

UNITED STATES DISTRICT COURT
DISTRICT OF NEW MEXICO

In re MANNATECH, INC.)
SECURITIES LITIGATION)
_____)
This Document Relates to: All Cases)
_____)

Master File No. CIV-05-0829-JP/RLP
CLASS ACTION
DEMAND FOR JURY TRIAL

**CONSOLIDATED CLASS ACTION
COMPLAINT FOR SECURITIES FRAUD**

INTRODUCTION AND NATURE OF THE ACTION

1. Lead Plaintiffs Austin Chang, Naomi S. Miller, John C. Ogden, and Plumbers and Pipefitters Local 51 Pension Fund (collectively, “Lead Plaintiffs” or “Plaintiffs”), individually and on behalf of a proposed class (the “Class”) of all purchasers of the publicly traded securities of Mannatech, Inc. (“Mannatech” or the “Company”) (NASDAQ:MTEX) between August 10, 2004 and May 9, 2005 (the “Class Period”), by and through their undersigned counsel, allege the following against Mannatech, Samuel L. Caster (“Caster”), Terry L. Persinger (“Persinger”), and Stephen D. Fenstermacher (“Fenstermacher”) (Mannatech, Caster, Persinger, and Fenstermacher are hereinafter sometimes collectively referred to as “Defendants”), each of the individual defendants having been a senior officer and/or director of Mannatech during the time the fraud complained of herein was committed and Mannatech’s stock was artificially inflated, seeking remedies under the Securities Exchange Act of 1934 (the “Exchange Act”) as a result of the fraudulent scheme

undertaken by the Defendants and the economic loss suffered when the true facts were revealed to the public. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5.

2. Mannatech develops nutritional supplements, skin-care, and weight management products. Operating in the field of “glyconutrients,” Mannatech claims to have developed innovative, high-quality, proprietary nutritional supplements, topical and weight-management products sold through a global network-marketing system of independent associates and members. Mannatech claims that glycobiology, which it relies on to sell its glyconutrient products, is the science of understanding how carbohydrates affect biological structures, functions, and processes.

3. Mannatech’s business operates as a single segment. The Company sells its products primarily through a network of more than 300,000 “independent” associates and members. In other words, Mannatech is a multi-level marketing company in which associates sign up with the Company to buy Mannatech products. In turn, these associates recruit additional associates who also buy products from Mannatech. As associates recruit other sales people, they benefit financially from the amount of Mannatech products bought by the recruits. For example, a high-ranking associate may have 50 associates working below him or her (*i.e.*, “downline” associates) and can get credit and compensation not just for the Mannatech products she/he sells, but also based on the downline associates’ sales and purchases of Mannatech products. The result is that Mannatech associates function both as purchasers of Company products and as a nationwide sales force that markets Mannatech products, often through the internet, at recruitment meetings, or face to face. According to Mannatech’s website, the Company has several thousand associates, including at least 4,200, that reside in New Mexico.

4. Unknown to investors, Defendants engaged in a fraudulent scheme throughout the Class Period to portray inaccurately and otherwise falsify the Company's financial results and demand for its products. Defendants, hiding behind their army of associates, made glowing statements about Mannatech's products, hyping the products as miracle cures for weight loss and serious illnesses, such as a pill that could "work wonders" on cancer. Defendants' fraudulent scheme and wrongful course of business was designed to and did artificially inflate Mannatech's reported financial performance and the price of its stock. As a result, Mannatech's stock soared to reach \$26.04 per share during the Class Period. Defendants took advantage of this inflation, selling or otherwise disposing of 178,100 shares of their Mannatech stock then valued at more than \$3.7 million.

5. Mannatech stock continued to trade at artificially inflated levels until May 9, 2005. On that day, the Company announced "record" sales and revenues. On that same day, Defendants' carefully painted mirage came into focus, however, as *Barron's* published an article exposing improper practices that, in reality, were the basis of Mannatech's business model. The article questioned the legitimacy of the Company's business, and noted that despite the Company's "surface flash, eye-popping financials and grand plans, Mannatech's allure steadily dims the more intensely one scrutinizes its provenance and how it makes its living." Specifically, the article detailed Caster's history and questioned the methods of the Company's sales associates and their "seemingly irrepressible inclination . . . to make extraordinary therapeutic claims for the supplements," which had "irked some foreign regulators." The article also cited millions of dollars worth of suspiciously timed sales by Company insiders and pointed to a complaint filed in Los Angeles Superior Court which charged the Company with negligent misrepresentations and conspiracy to commit fraud.

Thus, the *Barron's* article revealed Mannatech's true financial condition and exposed the fraudulent nature of Mannatech's marketing.

6. On May 10, 2005, in response to the leaking out of the relevant truth via the revelations in the *Barron's* article that questioned the legitimacy of the Company's statements and business practices, Mannatech stock dropped as low as \$11.64 per share before closing at \$12.15 per share on tremendously spiked trading of 2.2 million shares – approximately *twenty times* the stock's normal trading value. In total, Mannatech lost more than 50% of its value during the Class Period. It is highly telling that the stock sunk following disclosure of the Company's highly suspect and manipulative sales practices – as the day before the Company had announced “record” earnings.

JURISDICTION AND VENUE

7. This Court has jurisdiction over the subject matter of this action pursuant to § 27 of the Exchange Act, 15 U.S.C. § 78aa, and 28 U.S.C. § 1331.

8. Venue is proper in the Judicial District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and 28 U.S.C. § 1391(b). In addition, the causes of action asserted herein occurred and/or accrued, among other places, in this District. At all times relevant to this action, Mannatech maintained several thousand associates within this District and many of the acts and transactions alleged herein, including the illegal sale and marketing of Mannatech products, occurred in substantial part in this District.

9. In connection with the acts, conduct, and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications, and the facilities of the national securities markets.

