control of a good or service. The standard allows for two transition methods - entities can either apply the new standard (i) retrospectively to each prior reporting period presented or (ii) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial adoption. In July 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customer*s, which defers the effective date by one year to December 15, 2017 for fiscal years, and interim periods within those fiscal years, beginning after that date. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers, Principal versus Agent Considerations (Reporting Revenue versus Net)*, in April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customer*s*, identifying Performance Obligations and Licensing*, and in May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customer*s, Nar*row-Scope Improvements and Practical Expedients*, which provide additional clarification on certain topics addressed in ASU 2014-09. ASU 2016-08, ASU 2016-10, and ASU 2016-12 follow the same implementation guidelines as ASU 2014-09 and ASU 2015-14. All of these aforementioned ASUs have been codified under ASC 606, *Revenue from Contracts with Customers.* We will adopt this standard utilizing the modified retrospective approach with the cumulative effect recognized in retained earnings, on January 1, 2018. The Company has completed the evaluation of the impact of ASC 606 on its product sales, including loyalty points earned through certain product sales. The timing of revenue recognition for our various revenue streams will not be materially impacted by the adoption of this standard. The Company believes its business processes, systems, and controls are appropriate to support recognition and disclosure under ASC 606. In addition, we expect the adoption to lead to increased footnote disclosures. The overall financial impact of adopting this standard will not have a material effect on our consolidated financial statements.

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

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

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

We caution that we cannot predict with any certainty our future exposure to such currency exchange rate fluctuations or the impact, if any, such fluctuations may have on our future business, product pricing, operating expenses, and on our consolidated financial position, results of operations, or cash flows. However, to combat such market risk, we closely monitor our exposure to currency fluctuations. The regions and countries in which we currently have exposure to foreign currency exchange rate risk include (i) North America/South America (Canada, Colombia and Mexico); (ii) EMEA (Austria, the Czech Republic, Denmark, Estonia, Finland, Germany, the Republic of Ireland, the Netherlands, Norway, South Africa, Spain, Sweden, Switzerland and the United Kingdom); (iii) Asia/Pacific (Australia, Japan, New Zealand, the Republic of Korea, Singapore, Taiwan, Hong Kong and China). The current (spot) rate, average currency exchange rates, and the low and high of such currency exchange rates as compared to the United States dollar, for each of these countries as of and for the year ended December 31, 2017 were as follows:

	Year ended December 31, 2017			As of December 31, 2017
Country (foreign currency name)	**Low**	**High**	**Average**	**Spot**
Australia (Australian Dollar)	0.72066	0.80797	0.76679	0.78068
Canada (Canadian Dollar)	0.72759	0.82533	0.77119	0.79677
China (Renminbi)	0.14383	0.15461	0.14802	0.15361
Columbia (Peso)	0.00032	0.00036	0.00034	0.00034
Czech Republic (Koruna)	0.03863	0.04696	0.04298	0.04689
Denmark (Kroner)	0.14032	0.16193	0.15188	0.16094
Hong Kong (Hong Kong Dollar)	0.12779	0.12896	0.12834	0.12796
Japan (Yen)	0.00850	0.00928	0.00892	0.00888
Mexico (Peso)	0.04562	0.05714	0.05305	0.05082
New Zealand (New Zealand Dollar)	0.68182	0.75254	0.71106	0.71040
Norway (Krone)	0.11542	0.12943	0.12111	0.12178
Republic of Korea (Won)	0.00083	0.00094	0.00089	0.00094
Singapore (Singapore Dollar)	0.69018	0.74825	0.72455	0.74825
South Africa (Rand)	0.06917	0.08118	0.07527	0.08094
Sweden (Krona)	0.10943	0.12629	0.11729	0.12184
Switzerland (Franc)	0.97481	1.05960	1.01615	1.02454
Taiwan (New Taiwan Dollar)	0.03084	0.03401	0.03290	0.03371
United Kingdom (British Pound)	1.20519	1.35970	1.28863	1.34939
Various countries [(1)] (Euro)	1.04322	1.20472	1.12974	1.19804

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

Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements and Supplementary Data required by this Item 8 are set forth in Item 15 of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2017, there were no changes in our internal control over our financial reporting that we believe materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a – 13(f) or Rule 15d-15(f) under the Exchange Act) for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes: maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our consolidated financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our consolidated financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our consolidated financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

Item 9B. Other Information

On October 18, 2017, Mannatech and SCG Lakeside Commerce Center, L.P. entered into a Lease Agreement whereby, effective February 1, 2018, Mannatech leased a portion of a building located in Flower Mound, Texas for its corporate headquarters. The term of the Lease will expire on May 2028, unless terminated sooner pursuant to the terms thereof. The foregoing summary of the terms of the Lease does not purport to be complete and is qualified in its entirety by reference to the Lease, a copy of which is attached as Exhibit 10.12 to this Form 10-K and is incorporated herein by reference.

PART III

Documents Incorporated by Reference

The information required by Items 10, 11, 12, 13 and 14 of Part III of Form 10-K is incorporated by reference to the definitive proxy statement for our annual meeting to be filed with the SEC within 120 days after December 31, 2017.

PART IV

Item 15. Exhibits and Financial Statement Schedule

(a) Documents filed as a part of the report:

1. Consolidated Financial Statements

The following financial statements and Report of Independent Registered Public Accounting Firm are filed as a part of this report on the pages indicated:

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Report of Independent Registered Public Accounting Firm	F-2
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2. Financial Statement Schedule

The financial statement schedule required by this item is included as an Exhibit to this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule.

3. Exhibit List

See Index to Exhibits following Item 16 of this Annual Report on Form 10-K.

Item 16. Fixing America's Surface Transportation (FAST) Act

Not Applicable.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit (s)	Filing Date
3.1	Amended and Restated Articles of Incorporation of Mannatech, dated May 19, 1998.	S-1	333-63133	3.1	October 28, 1998
3.2	Amendment to the Amended and Restated Articles of Incorporation of Mannatech, dated January 13, 2012.	8-K	000-24657	3.1	January 17, 2012
3.3	Fifth Amended and Restated Bylaws of Mannatech, effective August 25, 2014.	8-K	000-24657	3.1	August 27, 2014
4.1	Specimen Certificate representing Mannatech's common stock, par value $0.0001 per share.	S-1	333-63133	4.1	October 28, 1998
10.1	Mannatech, Incorporated 2017 Stock Incentive Plan	10-Q	000-24657	10.1	August 8, 2017
10.2	Form of Performance Stock Unit Award Agreement	10-Q	000-24657	10.2	August 8, 2017
10.3	Form of Stock Option Award Agreement	10-Q	000-24657	10.3	August 8, 2017
10.4	Form of Restricted Stock Unit Award Agreement	10-Q	000-24657	10.4	August 8, 2017
10.5	Form of Stock Appreciation Rights Award Agreement	10-Q	000-24657	10.5	August 8, 2017
10.6	Form of Restricted Stock Award Agreement	10-Q	000-24657	10.6	August 8, 2017
10.7	Form of Performance Stock Award Agreement	10-Q	000-24657	10.7	August 8, 2017
10.8	Amended and Restated 1998 Incentive Stock Option Plan, dated August 7, 2004.	10-K	000-24657	10.1	March 15, 2004
10.9	Amended and Restated 2000 Option Plan, dated August 7, 2004.	10-K	000-24657	10.1	March 15, 2004
10.10	Form of Indemnification Agreement between Mannatech and each member of the Board of Directors of Mannatech Korea Ltd., dated March 3, 2004.	10-Q	000-24657	10.2	August 9, 2004
10.11	Form of Indemnification Agreement between Mannatech and each of the following directors: J. Stanley Fredrick, Patricia Wier, Alan D. Kennedy, Gerald E. Gilbert, Marlin Ray Robbins, Larry A. Jobe, and Robert A. Toth.	10-Q	000-24657	10.4	November 4, 2010
10.12*	Commercial Lease Agreement between Mannatech and SCG Lakeside Commerce Center, L.P., dated October 18, 2017.	*	*	*	*
10.13	Employment Agreement between Alfredo Bala and Mannatech, effective October 1, 2007, dated September 18, 2007.	8-K	000-24657	10.1	September 24, 2007
10.14	Executive Service Agreement between Mannatech Korea, Ltd. and Yong Jae (Patrick) Park, dated October 1, 2009.	10-Q	000-24657	10.1	May 12, 2015
10.15	Supply Agreement between Natural Aloe de Costa Rica, S.A. and Mannatech, dated as of November 22, 2016 (portions of this exhibit were omitted pursuant to a confidential treatment request submitted pursuant to Rule 24b-2 of the Exchange Act)	10-K	00-24657	10.61	March 14, 2017
14.1	Code of Ethics.	10-K	000-24657	14.1	March 16, 2007
21*	List of Subsidiaries.	*	*	*	*
23.1*	Consent of BDO USA, LLP.	*	*	*	*
24*	Power of Attorney, which is included on the signature page of this annual report on Form 10-K.	*	*	*	*
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer of Mannatech.	*	*	*	*

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit (s)	Filing Date
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer of Mannatech.	*	*	*	*
32.1*	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer of Mannatech.	*	*	*	*
32.2*	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer of Mannatech.	*	*	*	*
99.1*	Financial Statement Schedule Regarding Valuation and Qualifying Accounts.	*	*	*	*
101.INS*	XBRL Instance Document	*	*	*	*
101.SCH*	XBRL Taxonomy Extension Schema Document	*	*	*	*
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document	*	*	*	*
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document	*	*	*	*
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document	*	*	*	*
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document	*	*	*	*

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MANNATECH, INCORPORATED

Dated: March 26, 2018

By: ***/s/ Alfredo Bala***

Alfredo Bala
Chief Executive Officer
(principal executive officer)

Dated: March 26, 2018

By: ***/s/ David A. Johnson***

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

POWER OF ATTORNEY

The undersigned directors and officers of Mannatech, Incorporated hereby constitute and appoint Larry A. Jobe and David A. Johnson, and each of them, with the power to act without the other and with full power of substitution and resubstitution, our true and lawful attorneys-in fact and agents with full power to execute in our name and behalf in the capacities indicated below any and all amendments to this report and to file the same, with all exhibits and other documents relating thereto and hereby ratify and confirm all that such attorneys-in-fact, or either of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated:

Signature	Title	Date
/s/ Alfredo Bala Alfredo Bala	Chief Executive Officer (principal executive officer)	March 26, 2018
/s/ David A. Johnson David A. Johnson	Chief Financial Officer (principal financial officer)	March 26, 2018
/s/ J. Stanley Fredrick J. Stanley Fredrick	Chairman of the Board	March 26, 2018
/s/ Robert A. Toth Robert A. Toth	Director	March 26, 2018
/s/ Gerald E. Gilbert Gerald E. Gilbert	Director	March 26, 2018
/s/ Kevin Andrew Robbins Kevin Andrew Robbins	Director	March 26, 2018
/s/ Larry A. Jobe Larry A. Jobe	Director	March 26, 2018
/s/ Linda K. Ferrell Linda K. Ferrell	Director	March 26, 2018
/s/ Eric W. Schrier Eric W. Schrier	Director	March 26, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Mannatech, Incorporated
Flower Mound, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Mannatech, Incorporated (the "Company") and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended**,** in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

(Signed BDO USA, LLP)

We have served as the Company's auditor since 2007.

Dallas, Texas
March 26, 2018

MANNATECH, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)

	December 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 37,682	$ 28,687
Restricted cash	1,514	1,510
Accounts receivable, net of allowance of $582 and $463 in 2017 and 2016, respectively	273	298
Income tax receivable	907	1,587
Inventories, net	9,385	11,961
Prepaid expenses and other current assets	2,607	3,483
Deferred commissions	3,880	3,229
Total current assets	**56,248**	**50,755**
Property and equipment, net	3,537	3,611
Construction in progress	777	1,012
Long-term restricted cash	7,565	6,429
Other assets	3,876	4,013
Long-term deferred tax assets, net	4,239	5,368
Total assets	**$ 76,242**	**$ 71,188**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of capital leases	$ 228	$ 357
Accounts payable	6,008	5,223
Accrued expenses	5,771	5,605
Commissions and incentives payable	9,658	8,799
Taxes payable	2,404	1,040
Current notes payable	815	801
Deferred revenue	8,561	8,156
Total current liabilities	**33,445**	**29,981**
Capital leases, excluding current portion	144	261
Long-term deferred tax liabilities	1,147	29
Long-term notes payable	—	567
Other long-term liabilities	1,265	1,465
Total liabilities	**36,001**	**32,303**
Commitments and contingencies (Note 11 and Note 12)		
Shareholders' equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.0001 par value, 99,000,000 shares authorized, 2,742,857 shares issued and 2,702,940 shares outstanding as of December 31, 2017 and 2,758,275 shares issued and 2,688,790 shares outstanding as of December 31, 2016	—	—
Additional paid-in capital	34,928	38,190
Retained earnings	4,190	7,331
Accumulated other comprehensive income	5,984	1,834
Treasury stock, at average cost, 39,917 shares as of December 31, 2017 and 69,485 shares as of December 31, 2016, respectively	(4,861)	(8,470)
Total shareholders' equity	**40,241**	**38,885**
Total liabilities and shareholders' equity	**$ 76,242**	**$ 71,188**

See accompanying notes to consolidated financial statements.

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

	For the years ended December 31,	
	2017	**2016**
Net sales	**$ 176,696**	**$ 180,304**
Cost of sales	35,667	36,564
Gross profit	**141,029**	**143,740**
Operating expenses:		
Commissions and incentives	74,550	74,215
Selling and administrative expenses	35,470	37,217
Depreciation and amortization	1,864	1,898
Other operating costs	26,626	29,749
Total operating expenses	138,510	143,079
Income from operations	**2,519**	**661**
Interest income	274	174
Other expense, net	(333)	(1,790)
Income (loss) before income taxes	**2,460**	**(955)**
Income tax benefit (provision)	(4,247)	369
Net loss	**$ (1,787)**	**$ (586)**
Earnings per common share:		
Basic	$ (0.66)	$ (0.22)
Diluted	$ (0.66)	$ (0.22)
Weighted-average common shares outstanding:		
Basic	2,708	2,688
Diluted	2,708	2,688

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	2017	**2016**
Net loss	**$ (1,787)**	**$ (586)**
Foreign currency translations gain	4,169	1,176
Pension obligations, net of tax provision of $10 and $15 in 2017 and 2016, respectively	(19)	(28)
Comprehensive income	**$ 2,363**	**$ 562**

See accompanying notes to consolidated financial statements.

MANNATECH, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Common stock	Additional paid in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock	Total shareholders' equity
Balance at December 31, 2015	**$ —**	**$ 40,494**	**$ 8,589**	**$ 686**	**$ (11,205)**	**$ 38,564**
Charge related to stock-based compensation	—	690	—	—	—	690
Release of restricted stock	—	(1,881)	—	—	1,881	—
Stock option exercises	—	(815)	—	—	854	39
Tax effect from exercise of stock options	—	(24)	—	—	—	(24)
Foreign currency translation	—	—	—	1,176	—	1,176
Pension obligations, net of tax of $15	—	—	—	(28)	—	(28)
Repurchase of common stock	—	(274)	—	—	—	(274)
Declared and paid dividends	—	—	(672)	—	—	(672)
Net loss	—	—	(586)	—	—	(586)
Balance at December 31, 2016	**$ —**	**$ 38,190**	**$ 7,331**	**$ 1,834**	**$ (8,470)**	**$ 38,885**
Charge related to stock-based compensation	—	246	—	—	—	246
Issuance of unrestricted shares	—	(1,228)	—	—	1,472	244
Release of restricted stock	—	(306)	—	—	306	—
Stock option exercises	—	(1,748)	—	—	1,831	83
Foreign currency translation	—	—	—	4,169	—	4,169
Pension obligations, net of tax of $10	—	—	—	(19)	—	(19)
Repurchase of common stock	—	(226)	—	—	—	(226)
Declared and paid dividends	—	—	(1,354)	—	—	(1,354)
Net loss	—	—	(1,787)	—	—	(1,787)
Balance at December 31, 2017	**$ —**	**$ 34,928**	**$ 4,190**	**$ 5,984**	**$ (4,861)**	**$ 40,241**

See accompanying notes to consolidated financial statements.

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

	For the years ended December 31,	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,787)	$ (586)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,864	1,898
Provision for inventory losses	714	343
Provision for doubtful accounts	351	562
Loss on disposal of assets	1	426
Stock-based compensation expense	490	690
Deferred income taxes	2,143	(1,290)
Tax expense from exercise of stock options	—	24
Changes in operating assets and liabilities:		
Accounts receivable	(308)	(495)
Income tax receivable	686	(1,595)
Inventories	2,379	(3,154)
Prepaid expenses and other current assets	1,540	(119)
Other assets	477	(115)
Deferred commissions	(549)	208
Accounts payable	710	2,553
Accrued expenses and other liabilities	(315)	(1,104)
Taxes payable	1,226	233
Commissions and incentives payable	518	2,035
Deferred revenue	184	(534)
Change in restricted cash	(326)	(3)
Net cash provided by (used in) operating activities	**9,998**	**(23)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,340)	(2,286)
Proceeds from sale of assets	1	1
Net cash used in investing activities	**(1,339)**	**(2,285)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from stock options exercised	83	39
Repurchase of common stock	(226)	(274)
Payment of cash dividends	(1,354)	(672)
Repayment of capital lease obligations	(1,567)	(1,551)
Net cash used in financing activities	**(3,064)**	**(2,458)**
Effect of currency exchange rate changes on cash and cash equivalents	3,400	1,459
Net increase (decrease) in cash and cash equivalents	**8,995**	**(3,307)**
Cash and cash equivalents at the beginning of the year	28,687	31,994
Cash and cash equivalents at the end of the year	**$ 37,682**	**$ 28,687**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid, net	$ 1,694	$ 1,778
Interest paid on capital leases	$ 68	$ 113
Accrued asset purchases	$ 238	$ 341
Assets acquired through financing arrangements	$ 130	$ 694

See accompanying notes to consolidated financial statements.

MANNATECH, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

On July 1, 2017, the Company revised its 2017 Associate Compensation Plan, which was designed to stimulate business growth and development for our active business building associates and to maximize the buying experience for our preferred customers. In doing so, the Company hopes to better utilize commission dollars to stimulate Company growth. The 2017 Associate Compensation Plan provides revised income streams, new leadership levels and titles, and modified various volume requirements for our associates. In addition, the 2017 Associate Compensation Plan re-designated members as preferred customers and modified their pricing structure.

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

Principles of Consolidation

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

Use of Estimates

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

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

Foreign Currency Translation

The United States dollar is the functional currency for the majority of the Company's foreign subsidiaries. As a result, nonmonetary assets and liabilities are remeasured at their approximate historical rates, monetary assets and liabilities are remeasured at exchange rates in effect at the end of the year, and revenues and expenses are remeasured at weighted-average exchange rates for the year. The local currency is the functional currency of our subsidiaries in Columbia, Japan, Republic of Korea, Taiwan, Norway, Denmark, Sweden, Mexico and China. These subsidiaries' assets and liabilities are translated into the United States dollars at exchange rates existing at the balance sheet dates, revenues and expenses are translated at weighted-average exchange rates, and shareholders' equity and intercompany balances are translated at historical exchange rates. The foreign currency translation adjustment is recorded as a separate component of shareholders' equity and is included in accumulated other comprehensive income.

Transaction losses totaled approximately $0.3 million and $1.8 million, for the years ended December 31, 2017 and 2016, respectively, and are included in other expense, net in the Company's consolidated statements of operations.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company includes in its cash and cash equivalents credit card receivables due from its credit card processor, as the cash proceeds from credit card receivables are received within 24 to 72 hours. As of December 31, 2017 and 2016, credit card receivables were $2.0 million and $0.5 million, respectively, and cash and cash equivalents held in bank accounts in foreign countries totaled $30.6 million and $27.5 million, respectively. The Company invests cash in liquid instruments, such as money market funds and interest bearing deposits. The Company also holds cash in high quality financial institutions and does not believe it has an excessive exposure to credit concentration risk.

At December 31, 2017, a portion of our cash and cash equivalent balances were concentrated within the Republic of South Korea, with total net assets within this foreign location totaling $32.7 million. In addition, for the year ended December 31, 2017, a concentrated portion of our operating cash flows were earned from operations within the Republic of South Korea. An adverse change in economic conditions within the Republic of South Korea could negatively affect the Company's results of operations.

Restricted Cash

The Company is required to restrict cash for: (i) direct selling insurance premiums and credit card sales in the Republic of Korea; (ii) reserve on credit card sales in the United States and Canada; and (iii) Australia building lease collateral. As of December 31, 2017 and 2016, our total restricted cash was $9.1 million and $7.9 million, respectively.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. Receivables are created upon shipment of an order if the credit card payment is rejected or does not match the order total. As of December 31, 2017 and 2016, receivables consisted primarily of amounts due from preferred customers and associates. The Company periodically evaluates its receivables for collectability based on historical experience, recent account activities, and the length of time receivables are past due and writes-off receivables when they become uncollectible. As of December 31, 2017 and 2016, the Company held an allowance for doubtful accounts of $0.6 million and $0.5 million, respectively.

Inventories

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

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization computed using the straight-line method over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of property and equipment sold or otherwise retired and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in other operating costs in the accompanying consolidated statements of operations. The estimated useful lives of fixed assets are as follows:

	Estimated useful life
Office furniture and equipment	5 to 7 years
Computer hardware and software	3 to 5 years
Automobiles	3 to 5 years
Leasehold improvements [(1)]	2 to 10 years

[(1)] The Company amortizes leasehold improvements over the shorter of the useful estimated life of the leased asset or the lease term.

Property and equipment are reviewed for impairment whenever an event or change in circumstances indicates that the carrying amount of an asset or group of assets may not be recoverable. The impairment review includes a comparison of future projected cash flows generated by the asset or group of assets with its associated net carrying value. If the net carrying value of the asset or group of assets exceeds expected cash flows (undiscounted and without interest charges), an impairment loss is recognized to the extent the carrying amount of the asset exceeds its fair value.

Other Assets

At December 31, 2017 and 2016, other assets were $3.9 million and $4.0 million, respectively. Included in the December 31, 2017 and 2016 balances were deposits for building leases in various locations of $1.9 million and $2.2 million, respectively. Also included in the December 31, 2017 and 2016 balances were $1.7 million and $1.5 million, respectively, representing a deposit with Mutual Aid Cooperative and Consumer in the Republic of Korea, an organization established by the Republic of Korea's Fair Trade Commission's approval to compensate and protect consumers who participate in network marketing activities from damages. Other assets at each of December 31, 2017 and 2016 also include $0.2 million of indefinite lived intangible assets relating to the Manapol ® powder trademark.

Notes Payable

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

Other Long-Term Liabilities

Other long-term liabilities were $1.3 million and $1.5 million for the years ending December 31, 2017 and 2016. At each of December 31, 2017 and 2016, we recorded $0.2 million, respectively, in other long-term liabilities related to uncertain income tax positions (see Note 7, *Income Taxes*). Certain operating leases for the Company's regional office facilities contain a restoration clause that requires the Company to restore the premises to its original condition. At December 31, 2017 and 2016, accrued restoration costs related to these leases amounted to $0.4 million and $0.6 million, respectively. The Company also recorded a long-term liability for an estimated defined benefit obligation related to a non-U.S. defined benefit plan for its Japan operations of $0.4 million and $0.5 million as of December 31, 2017 and 2016, respectively (See Note 9, *Employee Benefit Plans*).

Revenue Recognition and Deferred Commissions

The Company's revenue is derived from sales of individual products, sales of its starter and renewal packs, associate fees and shipping fees. Substantially all of the Company's product and pack sales are made at published wholesale prices to associates and preferred customers. The Company records revenue net of any sales taxes and records a reserve for expected sales returns based on its historical experience. The Company recognizes revenue from shipped packs and products upon receipt by the customer. Corporate-sponsored event revenue is recognized when the event is held.