THE PARTIES

10. Plaintiffs Austin Chang, Naomi S. Miller, John C. Ogden, and Plumbers and Pipefitters Local 51 Pension Fund purchased Mannatech securities on the open market during the Class Period as set forth in their certifications previously filed with the Court. The Court's January 4, 2006 Order appointed Plaintiffs as Lead Plaintiffs in this consolidated action.¹

11. Defendant Mannatech is a Texas corporation with its executive offices located in Coppell, Texas. Mannatech is a wellness solutions company that develops nutritional supplements, topical products, and weight management products. Its products are purportedly designed to support cell-to-cell communication, the immune system, the endocrine system, skin, and health, as well as nutritional support during weight loss. The Company touts itself as a pioneer in glyconutritional technology, occupying a "unique niche" within the field of carbohydrate technology. As detailed below, Mannatech's products are not medicine and do not cure disease. Nevertheless, Mannatech markets its products as doing just that in order to illegally inflate sales, skew perceived demand, and, consequently, artificially inflate the price of its stock.

12. During the Class Period, defendant Caster was the Chief Executive Officer and Chairman of the Board of Directors of Mannatech. Caster co-founded Mannatech and served as Mannatech's President and as a Director on its Board of Directors from November 1993 until his resignation on March 31, 2000. From June 1, 2000 through March 4, 2002, Caster provided Mannatech with various consulting services related to its associates' needs and developed Mannatech's global associate career and compensation plan. In August 2000, Caster was reappointed to serve as a director on Mannatech's Board of Directors. From June 4, 2001 to March

¹ The Order appointed the "Mannatech Group", which is comprised of Austin Chang, Naomi S. Miller, John C. Ogden, and Plumbers and Pipefitters Local 51 Pension Fund as Lead Plaintiffs.

4, 2002, Caster also served as Co-Chairman of Mannatech's Board of Directors and since March 5, 2002 has served as its Chairman of the Board. On April 15, 2003, Caster was elected Mannatech's Chief Executive Officer.

13. During the Class Period, defendant Persinger was the President, Chief Operating Officer and a director of Mannatech. During the Class Period, Persinger generated approximately \$3.5 million in illicit insider trading proceeds by selling approximately 178,100 shares of his Mannatech stock at artificially inflated prices. Persinger joined Mannatech in November 1999 to serve as its Executive Vice President, Chief Operating Officer, and a director. Persinger has served as Mannatech's President since May 2000.

14. During the Class Period, defendant Fenstermacher was Chief Financial Officer, Principal Accounting Officer and Senior Vice President of Accounting of Mannatech. Fenstermacher joined Mannatech in November 1998 to serve as Mannatech's Vice President of Accounting and Controller. In October 1999, Fenstermacher was named Senior Vice President and Chief Financial Officer.

THE INDIVIDUAL DEFENDANTS' ACCESS TO CRITICAL INFORMATION

15. Caster, Persinger, and Fenstermacher (collectively the "Individual Defendants") were privy to confidential and proprietary information concerning Mannatech, its operations, product marketing, finances, financial condition, and present and future business prospects. The Individual Defendants also had access to material adverse non-public information concerning Mannatech, as discussed in detail below. Because of their positions with Mannatech, the Individual Defendants had access to non-public information about its business, finances, products, product marketing, markets and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and board of directors meetings and committees thereof and via reports and other information provided to them

in connection therewith. Because of their possession of such information, the Individual Defendants knew or were reckless in disregarding the fact that adverse facts specified herein had not been disclosed to, and were being concealed from (in order to mislead) the investing public.

16. Throughout the Class Period, the Individual Defendants were able to, and did, control the contents of the Company's SEC filings, reports, press releases, and other public statements. The Individual Defendants were provided with copies of, reviewed and approved, and/or signed such filings, reports, releases, and other statements prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or to cause them to be corrected. The Individual Defendants were also able to, and did, directly or indirectly, control the conduct of Mannatech's business, the information contained in its filings with the SEC, and its public statements. Moreover, the Individual Defendants made or directed the making of affirmative statements the investing public, and participated in meetings, conference calls, and discussions concerning such statements. Each of the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations that were being made were then false and misleading. As a result, each of the Individual Defendants is responsible for the accuracy of Mannatech's corporate releases detailed herein and is therefore responsible and liable for the representations contained therein.

17. The Individual Defendants are liable as direct participants and co-conspirators with respect to the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors, were "controlling persons" within the meaning of Section 20 of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the

Individual Defendants were able to and did, directly or indirectly, control the conduct of Mannatech's business.

18. The Individual Defendants, because of their positions with the Company, controlled and/or possessed the authority to control the contents of its reports, press releases and presentations to the investing public. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading, prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Thus, the Individual Defendants had the opportunity to commit the fraudulent acts alleged herein.

19. As senior executive officers and/or directors and controlling persons of a publicly traded company whose common stock and other securities were, and are, registered with the SEC pursuant to the Exchange Act, and whose shares traded on the NASDAQ National Market ("NASDAQ") and governed by the federal securities laws, the Individual Defendants had a duty to disseminate promptly accurate and truthful information with respect to Mannatech's financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings and present and future business prospects, to correct any previously issued statements that had become materially misleading or untrue, so that the market price of Mannatech's common stock would be based upon truthful and accurate information. The Individual Defendants misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

20. The Individual Defendants are liable as primary participants in a fraudulent scheme and wrongful course of business which operated as a fraud or deceit on purchasers of Mannatech common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The fraudulent scheme employed by the Individual Defendants was a

success, as it: (i) deceived the investing public regarding Mannatech's prospects and business; (ii) artificially inflated the price of Mannatech common stock; and (iii) caused Plaintiffs and other members of the Class to purchase Mannatech common stock at inflated prices (which artificial inflation came out of the stock when the relevant truth regarding the true financial condition of Mannatech was revealed).

CLASS ACTION ALLEGATIONS

21. Plaintiffs bring this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased the securities of Mannatech during the Class Period. Excluded from the Class are Defendants, the officers and directors of the Company, members of their immediate families and their legal representatives, heirs, successors, or assigns and any entity in which Defendants have or had a controlling interest.

22. Because Mannatech has millions of shares outstanding, and because the Company's shares were actively traded on the NASDAQ, members of the Class are so numerous that joinder of all members is impracticable. According to Mannatech's SEC filings, as of August 9, 2005 (three months after the close of the Class Period) Mannatech had more than twenty-six (26) million shares of common stock outstanding. While the exact number of Class members can only be determined by appropriate discovery, Plaintiffs believe that Class members number at least in the thousands and that they are geographically dispersed.

23. Plaintiffs' claims are typical of the claims of the members of the Class, because Plaintiffs and all of the Class members sustained damages arising out of Defendants' wrongful conduct complained herein.

24. Plaintiffs will fairly and adequately protect the interests of the Class members and have retained counsel experienced and competent in class actions and securities fraud litigation.

Plaintiffs have no interests that are contrary to or in conflict with the members of the Class they seek to represent.

25. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy, since joinder of all members is impracticable. Furthermore, as the damages suffered by individual members of the Class may be relatively small, the expense and burden of individual litigation make it impossible for the members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

26. Questions of law and fact common to the members of the Class predominate over any questions that may affect only individual members, in that defendants have acted on grounds generally applicable to the entire Class. Among the questions of law and fact common to the Class are:

- (a) whether Defendants violated federal securities laws as alleged herein;
- (b) whether Defendants' publicly disseminated press releases and statements during the Class Period omitted and/or misrepresented material facts;
- (c) whether Defendants breached any duty to convey material facts or to correct material acts previously disseminated;
- (d) whether Defendants participated in and pursued the fraudulent scheme or course of business complained of;
- (e) whether Defendants acted willfully, with knowledge or severe recklessness, in omitting and/or misrepresenting material facts;

(f) whether the market prices of Mannatech securities during the Class Period were artificially inflated due to the material nondisclosures and/or misrepresentations complained of herein; and

(g) whether the members of the Class have sustained damages as a result of the decline in value of Mannatech's stock when the truth was revealed and the artificial inflation came out and, if so, what is the appropriate measure of damages.

CONFIDENTIAL WITNESSES

27. Plaintiffs' allegations herein, concerning the falsity of Defendants' statements and the scienter of the Individual Defendants, are in part based on interviews with dozens of former Mannatech employees. Throughout the course of the investigation of Defendants' fraud, many confidential former insiders provided information regarding the various methods employed by Defendants in furtherance of their scheme to defraud shareholders. Indeed, among those confidential former employees interviewed in the course of the investigation of the fraudulent scheme and wrongful business practices complained of herein were a former vice president of human resources, a former public relations representative consultant, a project manager, a global clinical specialist, a training facilitator, senior brand and product marketing manager, a manager of compensation and benefits, a customer service representative, and many Mannatech associates.

28. These confidential witnesses included a former high-level Mannatech employee who worked for Mannatech until approximately mid-2005. During the course of her/his employment with Mannatech, she/he was an executive involved in all matters relating to Mannatech employees, and had responsibility for overseeing compensation, benefits, and succession planning. As part of her/his employment, this former executive attended "standing" 90 minute staff meetings every two weeks in the Company's Executive Conference Room, along with a who's-who of Mannatech executives, including defendant Fenstermacher, Senior Vice President of Sales and Marketing Steve

Lemme (“Lemme”), Senior Vice President of Research Eileen Vennum (“Vennum”), Chief Information Officer Cindy Tysinger (“Tysinger”), Vice President of Business Systems Natalie Logan (“Logan”), Medical Director Stephen Boyd (“Boyd”), and defendant Caster. This former high-ranking employee reported directly to defendant Persinger, Mannatech’s President and COO. In turn, Persinger reported to Caster.

29. One confidential witness worked for Mannatech as a Training Facilitator for more than 6 years until the end of 2004. As part of her/his duties, this former employee trained new Mannatech employees. This former employee is familiar with Mannatech’s associate meetings, as well as its annual corporate rally with associates, “Mannafest.” In addition, this former employee is familiar with compliance issues that Mannatech had with its associates. Throughout the course of her/his employment, this confidential witness reported to Mannatech International Call Center Training Manager Pam Richards who, in turn, reported to Vice President of Human Resources Gwen Pennington.

30. One confidential witness worked as a consultant to Mannatech until 2004, holding the position of Public Relations Representative. This former consultant initially reported to a Director in the Marketing Department who reported to Executive Vice President of Marketing Brad Wayment (“Wayment”). Following the departure of Wayment in 2003, this confidential witness reported to Senior Director of Sales and Marketing Lemme and defendant Caster. As part of her/his duties, among other things, this former consultant developed an integrated communications plan to better keep associates involved with Mannatech and established relationships with trade press, local media, prepared press releases and prepared talking points for Caster’s speeches and interviews. She/he has significant knowledge regarding Mannatech employees making improper health claims and

Mannatech-sponsored conventions, as well as Defendants' knowledge of this illegal marketing and refusal to do anything to stop it.

31. Another confidential witness worked as a Global Clinical Specialist for Mannatech. She/he worked in the Health Science Department within the Research & Development Department from 2002 until 2005. This former employee reported to Dr. Stephen Boyd ("Boyd") and her/his duties included investigating complaints of possible adverse reactions people reported after taking Mannatech products. In addition, this confidential witness has knowledge concerning Mannatech associates making improper health claims, Defendants' knowledge of this illegal marketing, and their refusal to do anything to stop it.

32. One confidential witness worked as a Senior Brand and Product Marketing Manager from 2002 through 2004 and initially reported to as Executive Director of Marketing who, in turn, reported to Wayment. After 2003, this former employee reported to Lemme and Director of Business Development Jim Anderson ("Anderson"). She/he helped to create and develop product labels and marketing materials for Mannatech products. Among other things, this former employee has knowledge concerning improper health claims being made by associates as well as Company-sponsored events that Mannatech associates attended, Defendants' knowledge of this illegal marketing, and their refusal to do anything to stop it.

33. Another confidential witness worked as a Project Manager from 2003 until 2004. This former employee initially reported to Debra Heisz ("Heisz") in Mannatech's Marketing Department. Heisz was eventually replaced by Anderson, who reported to Lemme. She/he has knowledge regarding Mannatech's marketing efforts, the conduct of Mannatech associates, associate meetings, and the operation of Mannatech's Marketing Department, Defendants' knowledge of this illegal marketing, and their refusal to do anything to stop it.

34. One confidential witness worked as Manager of Compensation and Benefits during 2005. This former employee originally reported to Mannatech's Vice President of Human Resources, who reported to defendant Persinger. During the course of her/his employment with Mannatech, this former employee experienced the bizarre financial secrecy at Mannatech, executives encouraging her/him to take and sell Mannatech products, and Mannatech training that included illegal and improper health claims about Company products.