As a result of the 2017 Associate Compensation Plan, which was implemented on July 1, 2017, we also collect associate fees, which associates pay to the Company annually in order to earn commissions, benefits and incentives for that year. Associate fees are recognized evenly over the course of the annual period of the associate's contract. We collected associate fees within the United States, Canada, South Africa, Japan, Australia, New Zealand, Singapore, Hong Kong, and Taiwan during the year ended December 31, 2017.

The arrangement regarding associate fees has three service elements: providing new associates with the eligibility to earn commissions, benefits and incentives for twelve months and a complimentary three-month subscription package for the Success Tracker™ and Mannatech+ customized electronic business-building tools. Each of these service elements is provided over time to the customer. For the year ended December 31, 2017, all of these service elements were combined as a single unit of accounting as the separation criteria within ASC 605-25, *Revenue Recognition*, were not met to result in multiple units of accounting.

The Company defers certain components of its revenue. At December 31, 2017 and December 31, 2016, the Company's deferred revenue was $8.6 million and $8.2 million, respectively. Deferred revenue consisted primarily of: (i) sales of packs and products shipped but not received by the customers by the end of the respective period; (ii) revenue from the loyalty program; and (iii) prepaid registration fees from customers planning to attend a future corporate-sponsored event. The deferred revenue associated with the loyalty program at December 31, 2017 and December 31, 2016 was $6.4 million and $7.0 million, respectively. In total current assets, the Company defers commissions on (i) the sales of packs and products ordered but not received by the customers by the end of the respective period and (ii) the loyalty program. Deferred commissions were $3.9 million and $3.2 million at December 31, 2017 and December 31, 2016, respectively.

Loyalty program		*(in thousands)*
Loyalty deferred revenue as of January 1, 2016	$	8,073
Loyalty points forfeited or expired		(6,963)
Loyalty points used		(15,451)
Loyalty points vested		20,085
Loyalty points unvested		1,289
Loyalty deferred revenue as of December 31, 2016	$	7,033
Loyalty deferred revenue as of January 1, 2017	$	7,033
Loyalty points forfeited or expired		(5,895)
Loyalty points used		(14,316)
Loyalty points vested		17,836
Loyalty points unvested		1,748
Loyalty deferred revenue as of December 31, 2017	$	6,406

We estimate a sales return reserve for expected sales refunds based on our historical experience over a rolling six-month period. If actual results differ from our estimated sales return reserve due to various factors, the amount of revenue recorded for each period could be materially affected. Historically, our sales returns have not materially changed through the years, as the majority of our customers who return their merchandise do so within the first 90 days after the original sale. Sales returns have historically averaged 1.5% or less of our gross sales. For the year ended December 31, 2017 our sales return reserve consisted of the following *(in thousands)*:

	December 31, 2017
Sales reserve as of January 1, 2017	$ 129
Provision related to sales made in current period	1,274
Adjustment related to sales made in prior periods	3
Actual returns or credits related to current period	(1,156)
Actual returns or credits related to prior periods	(133)
Sales reserve as of December 31, 2017	$ 117

Shipping and Handling Costs

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

Commission and Incentive Expenses

Associates earn commissions and incentives based on their direct and indirect commissionable net sales over each month of the fiscal year. The Company accrues commissions and incentives when earned by associates and pays commissions on product and pack sales on a monthly basis.

Advertising Expenses

The Company expenses advertising and promotions in selling and administrative expenses when incurred. Advertising and promotional expenses were approximately $5.8 million and $6.0 million for the years ended December 31, 2017 and 2016, respectively. Educational and promotional items, called sales aids, are sold to associates to assist in their sales efforts and are included in inventories and charged to cost of sales when sold.

Research and Development Expenses

The Company expenses research and development expenses as incurred. Research and development expenses related to new product development, enhancement of existing products, clinical studies and trials, Food and Drug Administration compliance studies, general supplies, internal salaries, third-party contractors, and consulting fees were approximately $1.2 million and $1.4 million, respectively, for the years ended December 31, 2017 and 2016. Salaries and contract labor are included in selling and administrative expenses and all other research and development costs are included in other operating costs.

Stock-Based Compensation

The Company currently has one active stock-based compensation plan, the Mannatech, Incorporated 2017 Stock Incentive Plan (the “2017 Plan”), which was adopted by the Company’s Board of Directors on April 17, 2017 and was approved by its shareholders on June 8, 2017. The 2017 Plan supersedes the Mannatech, Incorporated 2008 Stock Incentive Plan, as amended, which was set to expire on February 20, 2018. The 2008 Plan provided, and the 2017 Plan provides, for grants of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance stock and performance stock units to our employees, board members, and consultants. However, only employees of the Company and its corporate subsidiaries are eligible to receive incentive stock options. The exercise price per share for all stock options will be no less than the market value of a share of common stock on the date of grant. Any incentive stock option granted to an employee owning more than 10% of our common stock will have an exercise price of no less than 110% of our common stock’s market value on the grant date.

The majority of stock options vest over two or three years, and generally are granted with a term of ten years, or five years in the case of an incentive option granted to an employee who owns more than 10% of our common stock. At date of grant, the Company determines the fair value of the stock option award and recognizes compensation expense over the requisite service period, or the vesting period of the award. The fair value of the stock option award is calculated using the Black-Scholes option-pricing model. The Company records stock-based compensation expense in selling and administrative expenses.

Software Development Costs

The Company capitalizes qualifying internal payroll and external contracting and consulting costs related to the development of internal use software that are incurred during the application development stage, which includes design of the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary project along with post-implementation stages of internal use software are expensed as incurred. The Company amortizes such costs over the estimated useful life of the software, which is three to five years once the software is placed in service.

Other Operating Costs

Other operating costs include travel, accounting/legal/consulting fees, credit card processing fees, banking fees, off-site storage fees, utilities, and other miscellaneous operating expenses.

Income Taxes

The Company determines the provision for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date. The Company evaluates the probability of realizing the future benefits of its deferred tax assets and provides a valuation allowance for the portion of any deferred tax assets where the likelihood of realizing an income tax benefit in the future does not meet the more likely than not criterion for recognition. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being recognized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company recognizes both interest and penalties related to uncertain tax positions as part of the income tax provision.

Comprehensive Income and Accumulated Other Comprehensive Income

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

Concentration Risk

A significant portion of our revenue is derived from our Ambrotose ®, Advanced Ambrotose®, Manapol®, PLUS™ products and TruHealth™ products. A decline in sales value of such products could have a material adverse effect on our earnings, cash flows, and financial position. Revenue from these products were as follows for the years ended December 31, 2017 and 2016 (*in thousands, except percentages*):

	2017		2016	
	Sales by product	% of total net sales	Sales by product	% of total net sales
Advanced Ambrotose®	$ 52,592	29.8%	$ 55,863	31.0%
TruHealth™	16,652	9.4%	9,220	5.1%
Manapol® Powder	11,183	6.3%	2,153	1.2%
Ambrotose®	8,459	4.8%	10,196	5.7%
PLUS ™	7,461	4.2%	7,935	4.4%
Total	**$ 96,347**	**54.5%**	**$ 85,367**	**47.4%**

Our business is not currently exposed to customer concentration risk given that no independent associate has ever accounted for more than 10% of our consolidated net sales.

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents, investments, receivables, and restricted cash. The Company utilizes financial institutions that the Company considers to be of high credit quality and periodically evaluates the credit rating of such institutions and the allocation of their investments to minimize exposure to credit concentration risk.

Fair Value of Financial Instruments

The fair value of the Company's financial instruments, including cash and cash equivalents, restricted cash, time deposits, money market investments, receivables, payables, and accrued expenses, approximate their carrying values due to their relatively short maturities. See Note 2 to our Consolidated Financial Statements, *Fair Value*, for more information.

Recently Adopted Accounting Pronouncements

The Company prospectively adopted Accounting Standard Updated ("ASU") 2015-11, *Inventory, Simplifying the Measurement of Inventory (Topic 330)*, during the first quarter of 2017 regarding the subsequent measurement of inventory. Prior to these changes, an entity was required to measure its inventory at the lower of cost or market, whereby market can be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. The changes require that inventory be measured at the lower of cost and net realizable value, thereby eliminating the use of the other two market methodologies. Net realizable value is defined as the estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal, and transportation. These changes do not apply to inventories measured using LIFO or the retail inventory method. The adoption of these changes had no impact on the consolidated financial statements.

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

The Company adopted ASU 2016-09, *Compensation, Stock Compensation Improvements to Employee Share-Based Payment Accounting (Topic 718)* during the first quarter of 2017. The updated guidance changes how companies account for certain aspects of stock-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of such awards in the statement of cash flows. ASU 2016-09 became effective for us on January 1, 2017. ASU 2016-09 requires that excess tax benefits and deficiencies resulting from the vesting or exercise of stock-based compensation awards to be recognized in the income statement on a prospective basis. Previously, these amounts were recognized in additional paid-in capital. In addition, ASU 2016-09 requires excess tax benefits and deficiencies to be excluded from the assumed future proceeds in the calculation of diluted EPS under the treasury stock method. In accordance with the standard, we elected to continue our historical approach of estimating forfeitures during the award vesting period. ASU 2016-09 had no material impact to the calculation of weighted average shares outstanding for year ended December 31, 2017. The adoption of this standard did not have a material effect on our consolidated financial statements for year ended December 31, 2017.

In February 2017, the FASB issued ASU 2017-07, *Compensation-Retirement Benefits, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost) (Topic 715),* which requires an entity to present the service cost component of the net periodic benefit cost in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. In addition, ASU 2017-07 requires an entity to present the other components separately from the line item(s) that includes the service cost and outside of any subtotal of operating income. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those years. Early adoption is permitted. The Company retrospectively adopted this ASU during the fourth quarter of 2017. The adoption of this standard did not have a material effect on our consolidated financial statements for year ended December 31, 2017.

Accounting Pronouncements Issued But Not Yet Effective

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customer*s. This new standard requires companies to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. Under the new standard, revenue is recognized when a customer obtains control of a good or service. The standard allows for two transition methods - entities can either apply the new standard (i) retrospectively to each prior reporting period presented or (ii) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial adoption. In July 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customer*s, which defers the effective date by one year to December 15, 2017 for fiscal years, and interim periods within those fiscal years, beginning after that date. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers, Principal versus Agent Considerations (Reporting Revenue versus Net)*, in April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customer*s*, identifying Performance Obligations and Licensing*, and in May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customer*s, Nar*row-Scope Improvements and Practical Expedients*, which provide additional clarification on certain topics addressed in ASU 2014-09. ASU 2016-08, ASU 2016-10, and ASU 2016-12 follow the same implementation guidelines as ASU 2014-09 and ASU 2015-14. All of these aforementioned ASUs have been codified under ASC 606, *Revenue from Contracts with Customers.* We will adopt this standard utilizing the modified retrospective approach with the cumulative effect recognized in retained earnings, on January 1, 2018. The Company has completed the evaluation of the impact of ASC 606 on its product sales, including loyalty points earned through certain product sales. The timing of revenue recognition for our various revenue streams will not be materially impacted by the adoption of this standard. The Company believes its business processes, systems, and controls are appropriate to support recognition and disclosure under ASC 606. In addition, we expect the adoption to lead to increased footnote disclosures. The overall financial impact of adopting this standard will not have a material effect on our consolidated financial statements.

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

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows, Restricted Cash (Topic 230),* which addresses the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendment requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. Restricted cash amounts are to be included with cash and cash equivalents when reconciling the beginning and ending amounts of cash on the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2017. Early adoption is permitted. We do not expect the adoption to have a material impact on our financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation, Stock Compensation (Topic 718),* to clarify which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The new standard is required to be applied prospectively. The guidance was effective January 1, 2018, and we do not expect the adoption to have a material impact on our financial statements.

In February 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220),* which amended its standard on comprehensive income to provide an option for an entity to reclassify the stranded tax effects of the Act that was passed in December of 2017 from accumulated other comprehensive income (AOCI) directly to retained earnings. The stranded tax effects result from the remeasurement of deferred tax assets and liabilities which were originally recorded in comprehensive income but whose remeasurement is reflected in the income statement. This is a one-time amendment applicable only to the changes resulting from the Act. The standard will be effective for us on January 1, 2019, and may be reflected retroactively to any period in which the impacts of the Act are recognized. The standard permits early adoption for any financial statements that have not been released as of the date of the revised standard. The overall financial impact of adopting this standard is unknown at this time.

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

NOTE 2: FAIR VALUE

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

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

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

The primary objective of the Company's investment activities is to preserve principal while maximizing yields without significantly increasing risk. The investment instruments held by the Company are money market funds and interest bearing deposits for which quoted market prices are readily available. The Company considers these highly liquid investments to be cash equivalents. These investments are classified within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets.

The tables below presents the recorded amount of financial assets measured at fair value, which approximately equates to the carrying value due to the relatively short maturities of these respective assets, *(in thousands)* on a recurring basis as of December 31, 2017 and 2016. The Company did not have any material financial liabilities that were required to be measured at fair value on a recurring basis at December 31, 2017 and 2016.

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Money Market Funds – Fidelity, US	$ —	$ —	$ —	$ —
Interest bearing deposits – various banks	23,695	—	—	23,695
Total assets	**$ 23,695**	**$ —**	**$ —**	**$ 23,695**
Amounts included in:				
Cash and cash equivalents	$ 16,651	$ —	$ —	$ 16,651
Restricted cash	741	—	—	741
Long-term restricted cash	6,303	—	—	6,303
Total	**$ 23,695**	**$ —**	**$ —**	**$ 23,695**

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Money Market Funds – Fidelity, US	$ 12	$ —	$ —	$ 12
Interest bearing deposits – various banks	19,357	—	—	19,357
Total assets	**$ 19,369**	**$ —**	**$ —**	**$ 19,369**
Amounts included in:				
Cash and cash equivalents	$ 13,326	$ —	$ —	$ 13,326
Restricted cash	737	—	—	737
Long-term restricted cash	5,306	—	—	5,306
Total	**$ 19,369**	**$ —**	**$ —**	**$ 19,369**

NOTE 3: INVENTORIES

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

	2017	2016
Raw materials	$ 879	$ 239
Finished goods	9,072	12,103
Inventory reserves for obsolescence	(566)	(381)
Total	**$ 9,385**	**$ 11,961**

NOTE 4: PROPERTY AND EQUIPMENT

For the year ended December 31, 2017 and 2016, construction in progress was $0.8 million and $1.0 million, respectively, which is primarily comprised of back-office software projects with in service dates that are currently indeterminable. As of December 31, 2017 and 2016, property and equipment consisted of the following *(in thousands)*:

	2017	2016
Office furniture and equipment	$ 7,648	$ 7,791
Computer hardware	5,209	7,100
Computer software	49,687	48,316
Automobiles	81	81
Leasehold improvements	11,530	12,351
	74,155	75,639
Less accumulated depreciation and amortization	(70,618)	(72,028)
Property and equipment, net	**3,537**	**3,611**
Construction in progress	777	1,012
Total	**$ 4,314**	**$ 4,623**

NOTE 5: CAPITAL LEASE OBLIGATIONS

As of December 31, 2017 and 2016, the net book value of leased assets was $0.4 million and $0.7 million, respectively for leased equipment and purchased licenses. The future minimum lease payments *(in thousands)* are as follows:

2018	$ 241
2019	78
2020	40
2021	28
2022	7
Total future minimum lease payments	**394**
Less: Amounts representing interest (effective interest rate 5.61%)	(22)
Present value of minimum lease payments	**372**
Current portion of capital lease obligations	228
Long-term portion of capital lease obligations	**$ 144**

NOTE 6: ACCRUED EXPENSES

As of December 31, 2017 and 2016, accrued expenses consisted of the following *(in thousands)*:

	2017	2016
Accrued asset purchases	$ 238	$ 341
Accrued compensation	1,685	1,533
Accrued royalties	55	75
Accrued sales and other taxes	260	1,446
Other accrued operating expenses	785	675
Customer deposits and sales returns	153	137
Accrued travel expenses related to corporate events	1,156	255
Accrued shipping and handling costs	691	290
Rent expense	211	219
Accrued legal and accounting fees	537	634
	$ 5,771	**$ 5,605**

NOTE 7: INCOME TAXES

The components of the Company's income before income taxes are attributable to the following jurisdictions for the years ended December 31 *(in thousands)*:

	2017	2016
United States	$ (6,911)	$ (2,368)
Foreign	9,371	1,413
	$ 2,460	**$ (955)**

The components of the Company's income tax expense for the years ended December 31 *(in thousands)*:

Current provision (benefit):	2017	2016
Federal	$ (1,157)	$ (396)
State	75	59
Foreign	3,186	1,438
	2,104	**1,101**
Deferred provision (benefit):		
Federal	1,185	(95)
State	(425)	(25)
Foreign	1,383	(1,350)
	2,143	**(1,470)**
	$ 4,247	**$ (369)**

A reconciliation of the Company's effective income tax rate and the United States federal statutory income tax rate is summarized as follows, for the years ended December 31:

	2017	2016
Federal statutory income taxes	35.0 %	35.0 %
State income taxes, net of federal benefit	(8.0)	(4.1)
Difference in foreign and United States tax on foreign operations	(68.6)	9.5
Effect of changes in valuation allowance	121.1	59.0
Effect of change in uncertain tax positions (net)	(22.6)	12.8
Federal Sub-Part F Income from foreign operations	6.6	(27.4)
Federal Transition Tax (net of deduction)	191.4	—
Effect of changes in tax rates	32.5	—
Foreign Exchange	9.4	(45.7)
Prior year adjustments	17.4	—
Other deferred - NOL expiration	26.0	—
Foreign tax credits and withholding tax	(180.8)	—
Meals and entertainment	5.5	—
Other permanent items	4.4	—
Other	3.4	(0.4)
	172.7 %	**38.7 %**

For the years ended December 31, 2017 and 2016, the Company's effective tax rate was 172.7% and 38.7%, respectively. For 2017, the Company had a significant increase in its rate due to the impact of the Act. Items decreasing the effective income tax rate included the favorable rate difference from foreign jurisdictions, utilization of foreign tax credits against the transition tax, and certain tax reserve items removed due to expiration of applicable statute of limitations. Items increasing the effective income tax rate included transition tax, return to provision and prior year adjustments, and change in valuation allowance. For 2016, the Company had a tax benefit due to loss before income tax. Items decreasing the effective income tax rate included the favorable rate difference from foreign jurisdictions, return to provision adjustment, release of value allowances with respect to Switzerland and certain tax reserve items removed due to expiration of applicable statute of limitations. Items increasing the effective income tax rate included foreign exchange losses and "Subpart F income" resulting from controlled foreign corporation operations.

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities consisted of the following at December 31 *(in thousands)*:

Deferred tax assets:	**2017**	**2016**
Deferred revenue	$ 353	$ 492
Inventory capitalization	147	258
Inventory reserves	112	82
Accrued expenses	917	799
Depreciation and amortization	1,506	2,181
Net operating loss[1]	6,549	6,021
Deferred royalty	5	18
Non-cash accounting charges related to stock options and warrants	464	715
Foreign tax credit carryover	5,544	3,797
Other	360	932
Total deferred tax assets	**$ 15,957**	**$ 15,295**
Valuation allowance	(11,436)	(8,458)
Total deferred tax assets, net of valuation allowance	**$ 4,521**	**$ 6,837**
Deferred tax liabilities:		
Prepaid expenses	$ 239	$ 380
Deferred commissions	543	742
Internally-developed software	381	205
Fixed assets	266	178
Total deferred tax liabilities	**$ 1,429**	**$ 1,505**
Total net deferred tax asset	**$ 3,092**	**$ 5,332**

[1] The Company's net operating loss will expire as follows (dollar amounts in thousands):

Jurisdiction	**Gross NOL**	**Tax Effected NOL**	**Expiration Years**
Canada	$ 9	$ 2	2026
Colombia	$ 1,641	$ 558	Indefinite
Cyprus	$ 8	$ 1	2021
Denmark	$ 9	$ 2	Indefinite
Hong Kong	$ 110	$ 18	Indefinite
Japan	$ 400	$ 139	Indefinite
Mexico	$ 9,395	$ 2,819	2020-2027
Norway	$ 263	$ 61	Indefinite
Russia[1]	$ 49	$ 10	Indefinite
Singapore	$ 131	$ 22	Indefinite
South Africa	$ 239	$ 67	Indefinite
Sweden	$ 549	$ 121	Indefinite
Switzerland	$ 10,893	$ 1,001	2018-2023
Taiwan	$ 4,707	$ 800	2018-2026
Ukraine[2]	$ 604	$ 109	Indefinite
United Kingdom	$ 454	$ 86	Indefinite

(1) On August 1, 2016, the Company established a legal entity in Russia.
(2) On March 21, 2014, the Company suspended operations in the Ukraine, but maintains the legal entity.

In addition to net operating loss attributes, the Company has recorded a foreign tax credit carryforward of $5.5 million, which will begin to expire in 2024 and a charitable contribution carryforward of $0.2 million, which will expire in 2021. The Company maintains a full valuation against both the foreign tax credits and the charitable contribution carryforward.

At December 31, 2017 and 2016, the Company's valuation allowance was $11.4 million and $8.5 million, respectively. The provisions of ASC Topic 740 require a company to record a valuation allowance when the "more likely than not" criterion for realizing a deferred tax asset cannot be met. A company is to use judgment in reviewing both positive and negative evidence of realizing a deferred tax asset. Furthermore, the weight given to the potential effect of such evidence is commensurate with the extent the evidence can be objectively verified.

The valuation allowances presented below *(in millions)* at December 31, 2017 and 2016, represented a reserve against the Company's net deferred tax asset the Company believed the *"more likely than not"* criterion for recognition purposes could not be met. The U.S. valuation allowance increased due to the carryover of foreign tax credits that we do not anticipate to utilize in future years.

Country	**2017**	**2016**
Colombia	$ 0.6	$ 0.3
Mexico	2.8	2.4
South Africa	0.1	—
Sweden	0.1	0.1
Switzerland	—	0.1
Taiwan	0.8	1.3
Ukraine	0.1	0.1
United Kingdom	0.1	—
United States	6.8	4.1
Other Jurisdictions	—	0.1
Total	**$ 11.4**	**$ 8.5**

U.S. Tax

On December 22, 2017, President Trump signed into law H.R. 1/Public Law No. 115-97, "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018." Pursuant to ASC 740-10-25-47, the effects of the new federal legislation are recognized upon enactment, which is the date the president signs a bill into law.

The Securities and Exchange Commission staff ("SEC Staff") recognized that entities may not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting under ASC 740 for certain income tax effects of the Act in the reporting period that includes the date of enactment. SEC Staff issued guidance in SAB 118 to address this situation. SAB 118 provides that to the extent an entity can complete the income tax accounting effects of the Act, the completed amount is reported. To the extent the entity cannot complete the calculation for certain income tax effects of the Act, the entity may provide a reasonable estimate and report this provisional amount in the first reporting period in which the entity is able to make a reasonable estimate. If the entity is unable to make a reasonable estimate, then the entity will not report any provisional amounts and will continue to report the effects of the tax law in effect immediately prior to the Act. The measurement period begins in the period of enactment and ends when the entity has obtained, prepared, and analyzed the information needed to complete the accounting requirements under ASC 740; however, the measurement period should not extend beyond one year from the enactment date.

The following is a summary of the tax effects of the Act:

Corporate Tax Rate Change: The Act includes a decrease to the U.S. corporate income tax rate effective January 1, 2018, from 35 percent to 21 percent, which requires a re-measurement of deferred tax assets and liabilities pursuant to ASC 740-10-25-47. For the year ended December 31, 2017, Mannatech recorded deferred tax expense of $0.8 million as a provisional estimate related to revaluing its deferred tax assets and liabilities to the newly enacted tax rate.

Deemed Repatriation of Foreign Earnings ("Transition Tax"): The Act provides that a U.S. shareholder of a specified foreign corporation ("SFC") must include in gross income, at the end of the SFC's last tax year beginning before January 1, 2018, the U.S. shareholder's pro rata share of certain of the SFC's undistributed and previously untaxed post-1986 foreign earnings and profits and base the calculation on the greater of the E&P as of November 2, 2017, or December 31, 2017. Mannatech has recorded a current tax expense of $1.7 million after foreign tax credits as a provisional estimate.

The Company has not yet completed its calculation of the total post-1986 E&P for these foreign subsidiaries. Further, the transition tax is based, in part, on the amount of those earnings held in cash and other specified assets. This amount may change when the Company finalizes the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and finalize the amounts held in cash or other specified assets.

Global Intangible Low Taxed Income: The Act creates a requirement that certain income earned by controlled foreign corporations ("CFCs") must be included currently in the gross income of the CFC's U.S. shareholder. Global Intangible Low Tax Income ("GILTI") is the excess of the shareholder's net CFC tested income over the net deemed tangible income return ("the routine return"), which is defined as the excess of (1) 10 percent of the aggregate of the U.S. shareholder's pro rata share of the qualified business asset investment of each CFC with respect to which it is a U.S. shareholder over (2) the amount of certain interest expense taken into account in the determination of the net CFC-tested income.

A deduction is permitted to a domestic corporation in an amount equal to 50 percent of the sum of the GILTI inclusion and the amount treated as a dividend, subject to certain limitations. The GILTI provisions are effective for tax years beginning on or after January 1, 2018.

In FASB staff Q&A Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, the FASB staff noted that ASC 740 was not clear with respect to the appropriate accounting for GILTI, and accordingly, an entity may either: (1) elect to treat taxes on GILTI as period costs similar to special deductions, or (2) recognize deferred tax assets and liabilities when basis differences exist that are expected to affect the amount of GILTI inclusion upon reversal (the deferred method). Mannatech has not yet adopted an accounting policy related to GILTI.

Unremitted Foreign Earnings: For each of its foreign subsidiaries, the company makes an assertion regarding the amount of earnings intended for permanent reinvestment, with the balance available to be repatriated to the United States. · The Act requires companies to pay a one-time transition tax on earnings of foreign subsidiaries, a majority of which were previously considered permanently reinvested by the company. It is the Company's intention to repatriate its previously taxed income ("PTI") of approximately $25 million, which is a provisional estimate as it includes the PTI generated from the Company's provisional estimate of the transition tax. In addition to the one-time transition tax, a deferred tax liability for withholding taxes of $1.3 million has been accrued on the estimated PTI at December 31, 2017, along with an offsetting deferred tax asset for the U.S. foreign tax credit that would be generated. The Company is currently evaluating the impact of The Act on its permanent reinvestment assertion for any remaining outside basis difference after considering the transition tax. The repatriation of incremental outside basis difference could result in an adjustment to the tax liability due to contributing factors such as withholding taxes, income taxes and the impact of foreign currency movements. As such, the company is still evaluating any remaining outside basis difference.

Deferred tax assets (liabilities) are classified in the accompanying Consolidated Balance Sheets of December 31 as follows *(in thousands)*:

	2017	2016
Noncurrent deferred tax assets	$ 4,239	$ 5,368
Long-term deferred tax liabilities	(1,147)	(29)
Net deferred tax assets	**$ 3,092**	**$ 5,339**

On January 1, 2007, the Company adopted FIN 48, which was codified into Topic 740, which prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements, uncertain tax positions that it has taken or expects to take on a tax return. Topic 740 requires that a company recognize in its financial statements the impact of tax positions that meet a "more likely than not" threshold, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. As of December 31, 2017, the Company recorded $0.2 million in other long-term liabilities related to uncertain income tax positions and income tax reserves associated with various audits. At December 31, 2017, the Company had unrecognized tax benefits of $0.2 million that, if recognized, would impact the effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows, for the years ended December 31, 2017 and 2016 (in thousands):

	2017	2016
Balance as of January 1	$ 733	$ 715
Additions for tax positions related to the current year	—	90
Additions for tax positions of prior years	—	54
Reductions of tax positions of prior years	(576)	(126)
Balance as of December 31	**$ 157**	**$ 733**

The Company recognizes interest and/or penalties related to uncertain tax positions in current income tax expense. As of December 31, 2017 and December 31, 2016, the Company had accrued interest and penalties of $0.1 million and $0.3 million in the consolidated balance sheet, of which $9 thousand and $42 thousand were accrued in the consolidated statement of operations. Although it is not reasonably possible to estimate the amount by which unrecognized tax benefits may increase or decrease within the next twelve months due to uncertainties regarding the timing of any examinations, the Company does not expect its unrecognized tax benefits to decrease during the next twelve months.

The Company files income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. As of December 31, 2017, the tax years that remained subject to examination by a major tax jurisdiction for the Company's most significant subsidiaries were as follows:

Jurisdiction	Open Years
Australia	2013-2017
Canada	2013-2017
China	2016-2017
Denmark	2014-2017
Japan	2014-2017
Mexico	2013-2017
Norway	2010-2017
Republic of Korea	2011-2017
Singapore	2013-2017
South Africa	2014-2017
Sweden	2012-2017
Switzerland	2013-2017
Taiwan	2012-2017
United Kingdom	2014-2017
United States	2014-2017

NOTE 8: TRANSACTIONS WITH RELATED PARTIES AND AFFILIATES

The Company made cash donations of $0.5 million and $0.6 million to the M5M Foundation for the year ended December 31, 2017 and December 31, 2016, respectively. The M5M Foundation is a 501(c)(3) charitable organization that works to combat the epidemic of childhood malnutrition on a global scale. Several of the Company's directors and officers and their family members serve on the board of the M5M Foundation, including:

- Al Bala, the Company's CEO and President;
- Chris Simons, the Company's Regional Vice President EMEA; and
- Landen Fredrick, the Company's Chief Global Sales Officer and President, North America and son of J. Stanley Fredrick, the Company's Chairman of the Board and a major shareholder.

We paid employment compensation of approximately $275,000 in 2017 and $293,500 in 2016 for salary, bonus, auto allowance, and other compensation to Landen Fredrick. Landen Fredrick is the son of J. Stanley Fredrick, the Company's Chairman of the Board and a major shareholder. In addition, Landen Fredrick participated in the employee health care benefit plans available to all employees of the Company. Effective January 1, 2018, Landen Fredrick was promoted from Senior Vice President of Global Operations to Chief Global Sales Officer and President, North America. Mr. Fredrick had served as Senior Vice President, Global Operations since August of 2016. Prior to that, Mr. Fredrick served as Senior Vice President, Supply Chain and IT since August of 2015, Vice President, Global Operations since May of 2013, Vice President, North American Sales and Operations since January of 2011, Vice President, North American Sales since February of 2010 and as Senior Director of Tools and Training since his hire in May of 2006. Landen Fredrick also serves on the Board of the M5M Foundation.

Mr. Ray Robbins is a major shareholder and served as a member of the Company's Board of Directors until December of 2016. Mr. Robbins holds positions in the Company's associate global downline network marketing system. In addition, several of Mr. Robbins' family members are independent associates. The Company pays commissions and incentives to its independent associates and during 2017 and 2016, the Company paid aggregate commissions and incentives to Mr. Robbins and his family of approximately $2.4 million and $2.9 million, respectively. The aggregate amount of commissions and incentives paid to Mr. Robbins was approximately $2.2 million and $2.7 million in 2017 and 2016, respectively. The aggregate amount of commission and incentives paid to family members was approximately $0.2 million in both 2017 and 2016, of which $0.2 million was paid each of the respective years to his son, Kevin Robbins, who is a member of the Company's Board of Directors and serves on the Science and Marketing Committee and is consulting on the associate commission plan. In addition, less than $0.1 million in both 2017 and 2016, respectively, was paid to his daughter, Marla Finley, and daughter-in-law, Demra Robbins, who both share an account. All commissions and incentives paid to Mr. Robbins and his family members are in accordance with the Company's global associate career and compensation plan. The Company paid $0.1 million to Kevin Robbins for consulting fees in 2017. The Company has also contracted with a software development firm owned by Ryan Robbins, the son of Mr. Ray Robbins. The value of services performed during each of 2017 and 2016 were less than $0.1 million.

In connection with a confidential settlement agreement discussed in Note 12 *Litigation*, an associate position valued at $0.8 million was transferred to NutraScoop, LLC. Jim Hill is the managing member and Ray Robbins is a member of NutraScoop, LLC.

Johanna Bala, the wife of Al Bala, the Company's Chief Executive Officer and President, is an independent associate who earns commissions and incentives. The aggregate amount of commission and incentives paid to Johanna Bala was approximately $0.1 million in each of 2017 and 2016. The Company paid less than $0.1 million of commissions and incentives to other members of Al Bala's family. All commissions and incentives paid to Al Bala's family members are in accordance with the Company's global associate career and compensation plan.

NOTE 9: EMPLOYEE BENEFIT PLANS

Employee Retirement Plan

Effective May 9, 1997, the Company adopted a Defined Contribution 401(k) and Profit Sharing Plan (the "401(k) Plan") for its United States and Canada employees. The 401(k) Plan covers all regular full-time and part-time employees who have completed three months of service and attained the age of twenty-one. United States employees can contribute up to 100 percent of their annual compensation but are limited to the maximum annual dollar amount allowable under the Internal Revenue Code. The 401(k) plan permits matching and discretionary employer contributions. The Company's matching contributions for its United States and Canada employees vest ratably over a five-year period. During each of the years ended December 31, 2017 and 2016, the Company contributed approximately $0.3 million and $0.4 million to the 401(k) Plan for matching contributions, respectively.

The Company also sponsors a non-U.S. defined benefit plan covering its employees in its Japan subsidiary (the "Benefit Plan"). Benefits under the Benefit Plan are based on a point system for position grade and years of service. The Company utilizes actuarial methods. Inherent in the application of these actuarial methods are key assumptions, including, but not limited to, discount rates and expected long-term rates of return on plan assets. Changes in the related Benefit Plan costs may occur in the future due to changes in the underlying assumptions, changes in the number and composition of plan participants, and changes in the level of benefits provided. The Company uses a measurement date of December 31 to evaluate and record any post-retirement benefits related to the Benefit Plan.

Projected Benefit Obligation and Fair Value of Plan Assets

The Benefit Plan's projected benefit obligation and valuation of plan assets were as follows for the years ended December 31 *(in thousands)*:

Projected benefit obligation:	**2017**	**2016**
Balance, beginning of year	$ 451	$ 479
Service cost	76	83
Interest cost	2	2
Liability (gain) loss	(9)	6
Benefits paid to participants	(170)	(138)
Foreign currency	17	19
Balance, end of year	**$ 367**	**$ 451**

Plan assets:	**2017**	**2016**
Fair value, beginning of year	$ —	$ —
Company contributions	170	138
Benefits paid to participants	(170)	(138)
Fair value, end of year	**$ —**	**$ —**

Funded status of the Benefit Plan as of December 31 *(in thousands)*:	**2017**	**2016**
Benefit obligation	$ (367)	$ (451)
Fair value of plan assets	—	—
Excess of benefit obligation over fair value of plan assets	**$ (367)**	**$ (451)**

Amounts recognized in the accompanying Consolidated Balance Sheets consist of, as of December 31 *(in thousands)*:	**2017**	**2016**
Accrued benefit liability	$ (367)	$ (451)
Transition obligation and unrealized gain	(289)	(307)
Net amount recognized in the consolidated balance sheets	$ (656)	$ (758)

Other changes recognized in comprehensive income *(in thousands):*	Years Ended December 31, 2017	2016
Net periodic cost	$ 40	$ 46
Current year actuarial (gain) loss	(9)	6
Amortization of transition obligation	(4)	(4)
Total recognized in other comprehensive income (loss)	(13)	2
Total recognized in comprehensive income	$ 27	$ 48

Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive gain *(in thousands)*:	As of December 31, 2017	2016
Transition obligation	$ 28	$ 30
Prior service cost	252	283
Net actuarial gain (loss)	9	(6)
Total recognized in accumulated other comprehensive gain	$ 289	$ 307

2017 estimated amounts of amortized transition obligation *(in thousands):*	2017
Transition obligation	$ (4)

Aggregate Benefit Plan information and accumulated benefit obligation in excess of plan assets (in thousands):	As of December 31, 2017	2016
Projected benefit obligation	$ 367	$ 451
Accumulated benefit obligation	367	451
Fair value of plan assets	—	—

The weighted-average assumptions to determine the benefit obligation and net cost are as follows:

	2017	2016
Discount rate	0.30%	0.30%
Rate of increase in compensation levels	—	—

Components of Expense

In accordance with ASU 2017-07, *Compensation-Retirement Benefits (Topic 715 - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost),* Service Cost for the Benefit Plan is included within selling, general and administrative expenses and all other items noted in the table below (Interest Cost, Amortization of Transition Obligation, and Prior Service Cost) are included within other income and expense. Pension costs, which are included within Consolidated Statement of Operations are detailed below for the years ended December 31 *(in thousands)*:

	2017	2016
Service cost	$ 76	$ 83
Interest cost	2	2
Amortization of transition obligation	4	4
Prior service cost	(42)	(43)
Total pension expense	**$ 40**	**$ 46**

Estimated Benefits and Contributions

The Company expects to contribute approximately $24,000 to the Benefit Plan in 2018. As of December 31, 2017, benefits expected to be paid by the Benefit Plan for the next ten years is approximately as follows *(in thousands)*:

2018	$	24
2019		26
2020		27
2021		25
2022		58
Next five years		324
Total expected benefits to be paid	**$**	**484**

NOTE 10: STOCK BASED COMPENSATION

Summary of Stock Plan

The Company currently has one active stock-based compensation plan, the 2017 Plan, which was adopted by the Company's Board of Directors on April 17, 2017 and was approved by its shareholders on June 8, 2017. The 2017 Plan supersedes the Mannatech, Incorporated 2008 Stock Incentive Plan, as amended, which was set to expire on February 20, 2018. The Board has reserved a maximum of 250,000 shares of our common stock that may be issued under the 2017 Plan, consisting of 181,674 newly reserved shares and 68,326 shares that remained available for issuance under the 2008 Plan (subject to adjustments for stock splits, stock dividends or other changes in corporate capitalization). As of December 31, 2017, the Company had a total of 240,000 shares available for grant under the 2017 Plan, which expires on April 16, 2027.

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

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

A summary of changes in stock options outstanding during the year ended December 31, 2017, is as follows:

	2017			
	Number of Options (in thousands)	**Weighted average exercise price**	**Weighted average remaining contractual life (in years)**	**Aggregate intrinsic value (in thousands)**
Outstanding at beginning of year	252	$ 16.65		
Granted	10	14.18		
Exercised	(15)	5.48		
Expired	—	—		
Outstanding at end of year	247	$ 17.23	5.53	$ (552)
Options exercisable at year end	232	$ 17.26	5.31	$ (524)

During 2017, the Company issued 15,000 new shares upon the exercise of options, and granted 10,000 new options to members of the Board. Options exercised during the year ending December 31, 2017 and December 31, 2016 had a total intrinsic value, calculated as the difference between the exercise date stock price and the exercise price of $0.2 million and $0.1 million, respectively. Non-vested shares at December 31, 2017 and 2016 were approximately 15,000 and 35,000, respectively. The Company did not grant any restricted stock awards during the year ended December 31, 2017. The Company granted approximately 13,000 restricted stock awards during the year ended December 31, 2016.

Valuation and Expense Information Under FASB ASC Topic 718 Compensation – Stock Compensation

Under the provisions of FASB ASC Topic 718, the Company is required to measure and recognize compensation expense related to any outstanding and unvested stock options previously granted, and thereafter recognize, in its consolidated financial statements, compensation expense related to any new stock options granted after implementation using a calculated fair-value based option-pricing model.

The Company uses the Black-Scholes option-pricing model to calculate the fair value of all of its stock options and its assumptions are based on historical information. The following assumptions were used to calculate the compensation expense and the calculated fair value of stock options granted each year:

	2017	2016
Dividend yield:	3.5 %	2.5 %
Risk-free interest rate:	1.7 %	1.1 – 1.7 %
Expected market price volatility:	64.4 %	67.4 – 73.5 %
Average expected life of stock options:	4.5 years	4.5 years

The computation of the expected volatility assumption used in the Black-Scholes calculations for new grants is based on historical volatilities of the Company's stock. The expected life assumptions are based on the Company's historical employee exercise and forfeiture behavior.

The weighted-average grant-date fair value of stock options granted during the years ended December 31, 2017 and 2016 was $5.87 and $11.90 per share, respectively. The total fair value of awards vested during the years ended December 31, 2017 and 2016 was $0.3 million and $0.5 million, respectively.

The Company recorded the following amounts related to the expense of the fair values of options and restricted share awards during the years ended December 31, 2017 and 2016 *(in thousands)*:

	2017	2016
Selling, general and administrative expenses and income from operations before income taxes	$ 246	$ 690
Benefit for income taxes	(45)	(86)
Effect on net income	$ 201	$ 604

As of December 31, 2017, the Company had approximately $0.2 million of total unrecognized compensation expense related to stock options and restricted share awards currently outstanding, to be recognized in future years, ending December 31, as follows *(in thousands):*

	Total gross unrecognized compensation expense	Total tax benefit associated with unrecognized compensation expense	Total net unrecognized compensation expense
2018	$ 122	$ 20	$ 102
2019	38	3	35
	$ 160	**$ 23**	**$ 137**

NOTE 11: COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases certain office space, automobiles, computer hardware, and warehouse equipment under various non-cancelable operating leases. Some of these leases have renewal options. The Company also leases equipment under various month-to-month cancelable operating leases. For each of the years ended December 31, 2017 and 2016, total rent expense was approximately $3.7 million.

Approximate future minimum rental commitments for non-cancelable operating leases *(in thousands)* are as follows:

Years ending December 31,		
2018	$	2,639
2019		1,353
2020		602
2021		487
2022		491
Thereafter		2,801
	$	**8,373**

Purchase Commitments

The Company maintains supply agreements with its suppliers and manufacturers. Some of the supply agreements contain exclusivity clauses and/or minimum annual purchase requirements. In November 2016, the Company entered into a four-year supply agreement to purchase an aloe vera powder in whole leaf aloe form and an aloe vera gel extract from Natural Aloe de Costa Rica, S.A. As of December 31, 2017, the Company is required to purchase an aggregate of $14.9 million through 2020.

Royalty and Consulting Agreements

The Company utilizes royalty agreements with individuals and entities to provide compensation for items relating to developed products, websites and emails provided to our associates. The Company paid royalties of $0.1 million and $0.2 million for the years ended December 31, 2017 and December 31, 2016, respectively.

Employment Agreements

The Company has non-cancelable employment agreements with certain executives. If the employment relationships with these executives were terminated, as of December 31, 2017, the Company would continue to be indebted to the executives for $0.7 million, payable through 2018.

NOTE 12: LITIGATION

Breach of Contract

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

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

***Natural Alternatives International Inc. v. Mannatech Inc. dba Mannatech Dietary Supplements,* Case No. 3:17-c-v-01906-W-JLB, U.S. District Court, for the Southern District of California**

On September 19, 2017, the Company was informed by Natural Alternatives International Inc. ("NAI") that it had filed a civil action against the Company for allegedly breaching the excess inventory clause of a manufacturing agreement between the parties. NAI asserts that the Company owes $292,194 as reimbursement for excess inventory held by NAI post expiration of the manufacturing agreement. The Company disagrees with that assertion. The Company was not formally served. On October 25, 2017, the parties entered into a settlement agreement whereby the Company shall pay NAI two payments of $100,000 for a total of $200,000 to resolve the issues asserted in the complaint. On October 27, 2017, NAI filed Plaintiff's Notice of Settlement of the Action with the Court stating that the parties reached an amicable settlement and that upon final payment of the funds to NAI, NAI shall file a voluntary dismissal of the lawsuit. A Notice of Voluntary Dissmissal was filed by NAI on November 29, 2017. The final payment to NAI was made on December 30, 2017. The Company considers this matter closed.

Insured Litigation - Personal Injury

***Ralph Pinkston v. Cornerstone Technologies, LLC d/b/a Cornerstone Show Foundation, Mannatech Inc., and Anatole Partners III, LLC*, Case No. DC-17-13494 (192nd Dist. Ct., Dallas, Co., Tex)**

On October 13, 2017, the Company's registered agent received service of process of the above-captioned matter. Ralph Pinkston (the "Plaintiff") is a truck driver who is alleging that he suffered injuries to his foot while unloading audio-visual equipment owned by Defendant Cornerstone from his truck on to the dock at Defendant Anatole's hotel (the "Hotel") on the morning of April 5, 2016. The Company held its 2016 MannaFest event at the Hotel from April 6, 2016 to April 10, 2016. Defendant Cornerstone provided production services to the Company for the event. The Plaintiff alleges that his injuries were due to the negligence of the Company and the other defendants. The Plaintiff is seeking damages in excess of $200,000. The Company submitted this matter to its insurance carrier and retained approved outside counsel. The parties are engaged in the discovery process.

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

Administrative Proceedings

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

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

April 21, 2017. The final hearing was held on June 2, 2017. The Court issued its decision on June 30, 2017 in favor of the BCO. The Company appealed this decision on August 24, 2017. The Company anticipates a final decision on the appeal by the first quarter of 2019.This matter remains open.

Patent Litigation

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

On July 11, 2014 the Company filed a patent infringement lawsuit against Wellness Quest, LLC and Dr. H. Reginald McDaniel ("Defendants") alleging the Defendants infringe United States Patent Nos. 7,157,431 and 7,202,220, both entitled "Compositions of Plant Carbohydrates as Dietary Supplements," (the "Patents") and seeking to stop their manufacture, offer, and sale of infringing glyconutritional dietary supplement products. Mediation on this matter was held on April 24, 2015 and a settlement was not reached.

On November 5, 2015, the Court issued an Order accepting Defendant's stipulation of infringement under the Court's claim interpretation and granted the Company's partial motion for summary judgment and issued a permanent injunction against Defendants' infringement of the Patents. The Court stayed the permanent injunction until the conclusion of Defendants' appeal to the U.S. Court of Appeals for the Federal Circuit (the "Court of Appeals"). On August 5, 2016, the Court of Appeals issued a *per curium* opinion affirming the trial court's judgment in favor of the Company. On August 10, 2016, the Company filed a motion to lift the stay of permanent injunction previously issued by the trial court. On August 24, 2016, the Company received confirmation from its counsel that Defendants changed the formulation of the infringing product to a formulation proposed by the Company. On October 18, 2016, the Court entered an order lifting the stay and putting the permanent injunction back into full effect. On March 31, 2017, the Court entered the Agreed Scheduling Order for trial on damages and determination of willfulness.

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

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

On June 22, 2017, the Company received notice that on June 20, 2017, Dr. H. Reginald McDaniel (the "Debtor") filed Chapter 7 Bankruptcy in the United States Bankruptcy Court for the Northern District of Texas. The Debtor's initial flings indicate that the Company is the largest creditor based on the Company's judgment against the Debtor in the patent litigation styled, Mannatech, Incorporated v. Wellness Quest, LLC and Harley Reginald McDaniel. The Debtor asserts that the value of the debt is $700,000. The Company has engaged bankruptcy counsel. The first meeting of creditors was held on August 8, 2017. On August 24, 2017, the Chapter 7 Trustee and the Company each filed objections to certain exemptions asserted by the Debtor. On August 25, 2017, the U.S. Trustee filed a motion seeking dismissal of the case. On September 14, 2017, the Company filed its response opposing the U.S. Trustee's motion on the grounds that dismissal would be contrary to the best interests of the creditors. A hearing on the motion to dismiss was held on September 20, 2017. On October 12, 2017, the U.S. Trustee stipulated to dismiss its dismissal motion. On November 7, 2017, the Company filed a proof of claim in the amount of $700,000. On November 27, 2017, the Company commenced an adversary proceeding in the case styled Mannatech, Inc. v. Harley Reginald McDaniel, Sr., Adversary Number 17-04153 against the Debtor seeking a declaration that the indebtedness to Mannatech is non-dischargeable. On December 27, 2017, the Chapter 7 Trustee, the Debtor, and the Company negotiated a Settlement and Compromise Agreement and on January 2, 2018, the Chapter 7 Trustee filed a motion seeking the Court's approval of that agreement. On January 31, 2018, the Court entered an Order granting the Trustee's motion. On March 9, 2018, the Company dismissed the adversarial case against the Debtor. The Company is currently assessing how to proceed with the patent infringement case against Wellness Quest. On March 15, 2018 the Company received notice that the Chapter 7 Trustee submitted the Final Report to the U.S. Trustee's office for approval. Once approved by the U.S. Trustee may file the Final Report with the Court. This matter remains open.