35. Another confidential witness worked as a high-level executive in Mannatech's Marketing Department until late 2003. This former employee reported to Mannatech's Vice President of Marketing, Wayment. This confidential witness has knowledge concerning, among other things, Mannatech's foreign regulatory problems, defendant Caster's "special" treatment of high-ranking associates who were allowed to violate the rules and make illegal health claims about Mannatech products, as well of video copies of health "testimonials" that were kept on Mannatech's website behind a "firewall" specifically to avoid regulatory scrutiny. Although this confidential witness left Mannatech prior to the start of the Class Period, her/his knowledge of Mannatech's fraud is consistent with and corroborated by the information provided by other confidential witnesses employed during the Class Period.

CONTEXT OF MANNATECH'S FALSE AND MISLEADING STATEMENTS

A. Background

36. Mannatech began operations as a "wellness solutions provider" in November 1993 and it currently operates in the United States, Canada, Australia, the United Kingdom, Japan, New Zealand, and South Korea. Mannatech purports to operate in the field of "glyconutrients" and claims in its March 31, 2005 Form 10-K to have developed "innovative, high-quality, proprietary nutritional

supplements, topical and weight-management products sold through a global network-marketing system of independent associates and members.”²

37. Mannatech’s business operates as a single segment and it primarily sells its products and starter and renewal packs through a network of approximately 369,000 “independent” associates and members, also called current associates and members, who purchase Mannatech’s products. However, as described more fully below, Mannatech’s associates are not independent. Mannatech only says that they are so that it and its executives can facilitate a façade of culpable deniability. The reality is that Mannatech closely monitors associates for the purpose of insuring that its products are hyper-aggressively marketed, albeit illegally, so that its sales (and the reasons behind those sales) and, consequently, its stock prices, were artificially inflated.

38. Mannatech’s product philosophy is based on the Company’s belief that specific carbohydrates, antioxidants, and other nutrients are essential to maintain “optimal health” and that typical modern diets do not provide adequate amounts of these nutrients to support optimal health and “wellness.”

39. Mannatech claims that its products are designed to support “cell-to-cell communication,” the immune system, the endocrine system, healthy skin, and “optimal health,” as well as nutritional support during “beneficial weight loss.” Mannatech claims that its antioxidant products “protect against harmful free radicals caused by illness, stress, and environmental pollutants.”

40. Mannatech also claims that its products are based on scientific advances in the “emerging fields of phytochemistry and glycobiology, which support the body’s normal physiology

² Members are people who order Mannatech products but elect not to become associates.

rather than developing synthetic chemical-based nutritional supplements that are easily duplicated.” Mannatech states that phytochemistry is the science of understanding the potential health benefits of naturally-occurring, plant-derived components known as phytochemicals and that glycobiology is the science of understanding how carbohydrates affect biological structures, functions, and processes.

41. Mannatech’s product history began with the development of its first products containing Manapol®, a product that the Company claims supports “cell-to-cell communication.” In 1996, Mannatech introduced Ambrotose® Complex, a blend of Manapol® and additional glyconutrients provided by naturally-occurring sugars that “provides specific sugars to the body that help support cellular communication and the immune system.” Ambrotose® Complex is a key component in all but one of Mannatech’s line of 30 products.

42. In 2001, Mannatech broadened its line of ingredients by developing Ambroglycin®, a food-mineral matrix that “helps deliver certain nutrients to the body.” In 2004, Mannatech developed a blend of antioxidant nutrients, called MTech AO Blend™, which is used in the Company’s antioxidant product Ambrotose AO®.

43. Mannatech sells its products through network-marketing, claiming that such marketing is “a unique and effective communication channel for its business and products” as it allows it to “effectively educate consumers about the distinguishing potential benefits of its proprietary products and the unique science of its products.” Additionally, Mannatech claims that network-marketing allows it to accelerate the introduction process of new products into the marketplace at a lower cost than other more conventional marketing methods. Indeed, the Company states that “network-marketing allows Mannatech’s business-building independent associates to

supplement their income and develop financial freedom by building their own businesses centered on Mannatech's philosophies and products."

B. Mannatech's Products Are Subject to Numerous Regulations

44. The FDA regulates the formulation, manufacturing, packaging, storage, labeling, promotion, distribution, and sale of foods, dietary supplements, over-the-counter drugs, and pharmaceuticals. 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," which includes regulations requiring companies, including Mannatech and its suppliers and manufacturers, to meet current Good Manufacturing Practices in the preparation, packaging, storage, and shipment of its products.

45. The FDA has also published a Notice of Advanced Rule Making for Good Manufacturing Practices that requires manufacturers of dietary supplements to follow the prescribed current Good Manufacturing Practices. In 2004, the FDA proposed additional regulations that would require additional information about a company's product ingredients to be included on the company's product labels. Throughout the Class Period, Mannatech told the market that it met the necessary regulations of the FDA and that its suppliers and manufacturers were in compliance with applicable laws and regulations.

46. The Dietary Supplement Health and Education Act of 1994, referred to as "DSHEA," revised the provisions of the Federal Food, Drug and Cosmetic 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 Mannatech's products are considered dietary supplements as outlined in the Federal Food, Drug and Cosmetic Act. This act requires a company to maintain

evidence that a dietary supplement is reasonably safe. Each manufacturer of dietary supplements may make a statement of nutritional support in connection with its products, but must also include a disclaimer statement that neither the product nor any claim has been reviewed or approved by the FDA. The statement of nutritional support describes certain types of product performance characteristics and evidence that a statement is truthful and not misleading. A company is required to notify the FDA of this statement no later than 30 days after the statement is first made.

47. The FDA oversees product safety, manufacturing and product information, such as claims on the 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.

48. Mannatech's products 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.***

49. Thus, if a Mannatech product is sold as a dietary supplement, but marketed as treatment, prevention, or cure for a specific disease or condition, that is illegal and the product would likely be considered an illegal drug. To maintain the product's status as a dietary supplement, the labeling and marketing must comply with the provisions in DSHEA and the FDA's extensive

regulations. As a result, Mannatech is supposed to ensure that its associates and employees comply with the requirements of DSHEA, the Food, Drug and Cosmetic Act, and various other regulations. As will be detailed herein, as part of Defendants' fraud, the foundation of Mannatech's business model rested on the shifting sands of "cure-all" health claims, and the Company encouraged and enabled its associates to sell and illegally market Mannatech products as treatments and cures for, among a plethora of other things, cancer, lupus, multiple sclerosis, gastrointestinal disorders, diabetes, rheumatoid arthritis, autism, neurological disorders, and fibromyalgia.

C. Mannatech's "Independent" Associates

50. According to information available on Mannatech's website, more than 4,000 of the associates live and market Mannatech products in New Mexico. In March of 2004, Mannatech filed its Form 10-K for 2003 in which it emphasized the important role its associates play in marketing the Company's products:

Mannatech believes network-marketing is an effective communication channel for its business and products. Network-marketing allows Mannatech to effectively educate consumers about the unique potential benefits of its proprietary products, as well as the unique science of its products. Additionally, Mannatech believes network-marketing allows it to introduce products into the marketplace more quickly and at a lower cost than other more conventional marketing methods. Further, Mannatech believes network-marketing allows its independent associates to supplement their income and develop financial freedom by building their own businesses.

51. Mannatech has several classifications of associates. According to the Company's Career & Compensation Plan, associates are classified as, among other things, Active, Qualified, All-Star, Master, Regional Directors, National Directors, Executive Directors, or Presidential Directors. The classifications of associates depend on various factors, such as how much product the associate buys, how many other recruits an associate can lure to Mannatech (*i.e.*, the "downline"), and how much product an associate's downline purchases.

52. Mannatech's success as a business is dependent on the marketing of the associates and Defendants were aware of what types of marketing associates used to drive sales (*i.e.*, which marketing strategies were most successful). As will be detailed herein, the outlandish claims by associates were known to Defendants and were encouraged. In other words, the Defendants did not care what was said, but what was sold.

53. According to a former Mannatech Manager of Compensation and Benefits who was employed by Mannatech until June 2005, associates received internal Company training. The confidential witness stated that there is a division of Mannatech's Training Department whose "whole purpose is to train associates." It's a "specific associate Training Department." In training, associates received information specifically "on Mannatech products, ingredients, compensation structure." The person in charge of the associate Training Department was Dr. Neechie Moore ("Moore").³

54. According to a former Mannatech Vice President who was employed by Mannatech through mid-2005, Mannatech also had a committee responsible for reviewing associate actions or complaints to determine whether any disciplinary action needed to be taken against the associates. This "Compliance Committee" was made up of Mannatech employees, including Logan, Lemme, and the assistant general counsel. According to the confidential witness, Logan usually ran the Compliance Committee meetings but Mannatech's assistant general counsel ran the meetings when Logan could not attend. This former Vice President has knowledge of the Compliance Committee meetings because she/he attended at least one of them after August 2004. The committee meetings generally lasted about one hour, and the committee met only as needed to address particular issues.

³ A former Mannatech Executive Director of Marketing described Moore as "one of the bad ones" who was "constantly making health claims" about Mannatech products at Mannatech events.

55. The former Vice President recalled that the Compliance Committee did not have the final say about whether an associate was disciplined. There were times that the Compliance Committee met and decided on a punishment, but Caster would overrule the committee. For example, the former Vice President recalled that a high-ranking Presidential Level Associate had made improper health claims about Mannatech products and the Compliance Committee wanted to withhold compensation from the associate for a certain number of months. But, Caster stepped in and overruled that discipline. Thus, the high-ranking associate was not disciplined for making improper health claims.

56. Explaining why Caster would step in to protect associates making illegal, and thus improper, health claims, the former Vice President recalled that Caster was “very, very involved on the associate side” of Mannatech’s business and that Caster knew what was happening among associates (*i.e.*, illegal marketing). This confidential witness recalled that it was “very hard for Sam [Caster] to say no” to high level associates and that Caster “doesn’t like conflict.” The former Vice President also recalled that Caster told her/him that he did not like the office side of the business. Of course, Caster and all of the Defendants had a powerful motivation for refusing to discipline associates for illegally marketing Mannatech’s products – they knew that the illegal marketing drove sales, which drove the stock price, which made them wealthy, at the expense of misinformed shareholders.

57. In addition to having a Compliance Committee that could be, and was repeatedly, overruled by Caster at any time, the former Vice President recalled that Mannatech also maintained a “Leadership Connection” program that catered directly to Presidential Level Associates and was headed by Logan. The Leadership Connection existed to serve Presidential Level Associates and keep them happy because these associates generated the most income. Most run-of-the-mill

associates had to call customer service if they had a problem, but the most successful associates dealt with Logan and the Leadership Connection directly for placing orders, making requests and having questions answered. The Leadership Connection tracked which associates were selling what quantities and had very detailed information available about sales and associates. In other words, Defendants were aware of what types of marketing associates used to drive sales (*i.e.*, which marketing strategies were most successful). This information was contained in a database that tracked associates that was different than the software used to track Mannatech's accounting and financial results.

58. A former Training Facilitator who worked for Mannatech during the Class Period also recalled that Mannatech had a department devoted to compliance issues, which mainly involved complaints from the purchasing public about associates making unapproved or improper health claims with respect to the supposed benefits of taking Mannatech products. This department was run by Logan, and there were three to five other people who worked in the department. This confidential witness recalled that at one time prior to the Class Period, Mannatech employed an "undercover agent" named Rex George ("George") who would attend associate meetings to determine whether associates were making any improper health claims about Mannatech products. When George left the company in approximately 2001, "his position was eliminated." According to this confidential witness, after George left, Mannatech no longer sent employees to associate meetings to check up on the associates and make sure that no improper claims were being made. Thus, Mannatech shifted away from even such rudimentary attempts at preventing illegal marketing. The former Training Coordinator "heard stories" about efforts to discipline associates for illegal marketing, but never heard any specific details regarding anyone actually being disciplined.

59. A former Public Relations Representative who worked for Mannatech until 2004 recalled that there was talk within Mannatech of developing guidelines for associate conduct and disciplinary actions. However, there were never any teeth to the policy or action behind it. “Candidly, I never saw discipline come down” on *any* associates. According to this former Public Relations Representative, Mannatech’s Compliance Department and Guidelines “were a joke.” Mannatech “tried to put up window dressing to make it appear that” associates who broke the rules would get at least “a slap on the wrist.” In reality, Mannatech never pursued disciplinary penalties because Mannatech was making too much money precisely because of the improper claims being made by associates.