Trademark Opposition - U.S. Patent and Trademark Office

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

On April 15, 2015, the Company received notice that Shaklee Corporation ("Shaklee") filed a Notice of Opposition to the Company's trademark application for UTH (stylized as Û th) with the USPTO. On May 19, 2015, the Company filed an answer to the opposition and also filed a counterclaim seeking to cancel Shaklee's registration of its YOUTH mark.

On March 28, 2017, the Trademark Trial and Appeal Board ("TTAB") ruled on the Company's 56(d) Motion, granting the Company's motion in part to oblige Shaklee to answer the Company's request for discovery related to Shaklee's use or non-use of the YOUTH mark. The Company took the deposition of Shaklee's designated witness on May 31, 2017. On June 29, 2017, the Company filed Applicant's Opposition to Opposer's Motion for Summary Judgment on Applicant's Counterclaim for Abandonment and Applicant's Cross Motion for Summary Judgment on its Counterclaim for Abandonment. Shaklee's reply in support of their Motion for Summary Judgement and Response to the Company's Counterclaim was filed on August 3, 2017. Each party's respective motions for summary judgment were denied by the TTAB. The TTAB set February 20, 2018 as the due date for Expert disclosures and set March 22, 2018 as the closing date for discovery.

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

Litigation in General

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

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

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

NOTE 13: SHAREHOLDERS' EQUITY

Preferred Stock

On May 19, 1998, the Company amended its Amended and Restated Articles of Incorporation to reduce the number of authorized shares of common stock from 100.0 million to 99.0 million and the Company authorized 1.0 million shares of preferred stock with a par value of $0.01 per share. No shares of preferred stock have ever been issued or outstanding.

Treasury Stock

On June 30, 2004, the Company's Board of Directors authorized the Company to repurchase, in the open market, the lesser of (i) 131,756 shares of its common stock and (ii) $1.3 million of its shares, (the "June 2004 Plan"). On August 28, 2006, a second program permitting the Company to purchase, in the open market, up to $20 million of its outstanding shares was approved by our Board of Directors (the "August 2006 Plan"). On July 14, 2011, the Company's Board of Directors authorized the Company to reactivate the June 2004 Plan. On August 31, 2016, the Company's Board of Directors reactivated the August 2006 Plan and authorized the Company to repurchase up to $0.5 million of the Company's outstanding common shares in open market transactions. As of August 8, 2017, the maximum number of shares available for repurchase under the June 2004 Plan was 19,084, and the total number of shares purchased in the open market under the June 2004 Plan was 112,672. As of December 31, 2017, there was $19.5 million remaining for repurchase under the August 2006 Plan, and the total value of shares repurchased in the open market under the August 2006 Plan was $0.5 million. The Company does not have any stock repurchase plans or programs other than the June 2004 Plan and the August 2006 Plan.

During the year ended December 31, 2017, the Company repurchased 15,418 shares at an average price of $14.69. During the year ended December 31, 2016, the Company repurchased 15,697 shares at an average price of $17.28.

Equity-Based Compensation

During 2017, 15,000 shares were issued for stock option exercises and a total of 12,068 shares were issued to the members of the Board as compensation for their work on the Board.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income displayed in the Consolidated Statements of Shareholders' Equity represents the results of certain shareholders' equity changes not reflected in the consolidated statements of operations, such as foreign currency translation and certain pension and postretirement benefit obligations.

The after-tax components of accumulated other comprehensive income, are as follows *(in thousands)*:

	Foreign Currency Translation	Pension Postretirement Benefit Obligation	Accumulated Other Comprehensive Income, Net
Balance as of December 31, 2016	$ 1,534	$ 300	$ 1,834
Current-period change before reclassifications	4,169	—	4,169
Amounts reclassified from accumulated other comprehensive income	—	(29)	(29)
Income tax benefit	—	10	10
Balance as of December 31, 2017	$ 5,703	$ 281	$ 5,984

Dividends

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

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

On August 14, 2017, the Board of Directors declared a dividend of $0.125 per share that was paid on September 20, 2017 to shareholders of record on September 13, 2017.

On November 17, 2017, the Board of Directors declared a dividend of $0.125 per share that was paid on December 28, 2017 to shareholders of record on December 7, 2017.

During the year ended December 31, 2017, the Company declared and paid dividends amounting to an aggregate of $1.4 million. During the year ended December 31, 2016, the Company declared and paid dividends amounting to an aggregate of $0.7 million. Payment of future dividends is at the discretion of our Board of Directors.

NOTE 14: EARNINGS PER SHARE

The Company calculates basic Earnings per Share ("EPS") by dividing net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted EPS also reflects the potential dilution that could occur if common stock were issued for awards outstanding under the Mannatech, Incorporated 2017 Stock Incentive Plan.

For each of the years ended December 31, 2017 and 2016, shares of the Company's stock subject to options were excluded from the diluted EPS calculation as their effect would have been antidilutive. The Company reported a net loss for each of the years ended December 31, 2017 and 2016.

NOTE 15: SEGMENT INFORMATION

The Company's sole reporting segment is one where we sell proprietary nutritional supplements, skin care and anti-aging products, and weight-management and fitness products through network marketing distribution channels operating in twenty-five countries. Each of the business units sells similar packs (with the exception of the United States, Canada, South Africa, Japan, Australia, New Zealand, Singapore, Hong Kong, and Taiwan where packs have been replaced with associate fees, see Note 1 *Organization and Summary of Significant Accounting Policies*) and products and possesses similar economic characteristics, such as selling prices and gross margins. In each country, the Company markets its products and pays commissions and incentives in similar market environments. The Company's management reviews its financial information by country and focuses its internal reporting and analysis of revenues by packs and product sales. The Company sells its products through its independent associates who occupy positions in our network and distribute products through similar distribution channels in each country. No single independent associate has ever accounted for more than 10% of the Company's consolidated net sales. The Company also operates a non-direct selling business in mainland China. Our subsidiary in China, Meitai is operating as a traditional retailer under a cross-border e-commerce model. Meitai cannot legally conduct a direct selling business in China until it acquires a direct selling license in China.

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

Consolidated net sales shipped to customers in these regions, along with pack and product information for the years ended December 31, are as follows *(in millions, except percentages)*:

Region	2017		2016	
Americas	$ 64.2	36.3%	$ 70.2	38.9%
Asia/Pacific	98.8	55.9%	96.2	53.4%
EMEA	13.7	7.8%	13.9	7.7%
Total	**$ 176.7**	**100.0%**	**$ 180.3**	**100.0%**

	2017	2016
Consolidated product sales	$ 157.9	$ 148.6
Consolidated pack sales and associate fees[a]	14.2	26.7
Consolidated other, including freight	4.6	5.0
Total	**$ 176.7**	**$ 180.3**

[a]Coincident with the introduction of the 2017 Associate Compensation Plan, which was implemented on July 1, 2017, the Company collects associate fees, which each associate pays to the Company annually in order to be entitled to earn commissions, benefits and incentives for that year. The Company collected associate fees within the United States, Canada, South Africa, Japan, Australia, New Zealand, Singapore, Hong Kong, and Taiwan during the year ended December 31, 2017. Prior to the change, associates purchased packs that were bundles of products within these respective geographic markets. Since implementing the 2017 Associate Compensation Plan, total associate fees represented an immaterial amount of total sales.

Long-lived assets by region, which include property and equipment and construction in progress for the Company and its subsidiaries, as of December 31, reside in the following regions, as follows *(in millions)*:

Region	2017	2016
Americas	$ 2.9	$ 3.1
Asia/Pacific	1.3	1.4
EMEA	0.1	0.1
Total	**$ 4.3**	**$ 4.6**

Inventory balances by region, which consist of raw materials and finished goods, including promotional materials, and offset by obsolete inventories, for the Company and its subsidiaries, reside in the following regions as of December 31, as follows *(in millions)*:

Region	2017	2016
Americas	3.5	4.8
Asia/Pacific	4.5	4.2
EMEA	1.4	3.0
Total	**$ 9.4**	**$ 12.0**

[Net Lease]

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") is made this 18th day of October, 2017, between SCG LAKESIDE COMMERCE CENTER, L.P., a Texas limited partnership ("Landlord"), and the Tenant named below.

Tenant:	Mannatech, Incorporated, a Texas corporation
Tenant's Address:	600 S. Royal Ln Coppell, TX 75019
Premises:	That portion of the Building, containing approximately 52,992 rentable square feet, as determined by Landlord, as shown on the Site Plan in Exhibit A.
Project:	The project commonly known as Lakeside Commerce Center, containing approximately 345,800 rentable square feet.
Building:	1410 Lakeside Parkway Flower Mound, Texas 75208 The Building contains approximately 84,500 rentable square feet.
Tenant's Proportionate Share of Project:	15.32%
Tenant's Proportionate Share of Building:	62.71%
Lease Term:	One hundred twenty-four (124) full calendar months, beginning on the Commencement Date and ending on the last day of the 124th full month following the Commencement Date.
Commencement Date:	February 1, 2018
Early Entry:	Tenant shall have access to the Premises on November 1, 2017 for the purpose of Tenant's performance of the Work ("Early Entry"). The Early Entry will be under all terms and conditions of this Lease other than the obligation to pay rent. Tenant's right to enter the Premises for Early Entry is conditioned upon (i) Tenant's contractors working in harmony with Landlord's contractors and (ii) delivery by Tenant and all Tenant contractors of the insurance required by this Lease.
Initial Monthly Base Rent:	See Addendum 1
Initial Estimated Monthly Operating Expense Payments: (estimates only and subject to adjustment to actual costs and expenses according to the provisions of this Lease)	1. Common Area Charges: $2,826.24 2. Taxes: $8,125.44 3. Insurance: $353.28
Initial Estimated Monthly Operating Expense Payments:	$11,304.96
Initial Monthly Base Rent and Estimated Operating Expense Payments:	$47,736.96
Rent Payment Address:	P.O. Box 847534 Dallas, Texas 75284-7534
Security Deposit:	$56,803.54
Broker:	Stream Realty Partners – DFW, L.P. ("Landlord's Broker") and Jones Lang LaSalle Brokerage, Inc. ("Tenant's Broker")
Addenda:	1. Base Rent Adjustments 2. HVAC Maintenance Contract 3. Move Out Conditions
Exhibits:	A. Site Plan B. Project Rules and Regulations C. Commencement Date Certificate D. Work Letter E. Renewal Option F. Form of SNDA G. Flag Area H. Truck Court

1. **Granting Clause**. In consideration of the obligation of Tenant to pay rent as herein provided and in consideration of the other terms, covenants, and conditions hereof, Landlord leases to Tenant, and Tenant takes from Landlord, the Premises, to have and to hold for the Lease Term, subject to the terms, covenants and conditions of this Lease.

2. **Acceptance of Premises**. Except for latent defects identified to Landlord in writing within one hundred eighty (180) days following the date of this Lease, Tenant shall accept the Premises in its condition as of the Commencement Date, subject to all applicable local, state and federal laws, ordinances, regulations, covenants and restrictions including the Americans with Disabilities Act of 1990 (as amended) (the "ADA"). Landlord has made no representation or warranty as to the suitability of the Premises for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises are suitable for Tenant's intended purposes. In no event shall Landlord have any obligation for any defects in the Premises or any limitation on its use. The taking of possession of the Premises shall be conclusive evidence that Tenant accepts the Premises and that the Premises were in good condition at the time possession was taken except for items that are Landlord's responsibility under Paragraph 10, the latent defects identified to Landlord as described in this section, and any punch list items agreed to in writing by Landlord and Tenant. No later than ten (10) business days after written demand is made therefor by Landlord of Tenant, Tenant shall execute and deliver to Landlord a Commencement Date Certificate in the form of Exhibit C attached to and hereby made a part of this Lease. If either party so requests in writing within ten (10) days following completion of the demising wall constructed as part of the Work, the area of the Premises shall be remeasured, at the requesting party's cost, by an engineer or architect reasonably satisfactory to both parties using a commercially reasonable methodology selected by Landlord. The area stipulated herein shall be fully applicable and binding on the parties until after such time, if ever, as any such measurement is effected, following which event the new measurements, if they differ from those herein set forth, shall be applicable, and Landlord and Tenant shall enter into an amendment to this Lease to adjust, among other things, Tenant's Proportionate Share, the Base Rent, the Construction Allowance, and the Additional Allowance. If Hazardous Materials in violation of Legal Requirements, friable asbestos or PCBs are discovered in the Premises while Tenant is performing the Work (and the presence thereof is not a result of the act or omission of any Tenant Party), Landlord will remove such Hazardous Materials, asbestos and/or PCBs and remediate in accordance with applicable Legal Requirements at Landlord's expense and not as an Operating Expense or as a cost applied against the Construction Allowance. Notwithstanding anything to the contrary in this Paragraph 2, Tenant shall have no liability of any kind to Landlord as to Hazardous Materials on the Premises caused or permitted by (a) Landlord, its agents, employees, contractors or invitees; or (b) any other tenants in the Project or their agents, employees, contractors, subtenants, assignees or invitees.

3. **Use**. The Premises shall be used only for general office purposes and the purpose of receiving, storing, shipping and selling (but specifically excluding retail selling) products, materials and merchandise made and/or distributed by Tenant and for such other lawful purposes as may be incidental thereto; provided, however, with Landlord's prior written consent, Tenant may also use the Premises for light manufacturing. For the avoidance of doubt, Tenant has the right to: (a) hold meetings and training sessions at the Premises with its customers, employees, and independent sales distributors (provided, Tenant may not use more than its proportionate share of the parking spaces associated with the Premises); and (b) maintain a storefront and/or pick-up center at the Premises for the sale of its products and other goods to its customers and independent sales distributors. Tenant shall not conduct or give notice of any auction, liquidation, or going out of business sale on the Premises. Tenant will use the Premises in a careful, safe and proper manner and will not commit waste, overload the floor or structure of the Premises or subject the Premises to use that would damage the Premises. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise, or vibrations to emanate from the Premises, or take any other action that would constitute a nuisance or would disturb, unreasonably interfere with, or endanger Landlord or any tenants of the Project. Outside storage, including without limitation, storage of trucks and other vehicles, is prohibited without Landlord's prior written consent; provided, however, Tenant shall have the right to park operable vehicles and trailers overnight at the truck loading docks and designated truck and trailer parking areas for the Premises and operable automobiles in the designated automobile parking areas, and further provided there is no interference with the access of other tenants to the Building and Project parking lots and truck courts. Tenant, at its sole expense, shall use and occupy the Premises in compliance with all laws, including, without limitation, the ADA, orders, judgments, ordinances, regulations, codes, directives, permits, licenses, covenants and restrictions now or hereafter applicable to the Premises (collectively, "Legal Requirements"). The Premises shall not be used as a place of public accommodation under the ADA or similar state statutes or local ordinances or any regulations promulgated thereunder, all as may be amended from time to time. Subject to the provisions of this Section 3, Tenant shall, at its expense, make any alterations or modifications, within or without the Premises, that are required by Legal Requirements related to Tenant's use or occupation of the Premises. Tenant will not use or permit the Premises to be used for any purpose or in any manner that would void Tenant's or Landlord's insurance, increase the insurance risk, or cause the disallowance of any sprinkler credits. If any increase in the cost of any insurance on the Premises or the Project is caused by Tenant's use or occupation of the Premises, or because Tenant vacates the Premises, then Tenant shall pay the amount of such increase to Landlord. Any occupation of the Premises by Tenant prior to the Commencement Date shall be subject to all obligations of Tenant under this Lease.

If any federal, state or local laws, ordinances, orders, rules, regulations or requirements (collectively, "Governmental Requirements") in existence as of the date of this Lease require an alteration or modification of the Premises (a "Code Modification") and such Code Modification (i) is not made necessary as a result of the specific use being made by Tenant of the Premises (as distinguished from an alteration or improvement which would be required to be made by the owner of any building comparable to the Building irrespective of the use thereof by any particular occupant), and (ii) is not made necessary as a result of any alteration of the Premises by Tenant, such Code Modification shall be performed by Landlord, at Landlord's sole cost and expense.

If, as a result of one or more Governmental Requirements that are not in existence as of the date of this Lease, it is necessary from time to time during the Lease Term, to perform a Code Modification to the Building or the Project that (i) is not made necessary as a result of the specific use being made by Tenant of the Premises (as

distinguished from an alteration or improvement which would be required to be made by the owner of any building comparable to the Building irrespective of the use thereof by any particular occupant), and (ii) is not made necessary as a result of any alteration of the Premises by Tenant, such Code Modification shall be performed by Landlord and cost thereof shall be included in Operating Expenses.

If, as a result of one or more Governmental Requirements, it is necessary from time to time during the Lease Term to perform a Code Modification to the Building or the Project that is made necessary as a result of the specific use being made by Tenant of the Premises or as a result of any alteration of the Premises by Tenant, such Code Modification shall be the sole and exclusive responsibility of Tenant in all respects; provided, however, that Tenant shall have the right to retract its request to perform a proposed alteration in the event that the performance of such alteration would trigger the requirement for a Code Modification.

4. **Base Rent**. Tenant shall pay Base Rent in the amount set forth on Page 1 of this Lease. The fifth (5th) month's Base Rent, the Security Deposit, and the first monthly installment of estimated Operating Expenses (as hereafter defined) shall be due and payable on the date hereof, and Tenant promises to pay to Landlord in advance, without demand, deduction or set-off, monthly installments of Base Rent on or before the first day of each calendar month thereafter. Payments of Base Rent for any fractional calendar month shall be prorated. All payments required to be made by Tenant to Landlord hereunder (or to such other party as Landlord may from time to time specify in writing) shall be made by check or by Electronic Fund Transfer ("EFT") of immediately available federal funds before 11:00 a.m., Central Time at the Rent Payment Address as provided above or such other place, within the continental United States, as Landlord may from time to time designate to Tenant in writing. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall have no right at any time, other than provided herein, to abate, reduce, or set-off any rent due hereunder except as may be expressly provided in this Lease. If Tenant is delinquent in any monthly installment of Base Rent or of estimated Operating Expenses for more than five (5) business days, Tenant shall pay to Landlord on demand a late charge equal to five (5) percent of such delinquent sum. The provision for such late charge shall be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as a penalty.

5. **Security Deposit**. The Security Deposit shall be held by Landlord as security for the performance of Tenant's obligations under this Lease. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon each occurrence of an Event of Default (hereinafter defined), Landlord may use all or part of the Security Deposit to pay delinquent payments due under this Lease, and the cost of any damage, injury, expense or liability caused by such Event of Default, without prejudice to any other remedy provided herein or provided by law. Tenant shall pay Landlord on demand the amount that will restore the Security Deposit to its original amount. Landlord's obligation respecting the Security Deposit is that of a debtor, not a trustee; no interest shall accrue thereon. The Security Deposit shall be the property of Landlord, but shall be paid to Tenant when Tenant's obligations under this Lease have been completely fulfilled. Landlord shall be released from any obligation with respect to the Security Deposit upon transfer of this Lease, the Security Deposit, and the Premises to a person or entity assuming Landlord's obligations under this Paragraph 5.

6. **Operating Expense Payments**. During each month of the Lease Term, on the same date that Base Rent is due, Tenant shall pay Landlord an amount equal to 1/12 of the annual cost, as estimated by Landlord from time to time, of Tenant's Proportionate Share (hereinafter defined) of Operating Expenses for the Project. Payments thereof for any fractional calendar month shall be prorated. The term "Operating Expenses" means all costs and expenses incurred by Landlord with respect to the ownership, maintenance, and operation of the Project including, but not limited to costs of: Taxes (hereinafter defined) and fees payable to tax consultants and attorneys for consultation and contesting taxes; insurance; utilities; maintenance, repair and replacement of all portions of the Project, including without limitation, paving and parking areas, roads, non-structural components of the roofs (including the roof membrane), alleys, and driveways, mowing, landscaping, snow removal, exterior painting, utility lines, heating, ventilation and air conditioning systems, lighting, electrical systems and other mechanical and building systems; amounts paid to contractors and subcontractors for work or services performed in connection with any of the foregoing; charges or assessments of any association to which the Project is subject; property management fees payable to a property manager, including any affiliate of Landlord security services, if any; trash collection, sweeping and removal; and additions or alterations made by Landlord to the Project or the Building in order to comply with Legal Requirements (other than those expressly required herein to be made by Tenant) or that are appropriate to the continued operation of the Project or the Building as an industrial building in the market area, provided that the cost of additions or alterations that are required to be capitalized for federal income tax purposes shall be amortized on a straight line basis over a period equal to the lesser of the useful life thereof for federal income tax purposes or ten (10) years. Operating Expenses do not include costs, expenses, depreciation or amortization for capital repairs and capital replacements required to be made by Landlord under Paragraph 10 of this Lease, debt service under mortgages or ground rent under ground leases, costs of restoration to the extent of net insurance proceeds received by Landlord with respect thereto, leasing commissions, or the costs of renovating space for tenants.

If Tenant's total payments of Operating Expenses for any year are less than Tenant's Proportionate Share of actual Operating Expenses for such year, then Tenant shall pay the difference to Landlord within thirty (30) days after Landlord's delivery of a statement setting forth the same (the "Annual Statement"), and if more, then Landlord shall retain such excess and credit it against Tenant's next payments except that during the last calendar year of the Lease Term Landlord shall refund any such excess within sixty (60) days following the termination of the Lease Term provided that Tenant is not in default of its obligations under this Lease. For purposes of calculating Tenant's Proportionate Share of Operating Expenses, a year shall mean a calendar year except the first year, which shall begin on the Commencement Date, and the last year, which shall end on the expiration of this Lease. With respect to Operating Expenses which Landlord allocates to the entire Project, Tenant's "Proportionate Share" shall be the percentage set forth on the first page of this Lease as Tenant's Proportionate Share of the Project as

reasonably adjusted by Landlord in the future for changes in the physical size of the Premises or the Project; and, with respect to Operating Expenses which Landlord allocates only to the Building, Tenant's "Proportionate Share" shall be the percentage set forth on the first page of this Lease as Tenant's Proportionate Share of the Building as reasonably adjusted by Landlord in the future for changes in the physical size of the Premises or the Building. Landlord may equitably increase Tenant's Proportionate Share for any item of expense or cost reimbursable by Tenant that relates to a repair, replacement, or service that benefits only the Premises or only a portion of the Project or Building that includes the Premises. In the event that during all or any portion of any calendar year, the Building is not fully rented and occupied Landlord shall make an appropriate adjustment in occupancy-related Operating Expenses for such year for the purpose of avoiding distortion of the amount of such Operating Expenses to be attributed to Tenant by reason of variation in total occupancy of the Building, by employing consistent and sound accounting and management principles to determine Operating Expenses that would have been paid or incurred by Landlord had the Building been at least ninety-five percent (95%) rented and occupied, and the amount so determined shall be deemed to have been Operating Expenses for such calendar year. The estimated Operating Expenses for the Premises set forth on the first page of this Lease are only estimates, and Landlord makes no guaranty or warranty that such estimates will be accurate.