60. Echoing the experiences of other Mannatech employees who worked both before and during the Class Period, a former Marketing Department Executive who worked for Mannatech until late 2003 recalled the following incident: Steve Plog (“Plog”), a high-ranking Presidential Level Associate regularly made illegal health claims about Mannatech products and ignored any efforts by the Company to discipline him (Plog supposedly had framed the Compliance letters he received directing him to stop making health claims because Plog thought the letters were funny). Rather than sever ties with Plog, the Company brought him in to train other associates. Indeed, at one point during a training session, he ripped up a Compliance letter in front of the audience and laughed about it. Despite Plog’s total disdain for playing by the rules (or, more likely, because of it), Mannatech continued to allow him to promote and sell its products.

D. Mannatech and Its Associates Frequently Made Improper Health Claims

61. A former Senior Brand and Product Marketing Manager who worked for Mannatech until 2004 stated that at bottom, Mannatech associates made “wild false claims” about the Company’s products and Mannatech did not have the will or interest to police them. This, of course,

is because Defendants had no motivation or desire to do so. Any curtailing of the illegal marketing would have had a direct negative impact on both sales and the Company's stock price. A former high-ranking Mannatech executive in the Marketing Department who worked for the Company until late 2003 stated that "Caster's attitude was never to disrupt [associates in] the field, never discipline [associates in] the field, and [that] the [associates in] the field were always right." This confidential witness recalled that Caster refused to discipline influential and powerful associates, despite the fact that they were potential public relations threats to the entire Company with their disregard for marketing limitations on Mannatech products.

62. For example, a former Mannatech Manager of Compensation and Benefits stated that she/he was in Persinger's office for a meeting in May or June of 2005. In that meeting, Persinger tried to get the former manager to sell Mannatech products. In addition, the confidential witness was suffering from a sinus infection at the time. Persinger reached into his desk, pulled out a variety of Mannatech products, and encouraged the confidential witness to try them to cure her/his illness. Persinger even stated that Mannatech products would "cure allergies." The confidential witness was concerned about working as an employee for Mannatech while also selling its products, and stated that doing so would create "conflict of interest problems."⁴

63. According to a former Company Global Clinical Specialist who worked for Mannatech during the Class Period, she/he received calls "all the time from people saying an

⁴ As part of her/his hiring orientation in 2005, the former Manager of Compensation and Benefits was instructed to attend multiple-day training about the various Mannatech products and the "science" behind them. On the first day of product training, which was led by the Director of the Training Department, the confidential witness and five other Mannatech employees receiving training were told that Mannatech products cured diseases, such as diabetes. The Director of Training engaged in Mannatech's standard double-speak, stating that "We can't say that our products cure diseases, but they do," and claiming that Mannatech products "achieved all sorts of miracles."

associate made claims” to the caller that the products would cure health problems. This confidential witness regularly heard callers tell her/him that associates sold them Mannatech products by claiming that the products would cure various diseases, such as “arthritis or diabetes.” Similarly, sometimes Mannatech associates told callers to take huge portions of Mannatech products to cure a disease. The confidential witness states that she/he received calls related to improper claims “a lot.”

64. Further, although she/he was trained to tell callers who reported that associates in the field were making health claims that Mannatech products were supplements that could not cure diseases (evidencing Defendants’ knowledge that such claims were routinely made as part of Mannatech’s illegal marketing scheme), the former Global Clinical Specialist was not instructed to find out the name of the associate who had made the false health claims. This confidential witness recalled that there was no effort in the Company’s Health Science Department to track which associates were making the false claims that prompted customers to call the Company with complaints. “It was not our job to find out who was making false claims but instead just to clear up false impressions.”

65. The former Global Clinical Specialist stated that “Sam [Caster] knew about it” – referring to whether Caster or other executives knew that associates were making illegal, fabricated health claims about Mannatech products. The confidential witness stated that Caster sometimes attended monthly meetings of the Company’s Health Science Department or larger Research and Development department meetings where improper associate health claims were discussed. This confidential witness said the improper health claims were so common that she/he did not know how Caster, Persinger, or other executives could not know about it, stating that “They knew what associates were doing.”

66. Likewise, a former Vice President who worked for Mannatech during the Class Period stated that Mannatech did not track or investigate complaints of improper and illegal associate health claims that were reported directly to the Company's Health Science Department. This confidential witness also stated that Mannatech also did not track or investigate complaints of improper and illegal health claims that were made to the Company's Customer Service Department. The former Vice President stated it was her/his opinion that Caster really believed that Mannatech products had the curative health effects that so many associated claimed. According to this confidential witness, Caster's belief in the products made it hard for him to discipline associates. If the associates were only accused of saying things that Caster himself believed, he had a hard time telling them "no" or punishing them. Thus, while there may have been some investigations into associate misconduct, this confidential witness could "count on one hand" the number of disciplinary actions actually "imposed" because "in Sam's heart he agrees with [the associates]."

67. Along similar lines, a former Mannatech Senior Brand and Product Marketing Manager who worked for Mannatech until 2004 stated that associate compliance was a "sham" at Mannatech. "No associates got disciplined" for making improper health claims. This confidential witness said that the worst "punishment" Mannatech would dole out would be a "cease and desist" letter, but that the letters had no effect. Associates would just ignore the letters and Mannatech would not do anything about it. The Senior Brand and Product Marketing Manager recalled that the executives at Mannatech would act like the Company was doing something about the improper health claims, but did not want to actually stop them. She/he recalled that everyone at Mannatech knew that the demand for products was there because people believed that the products could cure their diseases and ailments. "Everyone at Mannatech knew associates were making health claims about the products."

68. For example, the former Senior Brand and Product Marketing Manager recalled that the Company's Marketing Department, which included Wayment and Lemme, knew that associates had their own websites wherein they made improper health claims and that associates were printing illegal Mannatech marketing materials. This confidential witness stated that even meager efforts to regulate associates were met with counter-efforts by associates to be left alone. Particularly, the high-earning Presidential Level Associates pushed back against attempted marketing restrictions. The former Senior Brand and Product Marketing Manager stated that Presidential Level Associates wanted to make illegal, false health claims because that would allow them to drive up sales. "Their businesses were based on [improper] health claims." Indeed, the illegal marketing drove sales and gave a false impression of the true demand for Mannatech products, which drove the Company's stock price. Thus, while Defendants may have paid occasional lip service to mandating legitimate marketing efforts, the reality was that they were highly motivated to, and in fact did, turn a blind eye towards the illegal marketing.

69. The former Senior Brand and Product Marketing Manager heard Presidential Level Associates and others make improper health claims, and the fact that their businesses were founded on improper health claims was "common knowledge at Mannatech."

70. According to a former Mannatech Public Relations Representative who worked for Mannatech until 2004, Mannatech employees did not agree with her/his philosophy that associates should not make claims about the health effects of the Company's products. To the contrary, Mannatech and its employees wanted to push the envelope.

71. For example, the former Public Relations Representative described in detail her/his experiences with Mannatech's Chief Science Officer Bill McAnalley ("McAnalley"), who was a "high level guy." This confidential witness stated that McAnalley believed in the Mannatech

products and tended to get wound up and start making unsubstantiated claims about what the products can do. When this happened, the confidential witness “called” (*i.e.*, confronted) McAnalley on the unsubstantiated claims.

72. Specifically, the former Public Relations Representative attended a large Mannatech conference in Phoenix, AZ at which McAnalley was speaking. There was a discussion about sugars at the conference, and McAnalley stood up and started speaking for thirty to thirty-five minutes. McAnalley started making claims that Mannatech products could cure life-threatening diseases, including diabetes and others. The claims were so outrageous that the confidential witness was forced to cut McAnalley off. After this conference, McAnalley confronted the confidential witness and told her/him to never cut him off again.

73. The former Public Relations Representative recalled that everyone at Mannatech was “incredibly aware” of the potential danger of making illegal health claims about Mannatech products. Those claims could get Mannatech in big trouble with regulators such as the FDA and the FTC. Despite the risks, the confidential witness stated that the attitude at Mannatech was “who knows where to draw the line?” The executives at Mannatech were making huge amounts of money and “wanted to push the envelope.” It seemed like the executives wanted to disregard the confidential witness’ public relations’ advice. Mannatech executives “let their passion get in the way of good judgment.”

74. The former Public Relations Representative emphasized her/his dire concerns about Mannatech’s Medical Director of Complementary Medicine and Education Steve Nugent (“Nugent”). Among other things, the confidential witness was concerned about Nugent’s

background and credentials and the validity of Nugent's allegedly scientific "studies."⁵ Nugent had a tendency to get carried away and start making claims about the scientific basis for Mannatech's products having curative effects, when those claims were not substantiated.

75. These issues were "touchy to discuss with Sam [Caster]." "Sam is a very loyal guy." The former Public Relations Representative recalled that when she/he went to Caster with concerns about one of his friends, she/he had to "be prepared for a big battle." For example, this confidential witness specifically complained to Caster in late 2003 about problems with McAnalley and Nugent and their tendency to make unapproved claims about Mannatech products.

76. One specific issue the former Public Relations Representative discussed with Caster was a Virtual News Release ("VNR") about Mannatech's new anti-oxidant product in early 2004. Caster asked the former Public Relations Representative why McAnalley was not included in the VNR. The former Public Relations Representative responded that she/he was concerned with what McAnalley might say about the product. Caster told the former employee that she/he should get a quote from McAnalley for the VNR. The former Public Relations Representative got a quote from McAnalley as Caster directed, but did not include it in the VNR.

77. Following the VNR issues, a press conference was scheduled concerning the anti-oxidant product. Caster told the former Public Relations Representative that it would be a "slight" if McAnalley was not included in the press conference because McAnalley had been with Mannatech

⁵ According to Mannatech's website, Nugent "obtained his Doctor of Naturopathic Medicine degree (NMD) at Clayton University in St. Louis and while building a clinical practice that attracted patients from around the world, he continued his education and earned a PhD in Psychology from Clayton University as well." Plaintiffs' counsel's research could not locate or confirm any such institution in St. Louis. Plaintiffs' counsel identified a Clayton College, based in Birmingham, AL, which provides similar accreditation through correspondence courses. An article describing problems and the limited value of Clayton College's non-accredited degrees is available at <http://www.quackwatch.org/04ConsumerEducation/Nonrecorg/clayton.html>.

since the beginning and had been instrumental in developing the product. The confidential witness recalled that once the conference started, however, McAnalley began to ramble beyond the statements that the confidential witness had pre-approved, as she/he feared would happen. Things were so unpredictable that before the press conference, the former consultant warned McAnalley that if he went off script, the former Public Relations Representative would raise her/his hand from the back of the room, and that was a signal that McAnalley should wrap up his comments. When McAnalley started rambling, the confidential witness raised her/his hand. McAnalley refused to look at the former Public Relations Representative, and kept talking. The former Public Relations Representative then raised both hands, but McAnalley still refused to stop talking. McAnalley only ended his improper comments when the former Public Relations Representative actually started advancing towards him from the back of the room. In short, the confidential witness stated that McAnalley stated that Mannatech products could do things that have never been verified and that Mannatech is not authorized to claim. Caster's attitude was that it was more important to be loyal to Nugent and McAnalley than to insure that Mannatech's products were not illegally marketed. Caster believed disciplining Nugent and McAnalley for making improper claims or restricting their access to the public to make those improper claims was somehow disloyal.⁶

78. A former Mannatech Vice President who was employed by Mannatech during the Class Period recalled that Lemme told Mannatech employees to take Mannatech products to resolve specific health problems, and even went so far as to give dosage recommendations depending on

⁶ Along these lines, a former high-ranking Marketing Department executive who worked for the Company until late 2003 stated that in April 2003, Caster told Nugent to do whatever he wanted, and that Nugent could "pull out the stops" in his marketing claims. This confidential witness knew about this because she/he discussed it with Nugent, who told her/him that "Caster had lifted the reins" on illegal health claims that Nugent intended to make in presentations he made around the country touting Mannatech products.

their disease or health problem. Lemme told this former Vice President how much of various products to take to prevent her/his migraine headaches.

79. A former Project Manager who worked for Mannatech until mid-2004 also recalled that Senior Vice President of Marketing and Sales Lemme “prescribed” doses of different Mannatech products for her/him so she/he could recover from an illness. This confidential witness stated that Lemme was initially brought in to Mannatech from the field where he had been a successful associate and put in charge of Sales and Marketing. As an associate, Lemme had been paid to speak at Mannatech meetings hosted by the Company or other associates because he was a great public speaker. In these paid speeches Lemme told crowds about how Mannatech products had helped his child recover from a horrible illness. A copy of a transcript from a Lemme training session in March 2003, which includes health claims and dosage recommendations for treating autism, asthma, rheumatoid arthritis, and neurological conditions, is attached hereto as ***Exhibit A***.