Provided no Event of Default then exists, after receiving an Annual Statement and giving Landlord 30-days' prior written notice thereof, Tenant may inspect or audit Landlord's records relating to Operating Expenses for the period of time covered by such Annual Statement in accordance with the following provisions. If Tenant fails to object to the calculation of Operating Expenses on an Annual Statement within 30 days after the statement has been delivered to Tenant, or if Tenant fails to conclude its audit or inspection within 90 days after the statement has been delivered to Tenant, then Tenant shall have waived its right to object to the calculation of Operating Expenses for the year in question and the calculation of Operating Expenses set forth on such statement shall be final. Tenant's audit or inspection shall be conducted where Landlord maintains its books and records, shall not unreasonably interfere with the conduct of Landlord's business, and shall be conducted only during business hours reasonably designated by Landlord. Tenant shall pay the cost of such audit or inspection, unless the total Operating Expenses for the period in question is determined to be in error by more than 5% in the aggregate, in which case Landlord shall pay the audit cost (not to exceed $3,000.00). Tenant may not conduct an inspection or have an audit performed more than once during any calendar year. Tenant or the accounting firm conducting such audit shall, at no charge to Landlord, submit its audit report in draft form to Landlord for Landlord's review and comment before the final approved audit report is submitted to Landlord, and any reasonable comments by Landlord shall be incorporated into the final audit report. If such inspection or audit reveals that an error was made in the Operating Expenses previously charged to Tenant, then Landlord shall refund to Tenant any overpayment of any such costs, or Tenant shall pay to Landlord any underpayment of any such costs, as the case may be, within 30 days after notification thereof. Tenant shall maintain the results of each such audit or inspection confidential and shall not be permitted to use any third party to perform such audit or inspection, other than an independent firm of certified public accountants (1) reasonably acceptable to Landlord, (2) which is not compensated on a contingency fee basis or in any other manner which is dependent upon the results of such audit or inspection (and Tenant shall deliver the fee agreement or other similar evidence of such fee arrangement to Landlord upon request), and (3) which agrees with Landlord in writing to maintain the results of such audit or inspection confidential. Notwithstanding the foregoing, Tenant shall have no right to conduct an audit if Landlord furnishes to Tenant an audit report for the period of time in question prepared by an independent certified public accounting firm of recognized national standing (whether originally prepared for Landlord or another party). Nothing in this Section 6 shall be construed to limit, suspend or abate Tenant's obligation to pay rent when due.

7. **Utilities**. Tenant shall pay for all water, gas, electricity, heat, light, power, telephone, sewer, sprinkler services, refuse and trash collection, and other utilities and services used on the Premises, all maintenance charges for utilities, and any storm sewer charges or other similar charges for utilities imposed by any governmental entity or utility provider, together with any taxes, penalties, surcharges or the like pertaining to Tenant's use of the Premises. Landlord shall cause gas and electricity service to the Premises to be separately metered prior to the Commencement Date. Landlord may cause at Tenant's expense any utilities, other than gas and electricity, to be separately metered or charged directly to Tenant for Tenant's proportionate share of the separate metering by the provider in the event Landlord reasonably determines that Tenant's use of such jointly metered utility materially exceeds the use of such jointly metered utility by other tenants in the Building. Tenant shall pay its share of all charges for jointly metered utilities based upon consumption, as reasonably determined by Landlord. No interruption or failure of utilities shall result in the termination of this Lease or the abatement of rent. Tenant agrees to limit use of water and sewer for normal restroom use. Notwithstanding the provisions of Paragraph 7 but subject to Paragraphs 15 and 16, if any failure or interruption of Landlord's services required to be provided under this Lease, due solely to Landlord's gross negligence or intentional misconduct (a "Service Interruption"), renders the Premises (or a part of the Premises) untenantable or inaccessible, and the Premises (or the untenantable or inaccessible portion thereof) are not used by Tenant for more than ten (10) consecutive business days (the "Eligibility Period"), then Base Rent abates proportionately commencing on the next day after the last day of the Eligibility Period and continuing for the period that the Premises or the applicable portion thereof are rendered untenantable or inaccessible and are not used by Tenant. In order to be eligible for an abatement under this Paragraph 7, Tenant must, within five (5) days after the last day of the Eligibility Period, provide Landlord written notice (the "Service Interruption Notice") of (1) the date of occurrence of any failure or interruption of such services that continues for more than ten (10) consecutive business days and (2) the date Tenant vacates the Premises or any part thereof (the Service Interruption Notice must specify the part of the Premises that Tenant is vacating if Tenant is not vacating all the Premises) due to a Service Interruption. Landlord will use commercially reasonable efforts to remedy any Service Interruption.

8. **Taxes**. Landlord shall pay all taxes, assessments and governmental charges (collectively referred to as "Taxes") that accrue against the Project during the Lease Term, which shall be included as part of the Operating Expenses charged to Tenant. Landlord may contest by appropriate legal proceedings the amount, validity, or application of any Taxes or liens thereof. All capital levies or other taxes assessed or imposed on Landlord upon the

rents payable to Landlord under this Lease and any franchise tax, any excise, use, margin (including, but not limited to, any tax pursuant to Chapter 171 of the Texas Tax Code, as the same may be amended, renewed or replaced from time to time), transaction, sales or privilege tax, assessment, levy or charge measured by or based, in whole or in part, upon such rents from the Premises and/or the Project or any portion thereof shall be paid by Tenant to Landlord monthly in estimated installments as additional rent; provided, however, in no event shall Tenant be liable for any net income taxes imposed on Landlord unless such net income taxes are in substitution for any Taxes payable hereunder. If any such tax or excise is levied or assessed directly against Tenant or results from any Tenant-Made Alterations (defined below), then Tenant shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Tenant shall be liable for all taxes levied or assessed against any personal property or fixtures placed in the Premises, whether levied or assessed against Landlord or Tenant. TENANT HEREBY WAIVES ALL RIGHTS TO PROTEST THE APPRAISED VALUE OF THE PROJECT OR TO APPEAL THE SAME AND ALL RIGHTS TO RECEIVE NOTICES OF REAPPRAISALS AS SET FORTH IN SECTIONS 41.413 AND 42.015 OF THE TEXAS TAX CODE.

9. **Insurance**. Landlord shall maintain all risk or special form property insurance covering the full replacement cost of the Building and commercial general liability insurance on the Project in forms and amounts customary for properties substantially similar to the Project, subject to customary deductibles. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including but not limited to, rent loss insurance. All such insurance shall be included as part of the Operating Expenses charged to Tenant. The Project or Building may be included in a blanket policy (in which case the cost of such insurance allocable to the Project or Building will be determined by Landlord based upon the total insurance cost calculations). Tenant shall also reimburse Landlord for any increased premiums or additional insurance which Landlord reasonably deems necessary as a result of Tenant's use of the Premises.

Tenant, at its expense, shall maintain during the Lease Term the following insurance, at Tenant's sole cost and expense: (a) commercial general liability insurance applicable to the Premises and its appurtenances providing, on an occurrence basis, a minimum combined single limit of $2,000,000; and in the event property of Tenant's invitees or customers are kept in, or about the, Premises, Tenant shall maintain warehouser's legal liability or bailee customers insurance for the full value of the property of such invitees or customers as determined by the warehouse contract between Tenant and its customer; (b) all risk or special form property insurance covering the full replacement cost of all property and improvements installed or placed in the Premises by Tenant; (c) workers' compensation insurance as required by the state in which the Premises is located and in amounts as may be required by applicable statute and shall include a waiver of subrogation in favor of Landlord; (d) employers liability insurance of at least $1,000,000, (e) business automobile liability insurance having a combined single limit of not less than $2,000,000 per occurrence insuring Tenant against liability arising out of the ownership, maintenance, or use of any owned, hired or nonowned automobiles, and (f) business interruption insurance with a limit of liability representing loss of at least approximately six (6) months of income. Any company writing any of Tenant's insurance shall have an A.M. Best rating of not less than A-VIII and provide primary coverage to Landlord (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). All commercial general liability, all risk or special form property insurance, and, if applicable, warehouser's legal liability or bailee customers insurance policies shall name Tenant as a named insured and Landlord, its property manager, and other designees of Landlord as the interest of such designees shall appear, as additional insureds (General Liability and warehouser's legal liability or bailee customers) and loss payee (Property-Special Form), except with regard to the personal property of Tenant. The limits and types of insurance maintained by Tenant shall not limit Tenant's liability under this Lease. Tenant shall provide Landlord with certificates of such insurance as required under this Lease prior to the earlier to occur of the Commencement Date or the date Tenant is provided with possession of the Premises, and thereafter upon renewals at least 15 days prior to the expiration of the insurance coverage. Acceptance by Landlord of delivery of any certificates of insurance does not constitute approval or agreement by Landlord that the insurance requirements of this section have been met, and failure of Landlord to identify a deficiency from evidence provided will not be construed as a waiver of Tenant's obligation to maintain such insurance. In the event any of the insurance policies required to be carried by Tenant under this Lease shall be cancelled prior to the expiration date of such policy, or if Tenant receives notice of any cancellation of such insurance policies from the insurer prior to the expiration date of such policy, Tenant shall: (i) immediately deliver notice to Landlord that such insurance has been, or is to be, cancelled, (ii) shall promptly replace such insurance policy in order to assure no lapse of coverage shall occur, and (iii) shall deliver to Landlord a certificate of insurance for such policy.

The all -risk or special form property insurance obtained by Landlord and Tenant shall include a waiver of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord or Tenant, their officers, directors, employees, managers, agents, invitees and contractors, in connection with any loss or damage thereby insured against. Neither party nor its officers, directors, employees, managers, agents, invitees or contractors shall be liable to the other for loss or damage caused by any risk coverable by all risk or special form property insurance, and each party waives any claims against the other party, and its officers, directors, employees, managers, agents, invitees and contractors for such loss or damage, **including loss or damage caused in whole or in part, directly or indirectly, by the negligence of the other party**. The failure of a party to insure its property shall not void this waiver. Tenant and its agents, employees and contractors shall not be liable for, and Landlord hereby waives all claims against such parties for losses resulting from an interruption of Landlord's business, or any person claiming through Landlord, resulting from any accident or occurrence in or upon the Premises or the Project from any cause whatsoever, **including without limitation, damage caused in whole or in part, directly or indirectly, by the negligence of Tenant or its agents, employees or contractors**. Landlord and its agents, employees and contractors shall not be liable for, and Tenant hereby waives all claims against such parties for losses resulting from an interruption of Tenant's business, or any person claiming through Tenant, resulting from any accident or occurrence in or upon the Premises or the Project from any cause whatsoever, **including without limitation, damage caused in whole or in part, directly or indirectly, by the negligence of Landlord or its agents, employees or contractors**.

10. **Landlord's Repairs**. Landlord shall repair, at its expense and without pass through as an Operating Expense, the structural soundness of the roof (which does not include the roof membrane; however, the repairs to the roof membrane are subject to the terms of Section 6), the structural soundness of the foundation, and the structural soundness of the exterior walls of the Building in good repair, reasonable wear and tear and uninsured losses and damages caused by Tenant, its agents and contractors excluded. The term "walls" as used in this Paragraph 10 shall not include windows, glass or plate glass, doors or overhead doors, special store fronts, dock bumpers, dock plates or levelers, or office entries. In addition, Landlord will repair any damage to any exterior windows serving the Premises to the extent such damage arises due to the negligence or willful misconduct of Landlord, its agents, contractors, or employees. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Paragraph 10, after which Landlord shall have a reasonable opportunity to repair.

11. **Tenant's Repairs**. Landlord, at Tenant's expense as provided in Paragraph 6, shall maintain in good repair and condition the parking areas and other common areas of the Building and the Project, including, but not limited to driveways, alleys, landscape, all utility lines servicing the Building up to their point of connection with the Building (including power, gas, water, sewage), parking facilities and lots (including striping), pedestrian ways, sidewalks, exterior lighting, irrigation system(s), pest, insects, rodents elimination (including termite treatment), and grounds surrounding the Premises. Subject to Landlord's obligation in Paragraph 10 and subject to Paragraphs 9 and 15, Tenant, at its expense, shall repair, replace and maintain in good condition all portions of the Premises and all areas, improvements and systems exclusively serving the Premises including, without limitation, dock and loading areas, truck doors, plumbing, water and sewer lines up to points of common connection, fire sprinklers and fire protection systems, entries, doors, ceilings, windows, interior walls, and the interior side of demising walls, and heating, ventilation and air conditioning systems. Such repair and replacements include capital expenditures and repairs whose benefit may extend beyond the Term. Heating, ventilation and air conditioning systems and other mechanical and building systems exclusively serving the Premises shall be maintained at Tenant's expense pursuant to maintenance service contracts entered into by Tenant or, at Landlord's election, by Landlord, upon thirty (30) days prior written notice to Tenant, in which case the costs of such contracts entered into by Landlord shall be included as an Operating Expense. The scope of services and contractors under such maintenance contracts shall be reasonably approved by Landlord. If Tenant fails to perform any repair or replacement for which it is responsible within any applicable notice and cure period, Landlord may perform such work and be reimbursed by Tenant within ten (10) business days after demand therefor. Tenant shall not be responsible for making any repairs to the structural portions of the Building; provided, however, that Tenant shall bear the full cost of any repair or replacement to any part of the Building or Project that results from damage caused by Tenant, its agents, contractors, or invitees, subject to Paragraphs 9 and 15. Tenant shall additionally bear the full cost of any non-structural repair that benefits only the Premises.

12. **Tenant-Made Alterations and Trade Fixtures.** Any alterations, additions, or improvements made by or on behalf of Tenant to the Premises ("Tenant-Made Alterations") shall be subject to Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed if such Tenant-Made Alterations do not affect the Building's structure, the Building's systems, or the exterior of the Building and comply with all Legal Requirements. Tenant shall cause, at its expense, all Tenant-Made Alterations to comply with insurance requirements and with Legal Requirements and shall construct at its expense any alteration or modification required by Legal Requirements as a result of any Tenant-Made Alterations. All Tenant-Made Alterations shall be constructed in a good and workmanlike manner by contractors reasonably acceptable to Landlord and only materials that normally exist in comparable buildings shall be used. All plans and specifications for any Tenant-Made Alterations shall be submitted to Landlord for its approval, which approval shall not be unreasonably withheld, conditioned, or delayed if such Tenant-Made Alterations do not affect the Building's structure, the Building's systems, or the exterior of the Building and comply with all Legal Requirements. Landlord may monitor construction of the Tenant-Made Alterations. Tenant shall reimburse Landlord for its reasonable costs in reviewing plans and specifications and in monitoring construction. Landlord's right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to see that such plans and specifications or construction comply with applicable laws, codes, rules and regulations. Tenant shall provide Landlord with the identities and mailing addresses of all persons performing work or supplying materials, prior to beginning such construction, and Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall furnish security or make other arrangements satisfactory to Landlord to assure payment for the completion of all work free and clear of liens and shall provide certificates of insurance for worker's compensation and other coverage in amounts and from an insurance company satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. Upon completion of any Tenant-Made Alterations, Tenant shall deliver to Landlord sworn statements setting forth the names of all contractors and subcontractors who did work on the Tenant-Made Alterations and final lien waivers from all such contractors and subcontractors. Upon surrender of the Premises, all Tenant-Made Alterations and any leasehold improvements constructed by Landlord or Tenant shall remain on the Premises as Landlord's property, except to the extent Landlord requires removal at Tenant's expense of any such items or Landlord and Tenant have otherwise agreed in writing in connection with Landlord's consent to any Tenant-Made Alterations; provided that, if Tenant first properly requested and Landlord gave its consent to such Tenant-Made Alterations or leasehold improvements, Landlord must make such requirement for removal upon surrender at the time of giving such consent. Tenant's Personal Property shall not be Landlord's property. As used in this Lease, "Personal Property" shall mean, collectively, all of Tenant's (i) movable business or trade fixtures, machinery and equipment; (ii) movable furniture; (iii) movable systems furniture; and (iv) special purpose equipment not originally part of the Building systems that can be removed from the Premises without permanent damage to the Premises or the Building systems (such as data, server and technology related systems, free-standing supplemental heating, ventilation, and air conditioning systems, battery back-up systems, data/switch systems and electrical generating and/or switching and conditioning equipment and systems), exercise equipment, telephone systems, security systems, built-in and

mobile filing systems, and built-in audio visual equipment. Tenant shall repair any damage caused by the removal of such Tenant-Made Alterations upon surrender of the Premises.

Tenant, at its own cost and expense and without Landlord's prior approval, may erect such shelves, racking, bins, machinery and trade fixtures (collectively "Trade Fixtures") in the ordinary course of its business provided that such items do not alter the basic character of the Premises, do not overload or damage the Premises, and may be removed without injury to the Premises, and the construction, erection, and installation thereof complies with all Legal Requirements and with Landlord's requirements set forth above. Tenant shall remove its Trade Fixtures and shall repair any damage caused by such removal upon surrender of the Premises.

13. **Signs**. Except as otherwise provided in this Lease, Tenant shall not make any changes to the exterior of the Premises, install any exterior lights, decorations, balloons, flags, pennants, banners, or painting, or erect or install any signs, windows or door lettering, placards, decorations, or advertising media of any type which can be viewed from the exterior of the Premises, without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed if such signage complies with all Legal Requirements and matters of record and is comparable to other signage located on comparable buildings in the submarket in which the Building is located. Upon surrender or vacation of the Premises, Tenant shall have removed all signs and repair, paint, and/or replace the building fascia surface to which its signs are attached. Tenant shall obtain all applicable governmental permits and approvals for sign and exterior treatments. All signs, decorations, advertising media, blinds, draperies and other window treatment or bars or other security installations visible from outside the Premises shall be subject to Landlord's approval and conform in all respects to Landlord's requirements. Notwithstanding the foregoing provisions of this Section 13, Tenant, at its sole cost and expense, may install two (2) signs on the Building above the Premises (which cost may be paid from the Construction Allowance), which signage shall be subject to all Legal Requirements, matters of record, and Landlord's commercially reasonable requirements as to construction, method of attachment, size, shape, height, lighting, color and general appearance. In addition, Tenant, at Tenant's sole cost and expense (which cost may be paid from the Construction Allowance), shall have the right to install up to three (3) flags in the location identified on Exhibit G attached hereto (the "Flag Area"), which flags shall be subject to all Legal Requirements, matters of record, and Landlord's commercially reasonable requirements as to construction, method of attachment, size, shape, height, lighting, color and general appearance. Tenant, at its sole cost and expense, must maintain the building signage, flags, and Flag Area in good condition and repair and, upon the expiration or earlier termination of this Lease, shall restore the same to their condition existing as of the date of this Lease, reasonable wear and tear excepted.

Landlord agrees that Tenant, at its sole cost and expense, may construct a monument sign (the "Monument Sign") bearing Tenant's name to be generally located along the eastside of the west most entrance drive, which Monument Sign must comply with all Legal Requirements and all applicable codes, rules, and regulations of all applicable governmental or association entities. The final location and specifications of the Monument Sign and Tenant's signage thereon are subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, conditioned, or delayed if such signage complies with all Legal Requirements and matters of record and is comparable to other monument signage serving comparable buildings in the submarket in which the Building is located.

14. **Parking**. Tenant shall be entitled to park in common with other tenants of the Project in those areas designated for non-reserved parking. Landlord may allocate parking spaces among Tenant and other tenants in the Project if Landlord reasonably determines that such parking facilities are becoming crowded. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties. Landlord shall provide Tenant with its proportionate share of the parking spaces associated with the Building, which is 178 parking spaces (being 2.11 spaces / 1,000 RSF within the Premises). In addition, Tenant, upon prior written notice to Landlord and at Tenant's sole cost and expense, may stripe the truck court serving the loading docks serving the Premises, being more particularly identified on Exhibit H attached hereto, for additional passenger automobile parking so long as such parking (a) does not interfere with any other tenant's use of or access to its premises and (b) complies with all Legal Requirements.

15. **Restoration.** If at any time during the Lease Term the Premises are damaged by a fire or other casualty, Landlord shall notify Tenant within sixty (60) days after such damage as to the amount of time Landlord reasonably estimates it will take to restore the Premises. If the restoration time is estimated to exceed six (6) months, either Landlord or Tenant may elect to terminate this Lease upon notice to the other party given no later than thirty (30) days after Landlord's notice. If neither party elects to terminate this Lease or if Landlord estimates that restoration will take six (6) months or less, then, subject to receipt of sufficient insurance proceeds, Landlord shall promptly restore the Premises excluding the improvements installed by Tenant or by Landlord and paid by Tenant, subject to delays arising from the collection of insurance proceeds or from Force Majeure events. Tenant at Tenant's expense shall promptly perform, subject to delays arising from the collection of insurance proceeds, or from Force Majeure events (as defined in Paragraph 33), all repairs or restoration not required to be done by Landlord and shall promptly re-enter the Premises and commence doing business in accordance with this Lease. Notwithstanding the foregoing, either party may terminate this Lease if the Premises are damaged during the twelve (12) months of the Lease Term and Landlord reasonably estimates that it will take more than one (1) month to repair such damage. Base Rent and Operating Expenses shall be abated for the period of repair and restoration commencing on the date of such casualty event in the proportion which the area of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises. Such abatement shall be the sole remedy of Tenant, and except as provided herein, Tenant waives any right to terminate the Lease by reason of damage or casualty loss.

Notwithstanding anything contained in the Lease to the contrary, to the extent the damage to the Project is attributable to Tenant, Tenant shall pay to Landlord, with respect to any damage to the Project, an amount equal to the commercially reasonable deductible under Landlord's insurance policy, within thirty (30) days after presentment of Landlord's invoice. To the extent the damage to the Premises is attributable solely to the negligence

or willful misconduct of Landlord, its agents, employees, contractors or invitees, Tenant will not be obligated to pay any portion of the deductible related thereto.

16. **Condemnation**. If any part of the Premises or the Project should be taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "Taking" or "Taken"), and the Taking would materially interfere with or impair Landlord's ownership or operation of the Project, then upon written notice by Landlord this Lease shall terminate and Base Rent shall be apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, the Base Rent payable hereunder during the unexpired Lease Term shall be reduced to such extent as may be fair and reasonable under the circumstances. In the event of any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. Tenant shall have the right, to the extent that same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for moving expenses and damage to Tenant's Trade Fixtures, if a separate award for such items is made to Tenant.

17. **Assignment and Subletting**. Without Landlord's prior written consent, which shall not be unreasonably withheld conditioned or delayed, Tenant shall not assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises and any attempt to do any of the foregoing shall be void and of no effect. It shall be reasonable for the Landlord to withhold, delay or condition its consent, where required, to any assignment or sublease in any of the following instances: (a) with regard to an assignment, the assignee does not have a net worth calculated according to generally accepted accounting principles at least equal to the greater of the net worth of Tenant immediately prior to such assignment or sublease or the net worth of the Tenant at the time it executed the Lease; (b) occupancy of the Premises by the assignee or sublessee would, in Landlord's opinion, violate any agreement binding upon Landlord or the Project with regard to the identity of tenants, usage in the Project, or similar matters, (c) the identity or business reputation of the assignee or sublessee will, in the good faith judgment of Landlord, tend to damage the goodwill or reputation of the Project; (d) the assignment or sublease is to another tenant in the Project; or (e) in the case of a sublease, the subtenant has not acknowledged that the Lease controls over any inconsistent provision in the sublease. The foregoing criteria shall not exclude any other reasonable basis for Landlord to refuse its consent to such assignment or sublease. Any approved assignment or sublease shall be expressly subject to the terms and conditions of this Lease. Tenant shall provide to Landlord all information concerning the assignee or sublessee as Landlord may reasonably request. Landlord may revoke its consent immediately and without notice if, as of the effective date of the assignment or sublease, there has occurred and is continuing any default under the Lease. For purposes of this paragraph, a transfer of the ownership interests controlling Tenant shall be deemed an assignment of this Lease unless such ownership interests are publicly traded. Notwithstanding the above, Tenant may assign or sublet the Premises, or any part thereof, to any entity controlling Tenant, controlled by Tenant or under common control with Tenant (a "Tenant Affiliate"), without the prior written consent of Landlord. Tenant shall reimburse Landlord for all of Landlord's reasonable expenses in connection with any assignment or sublease not to exceed $1,500.00. This Lease shall be binding upon Tenant and its successors and permitted assigns. Upon Landlord's receipt of Tenant's written notice of a desire to assign or sublet the Premises, or any part thereof (other than to a Tenant Affiliate), Landlord may, by giving written notice to Tenant within 30 days after receipt of Tenant's notice, terminate this Lease with respect to the space described in Tenant's notice, as of the date specified in Tenant's notice for the commencement of the proposed assignment or sublease.

Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant's obligations under this Lease shall at all times remain fully responsible and liable for the payment of the rent and for compliance with all of Tenant's other obligations under this Lease (regardless of whether Landlord's approval has been obtained for any such assignments or sublettings). In the event that the rent due and payable by a sublessee or assignee (or a combination of the rental payable under such sublease or assignment plus any bonus or other consideration therefor or incident thereto) exceeds the rental payable under this Lease, then Tenant shall be bound and obligated to pay Landlord as additional rent hereunder all such excess rental and other excess consideration within 10 days following receipt thereof by Tenant, provided in the event of a sublease which is less than 100% of the Premises such excess rental and other consideration shall be applied on a square foot basis.

If this Lease be assigned or if the Premises be subleased (whether in whole or in part) or in the event of the mortgage, pledge, or hypothecation of Tenant's leasehold interest or grant of any concession or license within the Premises or if the Premises be occupied in whole or in part by anyone other than Tenant, then upon a default by Tenant hereunder Landlord may collect rent from the assignee, sublessee, mortgagee, pledgee, party to whom the leasehold interest was hypothecated, concessionee or licensee or other occupant and, except to the extent set forth in the preceding paragraph, apply the amount collected to the next rent payable hereunder; and all such rentals collected by Tenant shall be held in trust for Landlord and immediately forwarded to Landlord. No such transaction or collection of rent or application thereof by Landlord, however, shall be deemed a waiver of these provisions or a release of Tenant from the further performance by Tenant of its covenants, duties, or obligations hereunder.

18. **Indemnification**. To the extent permitted by law, Tenant agrees to indemnify, defend and hold harmless Landlord, and Landlord's agents, employees and contractors ("**Landlord Parties**"), from and against any and all losses, liabilities, damages, costs and expenses (including attorneys' fees) resulting from claims by third parties for injuries to any person and damage to or theft or misappropriation or loss of property occurring in or about the Building and arising from the use and occupancy of the Premises or from any activity, work, or thing done, permitted or suffered by Tenant in or about the Premises or due to any other act or omission of Tenant, its subtenants, assignees, invitees, employees, contractors and agents, (collectively "**Claims**"). **The indemnity in this Section 18 will be enforced except to the extent of the percentage of any Claim determined by a final judgment of a court of competent jurisdiction (pursuant to the comparative negligence principals of the State**

of Texas) to have been the proximate result of the negligence or willful misconduct of Landlord Parties. The furnishing of insurance required hereunder shall not be deemed to limit Tenant's obligations under this Paragraph 18.

19. **Inspection and Access**. Landlord and its agents, representatives, and contractors may enter the Premises upon 24 hours prior notice (except in the event of an emergency) at any reasonable time to inspect the Premises and to make such repairs as may be required or permitted pursuant to this Lease and for any other business purpose. With prior notice to Tenant, Landlord and Landlord's representatives may enter the Premises during business hours for the purpose of showing the Premises to prospective purchasers and, during the last year of the Lease Term, to prospective tenants. Landlord may erect a suitable sign on the Premises stating the Premises are available to let or that the Project is available for sale. Landlord may grant easements, make public dedications, designate and modify common areas and create restrictions on or about the Premises, provided that no such easement, dedication, designation, modification or restriction materially interferes with Tenant's use or occupancy of the Premises. At Landlord's request, Tenant shall execute such instruments as may be necessary for such easements, dedications or restrictions. Landlord will use commercially reasonable efforts to minimize interference with Tenant's use of or access to the Premises in connection with the exercise of its rights under this Paragraph 19.

20. **Quiet Enjoyment**. If Tenant shall perform all of the covenants and agreements herein required to be performed by Tenant, Tenant shall, subject to the terms of this Lease, at all times during the Lease Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord.

21. **Surrender**. Upon termination of the Lease Term or earlier termination of Tenant's right of possession, Tenant shall surrender the Premises to Landlord in the same condition as received ordinary wear and tear, casualty loss, Tenant's Personal Property as defined in Paragraph 12, and condemnation covered by Paragraphs 15 and 16 excepted and otherwise in accordance with the Move Out Conditions Addendum attached hereto. Without limiting the foregoing, Tenant shall remove any odor which may exist in the Premises resulting from Tenant's occupancy of the Premises upon the termination of the Lease Term or earlier termination of Tenant's right of possession. Any Trade Fixtures, Tenant-Made Alterations and property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and disposition of such property. Tenant must, at Tenant's sole cost, upon termination of this Lease, remove any and all data/telecommunications cabling and wiring installed by or on behalf of Tenant, whether inside walls, under any raised floor or above any ceiling. Tenant shall remain responsible for the cost of removal and disposal of any such cabling and wiring not so removed, as well as any damage caused by such removal. All obligations of Tenant hereunder not fully performed as of the termination of the Lease Term shall survive the termination of the Lease Term, including without limitation, indemnity obligations, payment obligations with respect to Operating Expenses and obligations concerning the condition and repair of the Premises.

22. **Holding Over**. If Tenant retains possession of the Premises after the termination of the Lease Term, unless otherwise agreed in writing, such possession shall be subject to immediate termination by Landlord at any time, and all of the other terms and provisions of this Lease (excluding any expansion or renewal option or other similar right or option) shall be applicable during such holdover period, except that Tenant shall pay Landlord from time to time, upon demand, as Base Rent for the holdover period, an amount equal to 150% of the Base Rent in effect on the termination date, computed on a monthly basis for each month or part thereof during such holding over. All other payments shall continue under the terms of this Lease. In addition, Tenant shall be liable for all damages incurred by Landlord as a result of such holding over. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Paragraph 22 shall not be construed as consent for Tenant to retain possession of the Premises. For purposes of this Paragraph 22, "possession of the Premises" shall continue until, among other things, Tenant has delivered all keys to the Premises to Landlord, Landlord has complete and total dominion and control over the Premises, and Tenant has completely fulfilled all obligations required of it upon termination of the Lease as set forth in this Lease, including, without limitation, those concerning the condition and repair of the Premises.

23. **Events of Default**. Each of the following events shall be an event of default ("Event of Default") by Tenant under this Lease:

(a) Tenant shall fail to pay any installment of Base Rent or any other payment required herein when due, and such failure shall continue for a period of 5 business days from the date such payment was due.

(b) Tenant or any guarantor or surety of Tenant's obligations hereunder shall (i) make a general assignment for the benefit of creditors; (ii) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "proceeding for relief"); (iii) become the subject of any proceeding for relief which is not dismissed within 60 days of its filing or entry; or (iv) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity).

(c) Any insurance required to be maintained by Tenant pursuant to this Lease shall be cancelled or terminated or shall expire or shall be reduced or materially changed, except, in each case, as permitted in this Lease.

(d) Tenant shall not occupy or shall vacate the Premises whether or not Tenant is in monetary or other default under this Lease. Tenant's vacating of the Premises shall not constitute an Event of Default if, prior to vacating the Premises, Tenant has made arrangements reasonably acceptable to Landlord to (i) ensure that Tenant's insurance for the Premises will not be voided or cancelled with respect to the Premises as a result of such vacancy, (ii) ensure that the Premises are secured and not subject to vandalism, and (iii) ensure that the Premises will be properly maintained after such vacation, including, but not limited to, keeping the heating, ventilation and cooling systems maintenance contracts required by this Lease in full force and effect and maintaining the utility services. Tenant shall inspect the Premises at least once each month and report monthly in writing to Landlord on the condition of the Premises.

(e) Tenant shall attempt or there shall occur any assignment, subleasing or other transfer of Tenant's interest in or with respect to this Lease except as otherwise permitted in this Lease.

(f) Tenant shall fail to discharge any lien placed upon the Premises in violation of this Lease within 20 days after any such lien or encumbrance is filed against the Premises.

(g) Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Paragraph 23, and except as otherwise expressly provided herein, such default shall continue for more than 30 days after Landlord shall have given Tenant written notice of such default (said notice being in lieu of, and not in addition to, any notice required as a prerequisite to a forcible entry and detainer or similar action for possession of the Premises); however, if such failure cannot be cured within such 30-day period (thus excluding, for example, Tenant's obligation to provide Landlord evidence of Tenant's insurance coverage) and Tenant commences to cure such failure within such 30-day period and thereafter diligently pursues such cure to completion, then such failure shall not be an Event of Default.

24. **Landlord's Remedies**. Upon each occurrence of an Event of Default and so long as such Event of Default shall be continuing, Landlord may at any time thereafter at its election: terminate this Lease or Tenant's right of possession, (but Tenant shall remain liable as hereinafter provided) and/or pursue any other remedies at law or in equity. Upon the termination of this Lease or termination of Tenant's right of possession, it shall be lawful for Landlord, without formal demand or notice of any kind, to re-enter the Premises by summary dispossession proceedings or any other action or proceeding authorized by law and to remove Tenant and all persons and property therefrom. If Landlord re-enters the Premises, Landlord shall have the right to keep in place and use, or remove and store, all of the furniture, fixtures and equipment at the Premises.

If Landlord terminates this Lease, Landlord may recover from Tenant the sum of: all Base Rent and all other amounts accrued hereunder to the date of such termination; the value of the Base Rent for any periods of abated Monthly Base Rent based on the Monthly Base Rent amount that immediately follows such period of abatement; the cost of reletting the whole or any part of the Premises, including without limitation brokerage fees and/or leasing commissions incurred by Landlord, and costs of removing and storing Tenant's or any other occupant's property, repairing, altering, remodeling, or otherwise putting the Premises into condition acceptable to a new tenant or tenants, and all reasonable expenses incurred by Landlord in pursuing its remedies, including reasonable attorneys' fees and court costs; and the excess of the then present value of the Base Rent and other amounts payable by Tenant under this Lease as would otherwise have been required to be paid by Tenant to Landlord during the period following the termination of this Lease measured from the date of such termination to the expiration date stated in this Lease, over the present value of any net amounts which Tenant establishes Landlord can reasonably expect to recover by reletting the Premises for such period, taking into consideration the availability of acceptable tenants and other market conditions affecting leasing. Such present values shall be calculated at a discount rate equal to the 90-day U.S. Treasury bill rate at the date of such termination.

If Landlord terminates Tenant's right of possession (but not this Lease), Landlord may, but shall be under no obligation to, relet the Premises for the account of Tenant for such rent and upon such terms as shall be satisfactory to Landlord without thereby releasing Tenant from any liability hereunder and without demand or notice of any kind to Tenant. For the purpose of such reletting Landlord is authorized to make any repairs, changes, alterations, or additions in or to the Premises as Landlord deems reasonably necessary or desirable. If the Premises are not relet, then Tenant shall pay to Landlord as damages a sum equal to the amount of the rental reserved in this Lease for such period or periods, plus the cost of recovering possession of the Premises (including attorneys' fees and costs of suit), the unpaid Base Rent and other amounts accrued hereunder at the time of repossession, and the costs incurred in any attempt by Landlord to relet the Premises. If the Premises are relet and a sufficient sum shall not be realized from such reletting [after first deducting therefrom, for retention by Landlord, the unpaid Base Rent and other amounts accrued hereunder at the time of reletting, the cost of recovering possession (including attorneys' fees and costs of suit), all of the costs and expense of repairs, changes, alterations, and additions, the expense of such reletting (including without limitation brokerage fees and leasing commissions) and the cost of collection of the rent accruing therefrom] to satisfy the rent provided for in this Lease to be paid, then Tenant shall immediately satisfy and pay any such deficiency. Any such payments due Landlord shall be made upon demand therefor from time to time and Tenant agrees that Landlord may file suit to recover any sums falling due from time to time. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect in writing to terminate this Lease for such previous breach.

Exercise by Landlord of any one or more remedies hereunder granted or otherwise available shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord, whether by agreement or by operation of law, it being understood that such surrender and/or termination can be effected only by the written agreement of Landlord and Tenant. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance with same shall not be construed as having created a custom in any way or manner contrary to the

specific terms, provisions, and covenants of this Lease or as having modified the same. Tenant and Landlord further agree that forbearance or waiver by Landlord to enforce its rights pursuant to this Lease or at law or in equity, shall not be a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent default. A receipt by Landlord of rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. To the greatest extent permitted by law, Tenant waives the service of notice of Landlord's intention to re-enter as provided for in any statute, or to institute legal proceedings to that end, and also waives all right of redemption in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge. The terms "enter," "re-enter," "entry" or "re-entry," as used in this Lease, are not restricted to their technical legal meanings. Any reletting of the Premises shall be on such terms and conditions as Landlord in its sole discretion may determine (including without limitation a term different than the remaining Lease Term, rental concessions, alterations and repair of the Premises, lease of less than the entire Premises to any tenant and leasing any or all other portions of the Project before reletting the Premises). Landlord shall not be liable for, and Tenant's obligations hereunder shall not be diminished because of, Landlord's failure to relet the Premises or collect rent due in respect of such reletting.

25. **Tenant's Remedies/Limitation of Liability**. Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within 30 days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's obligations hereunder. All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "Landlord" in this Lease shall mean only the owner, for the time being, of the Premises, and in the event of the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all obligations of Landlord thereafter accruing, but such obligations shall be binding during the Lease Term upon each new owner for the duration of such owner's ownership. Any liability of Landlord under this Lease shall be limited solely to its interest in the Project, and in no event shall any personal liability be asserted against Landlord in connection with this Lease nor shall any recourse be had to any other property or assets of Landlord.

26. **Landlord's Lien/Security Interest.** Tenant hereby grants Landlord a security interest, and this Lease constitutes a security agreement, within the meaning of and pursuant to the Uniform Commercial Code of the state in which the Premises are situated as to all of Tenant's property situated in, or upon, or used in connection with the Premises (except merchandise sold in the ordinary course of business) as security for all of Tenant's obligations hereunder, including, without limitation, the obligation to pay rent. Such personalty thus encumbered includes specifically all trade and other fixtures for the purpose of this Paragraph and inventory, equipment, contract rights, accounts receivable and the proceeds thereof. In order to perfect such security interest, Tenant shall execute such financing statements and file the same at Tenant's expense at the state and county Uniform Commercial Code filing offices as often as Landlord in its discretion shall require; and Tenant hereby irrevocably appoints Landlord its agent for the purpose of executing and filing such financing statements on Tenant's behalf as Landlord shall deem necessary. So long as no Event of Default has occurred, Landlord will subordinate its statutory lien, as well as the security interest granted to it under this Section 26, to Tenant's lenders security interest in the collateral located within the Premises, and Landlord shall, at Tenant's expense (not to exceed $2,000.00), execute Landlord's standard form of subordination documentation to evidence such subordination.

27. **Subordination**. This Lease and Tenant's interest and rights hereunder are and shall be subject and subordinate at all times to the lien of any first mortgage, now existing or hereafter created on or against the Project or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant. Tenant agrees, at the election of the holder of any such mortgage, to attorn to any such holder. Tenant agrees upon demand to execute, acknowledge and deliver such instruments, confirming such subordination and such instruments of attornment as shall be requested by any such holder. Notwithstanding the foregoing, any such holder may at any time subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such mortgage without regard to their respective dates of execution, delivery or recording and in that event such holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such mortgage and had been assigned to such holder. The term "mortgage" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "holder" of a mortgage shall be deemed to include the beneficiary under a deed of trust. Landlord shall obtain a subordination, non-disturbance and attornment agreement from the current Landlord's mortgagee on the form attached hereto as Exhibit F, and Landlord shall use reasonable efforts to obtain a subordination, non-disturbance and attornment agreement from any future Landlord's mortgagee, in a form reasonably acceptable to Tenant and such Landlord's mortgagee or other institutional lenders; however, Landlord's failure to obtain such agreement shall not constitute a default by Landlord hereunder or prohibit the mortgaging of the Building; and further provided that any costs associated with obtaining such subordination, non-disturbance and attornment agreement shall be paid by Tenant within fifteen (15) days after Landlord's written request therefor. The subordination of Tenant's rights hereunder to any future Landlord's mortgagee under Section 27 shall be conditioned upon such future Landlord's mortgagee's execution and delivery of a subordination, non-disturbance and attornment agreement in a form reasonably acceptable to Tenant and such Landlord's mortgagee or other institutional lenders.

28. **Mechanic's Liens**. Tenant has no express or implied authority to create or place any lien or encumbrance of any kind upon, or in any manner to bind the interest of Landlord or Tenant in, the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished

in connection with any work performed on the Premises and that it will save and hold Landlord harmless from all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the interest of Landlord in the Premises or under this Lease. Tenant shall give Landlord immediate written notice of the placing of any lien or encumbrance against the Premises and cause such lien or encumbrance to be discharged within twenty (20) days of the filing or recording thereof; provided, however, Tenant may contest such liens or encumbrances as long as such contest prevents foreclosure of the lien or encumbrance and Tenant causes such lien or encumbrance to be bonded or insured over in a manner satisfactory to Landlord within such twenty (20) day period.

29. **Estoppel Certificates**. Tenant agrees, from time to time, within 10 days after request of Landlord, to execute and deliver to Landlord, or Landlord's designee, any estoppel certificate requested by Landlord, stating that this Lease is in full force and effect, the date to which rent has been paid, that Landlord is not in default hereunder (or specifying in detail the nature of Landlord's default), the termination date of this Lease and such other matters pertaining to this Lease as may be reasonably requested by Landlord. Tenant's obligation to furnish each estoppel certificate in a timely fashion is a material inducement for Landlord's execution of this Lease. No cure or grace period provided in this Lease shall apply to Tenant's obligations to timely deliver an estoppel certificate.

30. **Environmental Requirements**. Except for Hazardous Material contained in products used by Tenant in de minimis quantities for ordinary cleaning and office purposes, and except for Hazardous Materials contained in products stored and/or distributed during Tenant's normal course of business in their original, sealed, and unopened containers, Tenant shall not permit or cause any party to bring any Hazardous Material upon the Premises or transport, store, use, generate, manufacture or release any Hazardous Material in or about the Premises without Landlord's prior written consent. Tenant, at its sole cost and expense, shall operate its business in the Premises in strict compliance with all Environmental Requirements and shall remediate in a manner satisfactory to Landlord any Hazardous Materials released on or from the Project by Tenant, its agents, employees, contractors, subtenants or invitees. Tenant shall complete and certify to disclosure statements as requested by Landlord from time to time relating to Tenant's transportation, storage, use, generation, manufacture or release of Hazardous Materials on the Premises. The term "Environmental Requirements" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, orders or other similar enactments of any governmental authority or agency regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder. The term "Hazardous Materials" means and includes any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, under any Environmental Requirements, asbestos and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). As defined in Environmental Requirements, Tenant is and shall be deemed to be the "operator" of Tenant's "facility" and the "owner" of all Hazardous Materials brought on the Premises by Tenant, its agents, employees, contractors or invitees, and the wastes, by-products, or residues generated, resulting, or produced therefrom. No cure or grace period provided in this Lease shall apply to Tenant's obligations to comply with the terms and conditions of this Paragraph 30.

Notwithstanding anything to the contrary in this Paragraph 30, Tenant shall have no liability of any kind to Landlord as to Hazardous Materials on the Premises caused or permitted by (a) Landlord, its agents, employees, contractors or invitees; or (b) any other tenants in the Project or their agents, employees, contractors, subtenants, assignees or invitees.

Tenant shall indemnify, defend, and hold Landlord harmless from and against any and all losses (including, without limitation, diminution in value of the Premises or the Project and loss of rental income from the Project), claims, demands, actions, suits, damages (including, without limitation, punitive damages), expenses (including, without limitation, remediation, removal, repair, corrective action, or cleanup expenses), and costs (including, without limitation, actual attorneys' fees, consultant fees or expert fees and including, without limitation, removal or management of any asbestos brought into the property or disturbed in breach of the requirements of this Paragraph 30, regardless of whether such removal or management is required by law) which are brought or recoverable against, or suffered or incurred by Landlord as a result of any release of Hazardous Materials for which Tenant is obligated to remediate as provided above or any other breach of the requirements under this Paragraph 30 by Tenant, its agents, employees, contractors, subtenants, assignees or invitees, regardless of whether Tenant had knowledge of such noncompliance. The obligations of Tenant under this Paragraph 30 shall survive any termination of this Lease.

Landlord shall have access to, and a right to perform inspections and tests of, the Premises to determine Tenant's compliance with Environmental Requirements, its obligations under this Paragraph 30, or the environmental condition of the Premises. Access shall be granted to Landlord upon Landlord's prior notice to Tenant and at such times so as to minimize, so far as may be reasonable under the circumstances, any disturbance to Tenant's operations. Such inspections and tests shall be conducted at Landlord's expense, unless such inspections or tests reveal that Tenant has not complied with any Environmental Requirement, in which case Tenant shall reimburse Landlord for the reasonable cost of such inspection and tests. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights that Landlord holds against Tenant.

31. **Rules and Regulations**. Tenant shall, at all times during the Lease Term and any extension thereof, comply with all reasonable rules and regulations at any time or from time to time established by Landlord covering use of the Premises and the Project. The current Project rules and regulations are attached hereto as Exhibit B. In the event of any conflict between said rules and regulations and other provisions of this Lease, the other terms and provisions of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Project.

32. **Security Service**. Tenant acknowledges and agrees that, while Landlord may patrol the Project, Landlord is not providing any security services with respect to the Premises and that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises.

33. **Force Majeure**. Other than for Tenant's obligations under this Lease that can be performed by the payment of money (e.g., payment of Rent and maintenance of insurance), neither party shall be held responsible for delays in the performance of its obligations hereunder when caused by strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, delay in issuance of permits, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of that party ("Force Majeure").

34. **Entire Agreement/Disclaimer of Reliance on Representations**. This Lease constitutes the complete agreement of Landlord and Tenant with respect to the subject matter hereof. No representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations are superseded by this Lease. This Lease may not be amended except by an instrument in writing signed by both parties hereto. Each of the parties to this Lease has executed this Lease relying solely on its own judgment with the benefit of the advice of its own attorneys and/or brokers (or having decided to proceed without benefit of the advice of its own attorneys and/or brokers), and each party hereby disclaims reliance upon any statement or representation of the other party or any agent of such other party unless such statement or representation is expressly set forth in this Lease.

35. **Severability**. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby. It is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

36. **Brokers.** Tenant represents and warrants that it has dealt with no broker, agent or other person in connection with this transaction other than Landlord's Broker and Tenant's Broker, and that no broker, agent or other person brought about this transaction, other than Landlord's Broker and Tenant's Broker, and Tenant agrees to indemnify and hold Landlord harmless from and against any claims by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Tenant with regard to this leasing transaction.

37. **Miscellaneous**.

(a) Any payments or charges due from Tenant to Landlord hereunder shall be considered rent for all purposes of this Lease.

(b) If and when included within the term "Tenant," as used in this instrument, there is more than one person, firm or corporation, each shall be jointly and severally liable for the obligations of Tenant.

(c) All notices required or permitted to be given under this Lease shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by a reputable national overnight courier service, postage prepaid, or by hand delivery addressed to Landlord at c/o Holt Lunsford Commercial, Attn: Property Manager, 5055 Keller Springs Road, Suite 300, Addison, Texas 75001. Either party may by notice given aforesaid change its address for all subsequent notices or add an additional party to be copied on all subsequent notices. Except where otherwise expressly provided to the contrary, notice shall be deemed given three (3) days after being deposited in the United States mail or immediately upon tender by personal delivery or by a contract delivery service to the addressee at its address set forth in this Lease, or at such other address as it has then last specified by written notice delivered in accordance with this Paragraph 37, whether or not actually accepted or received by the addressee.

(d) Except as otherwise expressly provided in this Lease or as otherwise required by law, Landlord retains the absolute right to withhold any consent or approval.

(e) At Landlord's request from time to time Tenant shall furnish Landlord with true and complete copies of its most recent annual and quarterly financial statements prepared by Tenant or Tenant's accountants and any other financial information or summaries that Tenant typically provides to its lenders or shareholders.

(f) Neither this Lease nor a memorandum of lease shall be filed by or on behalf of Tenant in any public record. Landlord may prepare and file, and upon request by Landlord Tenant will execute, a memorandum of lease.

(g) The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any exhibits or amendments hereto.

(h) The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

(i) Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(j) Any amount not paid by Tenant within five (5) business days after its due date in accordance with the terms of this Lease shall bear interest from such due date until paid in full at the lesser of the highest rate permitted by applicable law or fifteen (15) percent per year. It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is Landlord's and Tenant's express intent that all excess amounts theretofore collected by Landlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Tenant), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

(k) Construction and interpretation of this Lease shall be governed by the laws of the state in which the Project is located, excluding any principles of conflicts of laws.

(l) Time is of the essence as to the performance of Tenant's and Landlord's obligations under this Lease.

(m) All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. In the event of any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.

(n) In the event either party hereto initiates litigation to enforce the terms and provisions of this Lease, the non-prevailing party in such action shall reimburse the prevailing party for its reasonable attorney's fees, filing fees, and court costs.

(o) Tenant agrees and understands that Landlord shall have the right (provided that the exercise of Landlord's rights does not adversely affect Tenant's use and occupancy of the Premises or subject Tenant to additional costs), without Tenant's consent, to place a solar electric generating system on the roof of the Building or enter into a lease for the roof of the Building whereby such roof tenant shall have the right to install a solar electric generating system on the roof of the Building.

(p) This Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one Lease. Execution copies of this Lease may be delivered by facsimile or email, and the parties hereto agree to accept and be bound by facsimile signatures or scanned signatures transmitted via email hereto, which signatures shall be considered as original signatures with the transmitted Lease having the same binding effect as an original signature on an original Lease. At the request of either party, any facsimile document or scanned document transmitted via email is to be re-executed in original form by the party who executed the original facsimile document or scanned document. Neither party may raise the use of a facsimile machine or scanned document or the fact that any signature was transmitted through the use of a facsimile machine or email as a defense to the enforcement of this Lease.

38. **Limitation of Liability of Trustees, Shareholders, and Officers of Landlord**. Any obligation or liability whatsoever of Landlord which may arise at any time under this Lease or any obligation or liability which may be incurred by it pursuant to any other instrument, transaction, or undertaking contemplated hereby shall not be personally binding upon, nor shall resort for the enforcement thereof be had to the property of, its trustees, directors, shareholders, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort, or otherwise.

39. **WAIVER OF JURY TRIAL. TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THE TRANSACTIONS RELATED HERETO.**

40. **Determination of Charges**. Landlord and Tenant agree that each provision of this Lease for determining charges and amounts payable by Tenant (including provisions regarding Tenant's Proportionate Share of Taxes and Operating Expenses) is commercially reasonable and, as to each such charge or amount, constitutes a statement of the amount of the charge or a method by which the charge is to be computed for purposes of Section 93.012 of the Texas Property Code.

41. **Prohibited Persons and Transactions**. Tenant represents and warrants to Landlord that Tenant is currently in compliance with and shall at all times during the Lease Term (including any extension thereof) remain in compliance with the regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action relating thereto.

42. **Deceptive Trade Practices.** TENANT HEREBY WAIVES ALL ITS RIGHTS UNDER THE DECEPTIVE TRADE PRACTICES – CONSUMER PROTECTION ACT, SECTION 17.41 ET SEQ. OF THE TEXAS BUSINESS AND COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER CONSULTATION WITH AN ATTORNEY OF TENANT'S OWN SELECTION, TENANT VOLUNTARILY CONSENTS TO THIS WAIVER.

43. **Generator.** Landlord grants to Tenant a license during the Lease Term (the "Generator License") to install, operate, and maintain in an area mutually acceptable to Landlord and Tenant, which area shall be against the rear of the Building in the portion of the truck court serving the Premises (the "Generator Area"), at Tenant's sole cost and expense, a 800-1,000 kw generator facility, including the associated technology, switchgear and enclosures related thereto (collectively, the "Generator"). The location of the Generator shall not interrupt any other tenant's use of or access to its premises and shall comply with all Legal Requirements and matters of record. All references to the Premises shall include the Generator Area. The Generator License includes the right to connect to, access and use the relevant electric utility facilities at the Building. The Generator License is subject to the following conditions:

(a) Installation of the Generator is subject to the prior written approval of Landlord (which shall not be unreasonably withheld) of the type, size and height of the Generator as well as the manner of installation of the Generator (including the manner in which any cables are run between the Generator and the Building). Tenant acknowledges that Landlord will disapprove the installation of any Generator (including the initial installation) if Landlord determines, in its reasonable discretion, that the installation or operation of the Generator will adversely affect the operation of any of the Building systems or the operation of any other equipment elsewhere in the Building. Without limiting the foregoing, Landlord may require Tenant to install reasonable decorative screening and fencing around the Generator.

(b) Tenant shall bear all costs to install, maintain, operate, replace and repair the Generator in compliance with all Legal Requirements, which costs include, without limitation, (i) any structural modifications required to support the Generator, (ii) any screens or other improvements Landlord may reasonably require to protect the aesthetic quality of the Building, (iii) any fences that Landlord may reasonably require for safety reasons, (iv) any enclosures or other safety measures required by Legal Requirements, and (v) the cost of all utilities consumed in the operation of the Generator.

(c) Prior to commencement of installation, Tenant shall submit to Landlord and obtain Landlord's approval of plans and specifications for the Generator, and any other information reasonably required by Landlord. Landlord's approval of Tenant's plans and specifications shall not be deemed a representation by Landlord that the plans and specifications comply with Legal Requirements or industry standards, nor is Landlord's approval a representation by Landlord of the adequacy of the mechanical design or proper operation of the Generator.

(d) Prior to commencement of installation, Tenant, at its sole cost and expense, shall obtain all necessary governmental and regulatory approvals for the installation and use of the Generator from each governmental agency having jurisdiction over the installation or use of the Generator. Tenant may not install or operate the Generator until Tenant has obtained and submitted to Landlord copies of all such necessary permits and approvals.

(e) Tenant's use of the Generator shall comply with all Legal Requirements, including Environmental Requirements.

(f) All utility lines must be routed, anchored, buried and/or attached in accordance with good industry practices. The Generator must be identified with permanently marked, weatherproof tags at the following locations: (i) prominently on the exterior frame of each piece of the Generator; (ii) at the transmission line Building entry point; and (iii) at the interior wall feed through or any other transmission line exit point.

(g) Tenant shall:

(i) promptly repair, to Landlord's reasonable satisfaction, any damage to the Building or the adjacent area caused by the installation, use, or removal of the Generator;

(ii) keep and maintain the Generator in good condition and repair at all times;

(iii) operate the Generator only for Tenant's use and benefit;

(iv) take all necessary action (including installation of additional insulation) to prevent vibrations and sound disturbance in the Building resulting from the operation of the Generator; and

(v) perform testing of the Generator only upon Landlord's prior written approval and after normal business hours; provided, if Tenant encloses the Generator and the sound generated during the operation of the Generator does not disturb any other tenant or occupant of the Project, Tenant may perform such testing without prior notice to Landlord and during normal business hours. If Landlord receives a notice from any other tenant or occupant of the Project that the operation of the Generator disturbs such tenant's or occupant's use of its premises, Tenant must comply with the limitations set forth in the beginning of this subsection (v).

(h) The installation of the Generator, as well as all repairs or alterations to the Generator, or replacements of the Generator, must be performed by contractors approved by Landlord in its reasonable discretion.

(i) Landlord shall have no obligation to provide any services, including, without limitation, electric current, to the Generator.

(j) Upon the expiration or earlier termination of this Lease, Tenant, at Tenant's expense, shall promptly remove the Generator and repair and restore all damage to the Building and adjacent area caused by the removal.

(k) Tenant has thoroughly inspected the Generator Area and accepts it in its "**AS-IS**" condition. Landlord makes no, and Tenant waives and releases Landlord from any, representations and warranties about the condition or suitability of the Generator Area or the Building for the installation and operation of the Generator.

(l) Within 30 days after installation of the Generator, Tenant, at its cost, shall deliver to Landlord, either: (i) 2 reproducible copies of "as-built" plans and specifications (1/8" scale), or (ii) "as-built" plans and specifications in electronic CAD format reasonably acceptable to Landlord showing the location of the Generator and all equipment installed in connection therewith.

(m) Provided that Tenant encloses the Generator and the sound generated during the operation of the Generator does not disturb any other tenant or occupant of the Project, Tenant may operate the Generator for the purpose of generating electricity and selling the same to any electrical provider serving the Project. If Landlord receives a notice from any other tenant or occupant of the Project that the operation of the Generator disturbs such tenant's or occupant's use of its premises, Tenant may not exercise its rights under this subsection (m) and shall comply with the provisions of subsection (g)(v) above.

44. **Antenna**. Provided that Tenant complies with the terms of this Section 44, Tenant may, at its risk and expense, install an antenna and related wiring (collectively, the "Antenna") on the roof of the Building at a location approved by Landlord. Before installing the Antenna, Tenant shall submit to Landlord for its approval (which approval shall be in Landlord's sole discretion to the extent the same affect the Building's structure or the Building's systems) plans and specifications which (1) specify in detail the design, location, size, and frequency of the Antenna and (2) are sufficiently detailed to allow for the installation of the Antenna in a good and workmanlike manner and in accordance with all Legal Requirements. If Landlord approves of such plans, Tenant shall install (in a good and workmanlike manner), maintain and use the Antenna in accordance with all Legal Requirements and shall obtain all permits required for the installation and operation thereof; copies of all such permits must be submitted to Landlord before Tenant begins to install the Antenna. Tenant shall thereafter maintain all permits necessary for the maintenance and operation of the Antenna while it is on the Building and operate and maintain the Antenna in such a manner so as not to unreasonably interfere with any other satellite, antennae, or other transmission facility on the Building's roof or in the Building. Landlord may require that Tenant screen the Antenna with a parapet wall or other screening device acceptable to Landlord. Tenant shall maintain the Antenna and the screening therefor in good repair and condition. Tenant may only use the Antenna in connection with Tenant's business. Tenant shall not allow any third party to use such equipment, whether by sublease, license, occupancy agreement or otherwise. Tenant shall, at its risk and expense, remove the Antenna, within five days after the occurrence of any of the following events: (A) the termination of Tenant's right to possess the Premises; (B) the termination of this Lease; (C) the expiration of the Lease Term; or (D) Tenant's vacating the Premises. If Tenant fails to do so, Landlord may remove the Antenna and store or dispose of it in any manner Landlord deems appropriate without liability to Tenant; Tenant shall reimburse Landlord for all costs incurred by Landlord in connection therewith within ten days after Landlord's request therefor. Tenant shall repair any damage to the Building caused by or relating to the Antenna, including that which is caused by its installation, maintenance, use, or removal. All work relating to the Antenna shall, at Tenant's expense, be coordinated with Landlord's roofing contractor so as not to affect any warranty for the Building's roof.

45. **Landscaping**. Tenant, at its sole cost and expense, may elect to install additional landscaping in the existing flower beds located directly in front of the Premises. If Tenant elects to exercise such right, Tenant must notify Landlord in writing of Tenant's desired changes to the current landscaping serving the Building. Landlord shall have ten (10) business days following the date of Landlord's receipt of such notice to either approve or deny Tenant's changes, which approval will not be unreasonably withheld, conditioned, or delayed. If Landlord fails to respond within the 10 business day period, Landlord will be deemed to have approved the landscaping plan. If Landlord approves or is deemed to have approved the landscaping plan, Tenant may perform the improvements identified in the landscaping plan at its sole cost. In addition to the cost of the installation of the landscaping installed by Tenant, Tenant shall be responsible for all costs related to the maintenance and replacement of the same. If Landlord incurs any additional costs related to such landscaping (including any increase in Operating Expenses), Tenant will reimburse Landlord for the same within thirty (30) days following an invoice therefor.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

TENANT:

MANNATECH, INCORPORATED,
a TEXAS corporation

By:
Name: LANDEN FREDRICK
Title: SVP, GLOBAL OPERATIONS

LANDLORD:

SCG LAKESIDE COMMERCE CENTER, L.P.,
a Texas limited partnership

By: SCG Dallas Core Industrial GP, LLC,
a Delaware limited liability company,
its general partner

By:
Name: Sebastian Geisoni
Title: Vice President

ADDENDUM 1

BASE RENT ADJUSTMENTS

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED _____, 2017, BETWEEN
SCG LAKESIDE COMMERCE CENTER, L.P.
and
MANNATECH, INCORPORATED

Base Rent shall equal the following amounts for the respective periods set forth below:

Period			Monthly Base Rent
1	through	4	$0.00
5	through	16	$36,432.00
17	through	28	$37,342.80
29	through	40	$38,276.37
41	through	52	$39,233.28
53	through	64	$40,214.11
65	through	76	$41,219.46
77	through	88	$42,249.95
89	through	100	$43,306.20
101	through	112	$44,388.86
113	through	124	$45,498.58

ADDENDUM 2

HVAC MAINTENANCE CONTRACT

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED _____, 2017, BETWEEN
SCG LAKESIDE COMMERCE CENTER, L.P.
and
MANNATECH, INCORPORATED

Paragraph 11, captioned "TENANT REPAIRS," is revised to include the following:

Tenant agrees to enter into and maintain through the term of the Lease, a regularly scheduled preventative maintenance/service contract for servicing all hot water, heating and air conditioning systems and equipment serving the Premises. Landlord requires a qualified HVAC contractor perform this work. A first year annual maintenance agreement must be provided to the Landlord upon occupancy of the leased Premises.

The service contract must become effective within thirty (30) days of occupancy, and service visits shall be performed on a quarterly basis. Landlord suggests that Tenant send the following list to a qualified HVAC contractor to be assured that these items are included in the maintenance contract:

1. Adjust belt tension;
2. Lubricate all moving parts, as necessary;
3. Inspect and adjust all temperature and safety controls;
4. Check refrigeration system for leaks and operation;
5. Check refrigeration system for moisture;
6. Inspect compressor oil level and crank case heaters;
7. Check head pressure, suction pressure and oil pressure;
8. Inspect air filters and replace when necessary;
9. Check space conditions;
10. Check condensate drains and drain pans and clean, if necessary;
11. Inspect and adjust all valves;
12. Check and adjust dampers;
13. Run machine through complete cycle.

ADDENDUM 3

MOVE-OUT CONDITIONS

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED _____, 2017, BETWEEN
SCG LAKESIDE COMMERCE CENTER, L.P.
and
MANNATECH, INCORPORATED

With respect to Paragraph 21 of the Lease, Tenant shall surrender the Premises in the same condition as received, ordinary wear and tear, casualty loss, Tenant's Personal Property as defined in paragraph 12, and condemnation covered by Paragraphs 15 and 16 excepted.

Before surrendering the Premises, Tenant shall remove all of its Personal Property and trade fixtures and such alterations or additions to the Premises made by Tenant as may be specified for removal thereof. If Tenant fails to remove its Personal Property and fixtures upon the expiration or earlier termination of this Lease, the same shall be deemed abandoned and shall become the property of the Landlord. The following list is designed to assist Tenant in the move-out procedures but is not intended to be all inclusive:

1.	Lights:	Office, warehouse, emergency and exit lights will be fully operational with all bulbs and ballasts functioning.
2.	Dock Levelers, Service Doors and Roll Up Doors:	All truck doors, service doors, roll up doors and dock levelers shall be serviced and placed in good operating order. This would include the necessary replacement of any dented truck door panels and adjustment of door tension to insure proper operation. All door panels which are replaced need to be painted to match the building standard.
3.	Dock Seals/Dock Bumpers:	Free of tears and broken backboards repaired. All dock bumpers must be left in place and well secured.
4.	Structural Columns:	All structural steel columns in the warehouse and office shall be inspected for damage. If required, repairs of this nature should be pre-approved by Landlord prior to implementation.
5.	Warehouse Floor:	Free of stains and swept with no racking bolts and other protrusions left in floor. Cracks resulting from the negligence of the Tenant should be repaired with an epoxy or polymer to match concrete color. All floor striping in the Premises shall be removed with no residual staining or other indication that such striping existed.
6.	Tenant-Installed Equipment and Wiring:	Removed and space turned to original condition when originally leased. (Remove air lines, junction boxes, conduit, cabling, security systems, etc.)
7.	Walls:	Sheetrock (drywall) damage should be patched and fire-taped so that there are no holes in either office or warehouse.
8.	Carpet and Tile:	The carpet and vinyl tiles should be in a clean condition and should not have any holes or chips in them. Landlord will accept normal wear on these items provided they appear to be in a maintained condition.
9.	Roof:	Any Tenant-installed equipment must be removed and roof penetrations properly repaired by licensed roofing contractor. Active leaks related to any Tenant installed equipment or work performed by Tenant must be fixed and latest Landlord maintenance and repairs recommendation must have been followed. Tenant must check with Landlord's property manager to determine if specific roofing contractor is required to perform work.
10.	Signs:	All exterior signs must be removed and holes patched and paint touched-up as necessary. All window signs should likewise be removed.
11.	Heating and Air Conditioning System:	Heating/air conditioning systems should be placed in good working order, including the necessary replacement of any parts to return the unit to a well maintained condition. This includes warehouse heaters and exhaust fans. Upon move out,

		Landlord will have an exit inspection performed by a certified mechanical contractor to determine the condition.
12.	Electrical & Plumbing:	All electrical and plumbing equipment to be returned in good condition and repair and conforming to the code requirements at the time of installation. Tenant shall not be required to bring existing or current conditions up to the current code at time of termination.
14.	Overall Cleanliness:	Clean windows, sanitize bathroom(s), vacuum carpet, and remove any and all debris from office and warehouse. Remove all pallets and debris from exterior of Premises. All trade fixtures, dumpsters, racking, trash, vending machines and other personal property to be removed.
15.	Upon Completion:	Contact Landlord's property manager to coordinate turning in of keys, utility changeover and obtaining of final Landlord inspection of Premises which, in turn, will facilitate refund of Security Deposit.

EXHIBIT A

SITE PLAN

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED _____, 2017, BETWEEN
SCG LAKESIDE COMMERCE CENTER, L.P.
and
MANNATECH, INCORPORATED

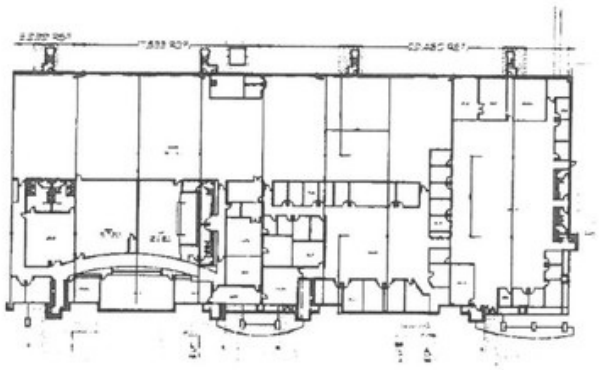

EXHIBIT B

PROJECT RULES AND REGULATIONS

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED _____, 2017, BETWEEN
SCG LAKESIDE COMMERCE CENTER, L.P.
and
MANNATECH, INCORPORATED

Rules and Regulations

1. The sidewalk, entries, and driveways of the Project shall not be obstructed by Tenant, or its agents, or used by them for any purpose other than ingress and egress to and from the Premises.

2. Except as otherwise provided in the Lease, Tenant shall not place any objects, including antennas, outdoor furniture, etc., in the parking areas, landscaped areas or other areas outside of its Premises, or on the roof of the Project; provided that Tenant has the right to establish a smoking area as designated by Landlord.

3. Except for seeing-eye dogs, no animals shall be allowed in the offices, halls, or corridors in the Project.

4. Tenant shall not disturb the occupants of the Project or adjoining buildings by the use of any radio or musical instrument or by the making of loud or improper noises.

5. If Tenant desires telegraphic, telephonic or other electric connections in the Premises, Landlord or its agent will direct the electrician as to where and how the wires may be introduced, and, without such direction, no boring or cutting of wires will be permitted. Any such installation or connection shall be made at Tenant's expense.

6. Tenant shall not install or operate any steam or gas engine or boiler, or other mechanical apparatus in the Premises, except as specifically approved in the Lease. The use of oil, gas or inflammable liquids for heating, lighting or any other purpose is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Project. Tenant, for its reasonable use of lab, may also use ingredients like ethanol, isopropyl alcohol, acetic acid (vinegar), and bleach for the cleaning and sterilization of lab equipment, which will be stored in approved fire, acid, and or base cabinets.

7. Parking any type of recreational vehicles is specifically prohibited on or about the Project. Further, parking any type of trucks, trailers or other vehicles in the Building is specifically prohibited. In the event that a vehicle is disabled, it shall be removed within 48 hours. There shall be no "For Sale" or other advertising signs on or about any parked vehicle. All vehicles shall be parked in the designated parking areas in conformity with all signs and other markings. All parking will be open parking, and no reserved parking, numbering or lettering of individual spaces will be permitted except as specified by Landlord or in the Lease.

8. Tenant shall maintain the Premises free from rodents, insects and other pests.

9. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs or who shall in any manner do any act in violation of the Rules and Regulations of the Project.

10. Tenant shall not cause any unnecessary labor by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness. Landlord shall not be responsible to Tenant for any loss of property on the Premises, however occurring, or for any damage done to the effects of Tenant by any employee or other person, except caused by Landlord's gross negligence or willful misconduct or that of its employees and agents.

11. Tenant shall give Landlord prompt notice of any defects in the water, lawn sprinkler, sewage, gas pipes, electrical lights and fixtures, heating apparatus, or any other service equipment affecting the Premises.

12. Tenant shall not permit storage outside the Premises, or dumping of waste or refuse or permit any harmful materials to be placed in any drainage system or sanitary system in or about the Premises.

13. All moveable trash receptacles provided by the trash disposal firm for the Premises must be kept in the trash enclosure areas, if any, provided for that purpose.

14. No auction, public or private, will be permitted on the Premises or the Project.

15. No awnings shall be placed over the windows in the Premises except with the prior written consent of Landlord.

16. The Premises shall not be used for lodging, sleeping or cooking for off Premises consumption or for any immoral or illegal purposes or for any purpose other than that specified in the Lease. No gaming devices shall be operated in the Premises.

17. Tenant shall ascertain from Landlord the maximum amount of electrical current which can safely be used in the Premises, taking into account the capacity of the electrical wiring in the Project and the Premises and the needs of other tenants, and shall not use more than such safe capacity. Landlord's consent to the installation of electric equipment shall not relieve Tenant from the obligation not to use more electricity than such safe capacity.

18. Tenant assumes full responsibility for protecting the Premises from theft, robbery and pilferage.

19. Tenant shall not install or operate on the Premises any machinery or mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises and shall keep all such machinery free of vibration, noise and air waves which may be transmitted beyond the Premises.

20. Tenant shall not permit smoking in the office areas of the Premises.

21. No racking or storage shall occur within 12-inches of demising walls, office and warehouse separation walls, exterior walls, and columns.

22. No sign, placard, picture, advertisement, name or notice (collectively referred to as "Signs") shall be installed or displayed on any part of the outside of the Building without the prior written consent of the Landlord which consent shall be in Landlord's sole discretion. All approved Signs shall be printed, painted, affixed or inscribed at Tenant's expense by a person or vendor approved by Landlord and shall be removed by Tenant at Tenant's expense upon vacating the Premises. Landlord shall have the right to remove any Sign installed or displayed in violation of this rule at Tenant's expense and without notice.

23. Tenant shall not permit any motor vehicles to be washed or mechanical work or maintenance of motor vehicles to be performed on any portion of the Premises or parking lot.

EXHIBIT C

FORM OF COMMENCEMENT DATE CERTIFICATE

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED _____, 2017, BETWEEN
SCG LAKESIDE COMMERCE CENTER, L.P.
and
MANNATECH, INCORPORATED

COMMENCEMENT DATE CERTIFICATE

_____, 201__

Notice Contact Name
Company Name
Notice Street Address
City, State Zip Code

RE: Lease dated Date between Customer & Owner for Premises Address

Dear Salutation Notice Contact Last Name:

Welcome to your new facility. We would like to confirm the terms of the above referenced lease agreement:

Lease Commencement Date:	Date
Lease Expiration Date:	Date
Rental Commencement Date:	Date

We are pleased to welcome you as a customer and look forward to working with you. Please indicate your agreement with the above changes to your lease by signing and returning the enclosed copy of this letter to me. If I can be of service, please do not hesitate to contact me.

Sincerely,

Property Manager Name
Title

Accepted by: Accepted by Date: Date

By: _____

Printed: _____

Title: _____

EXHIBIT D

WORK LETTER

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED _____, 2017, BETWEEN
SCG LAKESIDE COMMERCE CENTER, L.P.
and
MANNATECH, INCORPORATED

1. **Acceptance of Premises**. Except as set forth in this Exhibit, Tenant accepts the Premises in their "**AS-IS**" condition on the date that this Lease is entered into.

2. Space Plans.

(a) Preparation and Delivery. On or before the tenth (10th) business day following the date of this Lease (the "Space Plans Delivery Deadline"), Tenant shall deliver to Landlord a space plan prepared by a design consultant reasonably acceptable to Landlord (the "Architect") depicting improvements to be installed in the Premises (the "Space Plans"). Landlord approves Benson Hlavaty Architects (Bha Architects) as the Architect.

(b) Approval Process. Landlord shall notify Tenant whether it approves of the submitted Space Plans within five business days after Tenant's submission thereof. If Landlord disapproves of such Space Plans, then Landlord shall notify Tenant thereof specifying in reasonable detail the reasons for such disapproval, in which case Tenant shall, within five business days after such notice, revise such Space Plans in accordance with Landlord's objections and submit to Landlord for its review and approval. Landlord shall notify Tenant in writing whether it approves of the resubmitted Space Plans within five business days after its receipt thereof. This process shall be repeated until the Space Plans have been finally approved by Landlord and Tenant. If Landlord fails to notify Tenant that it disapproves of the initial Space Plans within five business days (or, in the case of resubmitted Space Plans, within five business days) after the submission thereof, then Landlord shall be deemed to have approved the Space Plans in question.

3. Working Drawings.

(a) Preparation and Delivery. On or before the ninetieth (90th) day following the date on which the Space Plans are approved (or deemed approved) by Landlord and Tenant (the "Working Drawings Delivery Deadline"), Tenant shall provide to Landlord for its approval final working drawings, prepared by the Architect, of all improvements that Tenant proposes to install in the Premises; such working drawings shall include the partition layout, ceiling plan, electrical outlets and switches, telephone outlets, drawings for any modifications to the mechanical and plumbing systems of the Building, and detailed plans and specifications for the construction of the improvements called for under this Exhibit in accordance with all applicable Legal Requirements.

(b) Approval Process. Landlord shall notify Tenant whether it approves of the submitted working drawings within ten business days after Tenant's submission thereof. If Landlord disapproves of such working drawings, then Landlord shall notify Tenant thereof specifying in reasonable detail the reasons for such disapproval, in which case Tenant shall, within five business days after such notice, revise such working drawings in accordance with Landlord's objections and submit the revised working drawings to Landlord for its review and approval. Landlord shall notify Tenant in writing whether it approves of the resubmitted working drawings within five business days after its receipt thereof. This process shall be repeated until the working drawings have been finally approved by Tenant and Landlord. If Landlord fails to notify Tenant that it disapproves of the initial working drawings within ten business days (or, in the case of resubmitted working drawings, within five business days) after the submission thereof, then Landlord shall be deemed to have approved the working drawings in question.

(c) Landlord's Approval; Performance of Work. If any of Tenant's proposed construction work will affect the Building's structure or the Building's systems, then the working drawings pertaining thereto must be approved by the Building's engineer of record. Landlord's approval of such working drawings shall not be unreasonably withheld, provided that (1) they comply with all Legal Requirements, (2) the improvements depicted thereon do not adversely affect (in the reasonable discretion of Landlord) the Building's structure or the Building's systems (including the Building's restrooms or mechanical rooms), the exterior appearance of the Building, or the appearance of the Building's common areas, (3) such working drawings are sufficiently detailed to allow construction of the improvements in a good and workmanlike manner, and (4) the improvements depicted thereon conform to the rules and regulations promulgated from time to time by Landlord for the construction of tenant improvements (a copy of which has been delivered to Tenant). As used herein, "Working Drawings" means the final working drawings approved by Landlord, as amended from time to time by any approved changes thereto, and "Work" means all improvements to be constructed in accordance with and as indicated on the Working Drawings, together with any work required by governmental authorities to be made to other areas of the Building as a result of the improvements indicated by the Working Drawings. Landlord's approval of the Working Drawings shall not be a representation or warranty of Landlord that such drawings are adequate for any use or comply with any Legal Requirements, but shall merely be the consent of Landlord thereto. Tenant shall, at Landlord's request, sign the Working Drawings to evidence its review and approval thereof. After the Working Drawings have been approved, Tenant shall cause the Work to be performed in accordance with the Working Drawings. In addition, upon Landlord's review of the Working Drawings, Landlord may designate what portion of the Work Tenant must remove upon the expiration or earlier termination of this Lease.

4. **Contractors; Performance of Work**. The Work shall be performed only by licensed contractors and subcontractors approved in writing by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed. All contractors and subcontractors shall be required to procure and maintain insurance against such risks, in such amounts, as Landlord may reasonably require. Certificates of such insurance must be received by Landlord before the Work is commenced. The Work shall be performed in a good and workmanlike manner free of defects, shall conform strictly with the Working Drawings, and shall be performed in such a manner and at such times as and not to interfere with or delay Landlord's other contractors, the operation of the Building, and the occupancy thereof by other tenants. All Work shall be coordinated with Landlord. Provided, however, Tenant has the right to competitively bid the work to multiple contractors and subcontractors in each trade of work. There shall be no single mandatory subcontractors required by Landlord in any trade of work, except for subcontractors performing work in connection with the Building's structure, the Building's roof, or the fire and life safety systems serving the Building.

5. **Construction Contracts**.

(a) Tenant's General Contractor. Tenant shall enter into a construction contract with a general contractor selected by Tenant and approved by Landlord, which approval shall not be unreasonably withheld conditioned or delayed if such contractor complies with Landlord's insurance requirements. in a form acceptable to Tenant's representative for the Work, which shall comply with the provisions of this Section 5 and provide for, among other things, (1) a one-year warranty for all defective Work; (2) a requirement that Tenant's Contractor maintain general commercial liability insurance of not less than a combined single limit of $3,000,000, naming Landlord, Landlord's property management company, Landlord's asset management company, Landlord's mortgagee, Tenant, and each of their respective affiliates as additional insureds; (3) a requirement that the contractor perform the Work in substantial accordance with the Space Plans and the Working Drawings and in a good and workmanlike manner; (4) a requirement that the contractor is responsible for daily cleanup work and final clean up (including removal of debris); and (5) those items described in Section 5(b) (collectively, the "Approval Criteria"). All work involved in the construction and installation of the Work shall be carried out by Tenant's contractor under the sole direction of Tenant, in compliance with all Building rules and regulations and Legal Requirements and in such a manner so as not to (1) unreasonably interfere with or disturb the operations, business, use and enjoyment of the Project by other tenants in the Building or (2) damage the Building's structure or the Building's systems. Tenant shall obtain from its contractors and provide to Landlord a list of all subcontractors providing labor or materials in connection with any portion of the Work prior to commencement of the Work. Tenant shall be responsible to ensure that the design, construction and installation of the Work shall comply with all Legal Requirements, including building, plumbing and electrical codes and the requirements of any authority having jurisdiction over, or with respect to, such Work.

(b) All Construction Contracts. Unless otherwise agreed in writing by Landlord and Tenant, each of Tenant's construction contracts shall: (1) provide a schedule and sequence of construction activities and completion reasonably acceptable to Landlord, (2) be in a contract form that satisfies the Approval Criteria, (3) require the contractor and each subcontractor to name Landlord, Landlord's property management company, Landlord's asset management company, and Tenant as additional insured on such contractor's insurance maintained in connection with the construction of the Work, (4) be assignable following an Event of Default by Tenant under this Lease to Landlord and Landlord's mortgagees, and (5) contain at least a one-year warranty for all workmanship and materials.

6. **Change Orders**. Tenant may initiate changes in the Work. Each such change must receive the prior written approval of Landlord, such approval not to be unreasonably withheld, conditioned or delayed; however, if such requested change would adversely affect (in the reasonable discretion of Landlord) (a) the Building's structure or the Building's systems (including the Building's restrooms or mechanical rooms), (b) the exterior appearance of the Building, or (c) the appearance of the Building's common areas, Landlord may withhold its consent in its sole and absolute discretion. Tenant shall, upon completion of the Work, furnish Landlord with an accurate architectural "as-built" (as-built shall be defined as a PDF prepared by the selected general contractor) plan of the Work as constructed, which plan shall be incorporated into this Exhibit by this reference for all purposes. If Tenant requests any changes to the Work described in the Space Plans or the Working Drawings, then such increased costs and any additional design costs incurred in connection therewith as the result of any such change shall be added to the Total Construction Costs.

7. **Definitions**. As used herein "Substantial Completion," "Substantially Completed," and any derivations thereof mean the Work in the Premises is substantially completed (as reasonably determined by the Architect) in accordance with the Working Drawings. Substantial Completion shall have occurred even though minor details of construction, decoration, landscaping and mechanical adjustments remain to be completed.

8. **Excess Costs**. Tenant may apply the Construction Allowance (hereinafter defined) against the Total Construction Costs (hereinafter defined) in accordance with the provisions of Section 10. The Total Construction Costs in excess of the Construction Allowance shall be paid by Tenant. Upon approval of the Working Drawings and selection of a contractor, Tenant shall promptly execute a work order agreement which identifies such drawings and itemizes the Total Construction Costs and sets forth the Construction Allowance. The term "Total Construction Costs" means the total cost of performing the Work, including design of and space planning for the Work and preparation of the Working Drawings and the final "as-built" plan of the Work, costs of construction labor and materials, project management services, Landlord's construction management fee payable pursuant to Section 11, moving expenses (not to exceed $15,000.00), cabling and security systems, additional janitorial services, general tenant signage, related taxes and insurance costs, licenses, permits, certifications, surveys and other approvals required by Legal Requirements.

9. **Walk-Through; Punchlist**. When Tenant considers the Work in the Premises to be Substantially Completed, Tenant will notify Landlord and within five business days thereafter, Landlord's representative and Tenant's representative shall conduct a walk-through of the Premises and identify any necessary touch-up work, repairs and minor completion items that are necessary for final completion of the Work. Neither Landlord's representative nor Tenant's representative shall unreasonably withhold his or her agreement on punchlist items. Tenant shall use reasonable efforts to cause the contractor performing the Work to complete all punchlist items within 30 days after agreement thereon.

10. **Allowance**.

(a) Construction Allowance. Landlord shall provide to Tenant a construction allowance of $15.00 per rentable square foot in the Premises (the "Construction Allowance") to be applied toward the Total Construction Costs, as adjusted for any changes to the Work. Landlord shall pay to Tenant or the Tenant's general contractor the Construction Allowance in multiple disbursements (but not more than once in any calendar month) following the receipt by Landlord of the following items: (a) a request for payment, (b) final or partial lien waivers, as the case may be, from all persons performing work or supplying or fabricating materials for the Work, fully executed, acknowledged and in recordable form, and (c) the Architect's certification that the Work for which reimbursement has been requested has been finally completed, including (with respect to the last application for payment only) any punch-list items, on the appropriate AIA form or another form approved by Landlord, and, with respect to the disbursement of the last 10% of the Construction Allowance, (1) the permanent certificate of occupancy issued for the Premises, (2) Tenant's occupancy of the Premises, (3) delivery of the architectural "as-built" plan for the Work as constructed (as set forth above) to Landlord's construction representative (set forth below), and (4) an estoppel certificate confirming such factual matters as Landlord or Landlord's mortgagee may reasonably request (collectively, a "Completed Application for Payment"). Landlord shall pay the amount requested in the applicable Completed Application for Payment to Tenant or Tenant's general contractor within 30 days following Tenant's submission of the Completed Application for Payment. If, however, the Completed Application for Payment is incomplete or incorrect, Landlord shall notify Tenant within five business days of Tenant's delivery of the incomplete Completed Application for Payment, and Landlord's payment of such request shall be deferred until 15 days following Landlord's receipt of the Completed Application for Payment. Following application of the Construction Allowance, Tenant must pay to the contractor from its own funds (and provided reasonable evidence thereof to Landlord) the amount by which the Total Construction Costs exceed the amount of the Construction Allowance. Notwithstanding anything to the contrary contained in this Exhibit, Landlord shall not be obligated to make any disbursement of the Construction Allowance during the pendency of any of the following: (A) Landlord has received written notice of any unpaid claims relating to any portion of the Work or materials in connection therewith, other than claims which will be paid in full from such disbursement, (B) there is an unbonded lien outstanding against the Building or the Premises or Tenant's interest therein by reason of work done, or claimed to have been done, or materials supplied or specifically fabricated, claimed to have been supplied or specifically fabricated, to or for Tenant or the Premises, (C) the conditions to the advance of the Construction Allowance are not satisfied, or (D) an Event of Default by Tenant exists. The Construction Allowance must be used (that is, the Work must be fully complete and the Construction Allowance disbursed) within twelve months following the Commencement Date or shall be deemed forfeited with no further obligation by Landlord with respect thereto, time being of the essence with respect thereto. In addition to the Construction Allowance, Landlord will reimburse Tenant for its reasonable and actual out-of-pocket costs incurred for a preliminary space plan, up to a maximum of $3,000.00.

(b) Additional Allowance. If the cost of the Work exceeds the Construction Allowance, then Tenant may, prior to commencement of the Work, request that Landlord increase the Construction Allowance by the amount of the excess, up to a maximum of $12.50 per rentable square foot in the Premises (the actual amount of the increase being the "Additional Allowance"). If Tenant timely requests the increase in the Construction Allowance, then Landlord shall increase the Construction Allowance by the amount of the Additional Allowance. Landlord shall prepare, and Landlord and Tenant shall promptly execute and deliver, an amendment to this Lease increasing the Base Rent by the amount needed to amortize the Additional Allowance over the Lease Term at 8% per annum, with the increased payments commencing with the first Base Rent payment due under this Lease.

11. **Oversight and Coordination**. Landlord or its affiliate or agent shall supervise the Work and coordinate the relationship between the Work, the Building and the Building's systems. In consideration for Landlord's construction supervision services, Tenant shall pay to Landlord a construction supervision equal to one percent (1%) of the total amount of the construction contract between Tenant and its general contractor should Tenant elect to hire Jones Lang LaSalle to handle construction management in connection with the Work, and, if Tenant does not elect to hire Jones Lang LaSalle to perform such construction management services, Tenant shall pay to Landlord a supervision fee equal to three percent (3%) of the total amount of the construction contract between Tenant and its general contractor.

12. **Landlord's Work**. Landlord, at its sole cost and expense, will (a) deliver the mechanical, electrical, plumbing, and HVAC systems serving the Premises in good working order and (b) construct or cause to be constructed a demising wall to demise the Premises from the remainder of the Building, using Building-standard materials.

EXHIBIT E

RENEWAL OPTION

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED _____, 2017, BETWEEN
SCG LAKESIDE COMMERCE CENTER, L.P.
and
MANNATECH, INCORPORATED

Provided no Event of Default exists and Tenant is occupying the entire Premises at the time of such election, Tenant may renew this Lease for one additional period of five (5) years, by delivering written notice of the exercise thereof to Landlord not earlier than twelve (12) months nor later than nine (9) months before the expiration of the Lease Term. The Base Rent payable for each month during such extended Lease Term shall be the prevailing rental rate (the "Prevailing Rental Rate"), at the commencement of such extended Lease Term, for renewals of space comparable to the Premises in buildings comparable to the Building in the submarket in which the Building is located, with the length of the extended Lease Term and the credit standing of Tenant to be taken into account. Within thirty (30) days after receipt of Tenant's notice to renew, Landlord shall deliver to Tenant written notice of the Prevailing Rental Rate and shall advise Tenant of the required adjustment to Base Rent, if any, and the other terms and conditions offered. Tenant shall, within ten days after receipt of Landlord's notice, notify Landlord in writing whether Tenant accepts or rejects Landlord's determination of the Prevailing Rental Rate. If Tenant timely notifies Landlord that Tenant accepts Landlord's determination of the Prevailing Rental Rate, then, on or before the commencement date of the extended Lease Term, Landlord and Tenant shall execute an amendment to this Lease extending the Lease Term on the same terms provided in this Lease, except as follows:

(a) Base Rent shall be adjusted to the Prevailing Rental Rate;

(b) Tenant shall have no further renewal option unless expressly granted by Landlord in writing; and

(c) Landlord shall lease to Tenant the Premises in their then-current condition, and Landlord shall not provide to Tenant any allowances (e.g., moving allowance, construction allowance, and the like) or other tenant inducements; provided, if such allowances have been taken into account in determining the Prevailing Rental Rate, then Landlord shall provide such allowances to Tenant.

If Tenant rejects Landlord's determination of the Prevailing Rental Rate, or fails to timely notify Landlord in writing that Tenant accepts or rejects Landlord's determination of the Prevailing Rental Rate, time being of the essence with respect thereto, Tenant's rights under this Exhibit shall terminate and Tenant shall have no right to renew this Lease.

Tenant's rights under this Exhibit shall terminate if (1) this Lease or Tenant's right to possession of the Premises is terminated, (2) Tenant assigns any of its interest in this Lease or sublets any portion of the Premises, or (3) Tenant fails to timely exercise its option under this Exhibit, time being of the essence with respect to Tenant's exercise thereof.

EXHIBIT F

FORM OF SNDA

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED _____, 2017, BETWEEN
SCG LAKESIDE COMMERCE CENTER, L.P.
and
MANNATECH, INCORPORATED

EXHIBIT G

FLAG AREA

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED _____, 2017, BETWEEN
SCG LAKESIDE COMMERCE CENTER, L.P.
and
MANNATECH, INCORPORATED

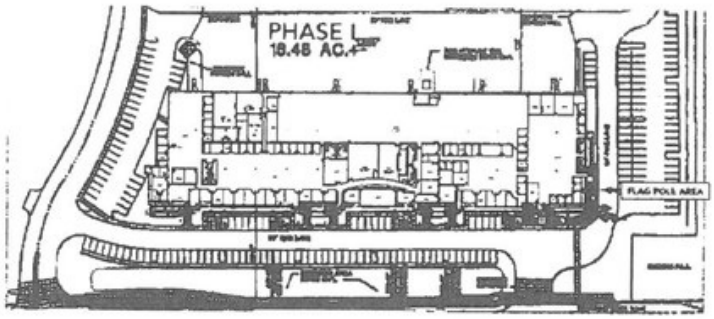

EXHIBIT H

TRUCK COURT

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED _____, 2017, BETWEEN
SCG LAKESIDE COMMERCE CENTER, L.P.
and
MANNATECH, INCORPORATED

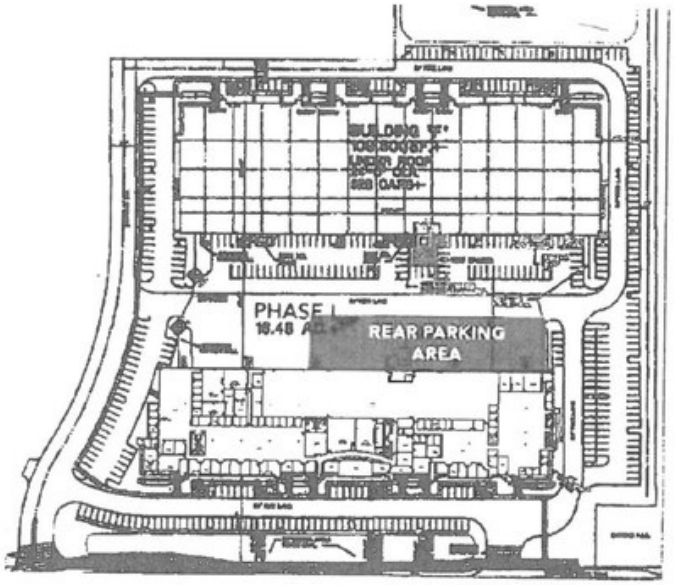

Exhibit 21

List of Subsidiaries

The Company has these wholly-owned subsidiaries located throughout the world, as follows:

1.Mannatech Australia Pty Limited
2.Mannatech Japan, G.K.
3.Mannatech Korea, Ltd.
4.Mannatech Limited (a New Zealand Company)
5.Mannatech Limited (a UK Company)
6.Mannatech Taiwan Corporation
7.Mannatech Payment Services Incorporated
8.Mannatech Products Company Inc.
9.Internet Health Group, Inc.
10.Mannatech (International) Limited
11.Mannatech, Incorporated Malaysia Sdn. Bhd.
12.Mannatech Singapore Pte. Ltd.
13.Mannatech Canada Corporation
14.Mannatech South Africa (Pty) Ltd
15.Mannatech Bermuda Holdings Limited
16.Mannatech Denmark ApS
17.Mannatech (Gibraltar) Holdings Limited
18.Mannatech Swiss Holdings GmbH
19.Mannatech Swiss International GmbH
20.Mannatech Malaysia Trading Co. Sdn. Bhd.
21.Mannatech Norge A/S
22.Mannatech Sverige AB
23.MTEX Mexico SRL CV
24.MTEX Mexico Services SRL CV
25.Mannatech Cyprus Limited
26.Mannatech Ukraine LLC
27.MTEX Hong Kong Limited
28.Mannatech Colombia SAS
29.Mannatech RUS Ltd.
30.Meitai Daily Necessity & Health Products Co., Ltd.
31.Meitai Daily Necessity & Health Products Co., Ltd. Guangzhou Branch

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Mannatech, Incorporated
Flower Mound, Texas

We hereby consent to the incorporation by reference in the Registration Statements on Form S8 (Nos. 333-72767, 333-77227, 333-94519, 333-47752, 333-113975, 333-153199, 333-182676, 333-197400 and 33-220539) and Form S-3 (No. 333-169774) of Mannatech, Incorporated and Subsidiaries of our report dated March 26, 2018, relating to the consolidated financial statements and financial statement schedule, which appears in this Form 10-K.

BDO USA, LLP
Dallas, TX

March 26, 2018

Exhibit 31.1

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

I, Alfredo Bala, certify that:

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

Date: March 26, 2018

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

Exhibit 31.2

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

I, David A. Johnson, certify that:

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

Date: March 26, 2018

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

Exhibit 32.1

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

In connection with the Annual Report of Mannatech, Incorporated (the "Company") on Form 10-K for the period ending December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alfredo Bala, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: March 26, 2018

/s/ Alfredo Bala

Alfredo Bala
Chief Executive Officer
(principal executive officer)

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

Exhibit 32.2

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

In connection with the Annual Report of Mannatech, Incorporated (the "Company") on Form 10-K for the period ending December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Johnson, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: March 26, 2018

/s/ David A. Johnson

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

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

Exhibit 99.1

MANNATECH, INCORPORATED AND SUBSIDIARIES
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

	Balance at Beginning of Year	Additions: Charged to Costs and Expenses	Additions: Charged to other Accounts	Deductions	Balance at End of Year
Year Ended December 31, 2016					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 261	562	—	(360)	$ 463
Allowance for obsolete inventories	$ 1,265	343	—	(1,227)	$ 381
Valuation allowance for deferred tax assets	$ 9,028	463	—	(1,033)	$ 8,458
Included in accrued expenses:					
Reserve for sales returns	$ 147	1,334	—	(1,352)	$ 129
Year Ended December 31, 2017					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 463	351	—	(232)	$ 582
Allowance for obsolete inventories	$ 381	714	—	(529)	$ 566
Valuation allowance for deferred tax assets	$ 8,458	3,549	—	(571)	$ 11,436
Included in accrued expenses:					
Reserve for sales returns	$ 129	1,277	—	(1,289)	$ 117