80. In his training materials, which were used to teach others to sell Mannatech products, Lemme, who became a senior level Mannatech executive shortly after this transcript was prepared, claimed that:

From 7 years of experience in the field and talking to many people we [*i.e.*, Mannatech] have found that:

Asthma/Allergies seem to respond well usually in 6 months with higher amounts of Ambrotose (2 tsp/day or more) and the recommended amounts on the bottles of Plus, Phytaloe and Vit/Min –some have to add Manna C for certain times of year.

All hormone-related conditions seems to take up to a one year, but respond well with 2 tsp of Ambrotose and up to 6 PLUS/day with maintenance levels of Phytaloe and Vit/min. (Depression, Manic/ Bio Polar, Migraines and Headaches, PMS etc)

GI track seem to do best with high levels of Ambrotose, maintenance amounts of everything else. No Phytaloe, instead use MannaCleanse. (Crohns, colitis, etc.)

FM [fibromyalgia]/Lupus: Start with the full Optimal Health Plan at maintenance level. Add in Sport and Firm for those whose need pain management. Many do well

on Empact as that helps with the lactic acid build up, and/or Ambrostart to help with energy and fiber needs. Many give up just before it works for them and we have found that often the pain does NOT go away till month 4, 5 or for some the 6-month mark. They may need to increase to Condition Level of products gradually to get results. Note that these peoples' detox can last for the 6 months or longer if they have been on a lot of medications and as they increase their products.

Rheumatoid or any kind of Arthritis and other painful conditions seem to follow a similar recipe as with FM. Some find relief of pain and stiffness when they go up to 4 tubes of Firm a month over all their painful joints, and they also may need to go to up 8 Sport/day till they get relief.

MS needs are like above but often they do not see results until 1-2 years depending on severity, and they may need serious amounts of Ambrotose to see changes.

ADD/ADHD, Autism –high levels of Ambrotose and normal of others. Most respond in 6-12 months.

Neurological, Arthritis, and Diabetes conditions may take 18 months to 2 years and may need to take the serious amounts depending on how advanced the condition is. It seems that any condition that has to do with brain dysfunctions.

MS, Parkinson's, Alzheimer's, Lou Gehrig's, stroke and even spinal cord injuries can take many years to see significant changes. They need to keep increasing amounts, especially with the Ambrotose, and it is not till they take serious amounts that they see changes. One lady that was told she would have serious brain damage due to a car accident worked her way up to 4 tubs of Ambrotose/month and now she can talk without any indication that she was in an accident. However, if she goes down on her amounts her words start to slur and her motor function decreases.

Terminal and Serious conditions:

4 Bulk Ambrotose a month

2 Bulk Phytaloe a month

1 Bottle of Plus and 1 of Glycentials or Catalyst

This is standard for most people with serious conditions. The key is listening to your body's needs and seeing what areas you need improvement and more nutritional support.

Start with the Optimal Health products that are taken daily at the various levels that are mentioned above and then add as needed:

1 bottle a month of MannaCleanse and/or Fiberfull for helping bowels to clean out toxins.

Some can cut back to ½ the amounts of these product then they last for 2 months.

1-3 bottles of Sport and/or Firm cream for pain management use as needed. Athletes also use these for training & injuries and add in the Empact and/or Ambrostart.

1 bottle of CardioBalance for issues with heart, stroke, and high blood pressure.
1-2 bottles of MannaC/month for allergies and breathing issues-some only need seasonally.
1-2 bottles of ImmunoStart/month for those who struggle with colds and flus as well as those who need extra support to rebuild their immune system *particularly those who have had cancer*, or heavy metal toxin issues. Even kids love the taste of ImmunoStart. They are great to suck on with a sore throat, or when you are under extra stress and your body is fighting something off.

Cancer usually responds in 6-9 months on these large amounts. It is wise to stay on high levels of the products 6 months AFTER the symptoms go away. Cut these amounts in half for the next year and beyond. But NEVER stop taking the products, as the cancer can still come back and usually does with a vengeance and may not be treatable if it recurs.⁷

81. One confidential witness stated that product testimonials were “the loophole” at Mannatech. Testimonials were the way Mannatech could “get a third party to say everything you want to say [about Mannatech’s products] but can’t.” For example, the former Public Relations Representative went to Maui, Hawaii in the first week of January 2004 for a Mannatech trip for top associates. The former consultant was filming Presidential level associates giving testimonials, wherein they claimed that Mannatech’s products had cured their cancers, cured AIDS, diabetes and high blood pressure. Mannatech products “saved my life,” they claimed. In this way, Mannatech provided the platform for fraud while attempting to maintain the façade of “I didn’t say it.” In other words, Defendants led associates down the path of fraud, knocked on fraud’s door, pushed the associates through, then shut the door and pretended they had never seen it in the first place.

82. After the taping, the former Public Relations Representative told Caster and others that they could never show the tape – that they would have to edit it to remove the illegal claims

⁷ Although the Lemme training transcript is dated March 8, 2003, as of the date of filing of this Complaint, it is still available on the internet at:
http://64.233.179.104/search?q=cache:8ObW8sQhzwUJ:www.globalpowerplayers.com/docs/sl_producttraining.pdf+&hl=en&ct=clnk&cd=1&client=firefox-a.

made about Mannatech products by those top associates. Caster and others disagreed, and thought they could and *should* show the tape at an upcoming celebration of Mannatech's anniversary, because it ostensibly only involved claims by associates. The former consultant told Caster and others that "this is crazy," knowing that the health claims were outrageous and could not be true. Caster, however, refused to listen. It was Defendants' refusal to avoid perpetuating such outlandish health claims that led to the former Public Relations Representative's departure from Mannatech.

83. Further, Caster and Lemme "were aware of each web-site like www.cureanydisease.com" and other web-sites Mannatech associates used to attract new Mannatech users by making health claims about the products. For example, the former consultant recalled that Ray Gebauer's ("Gebauer") www.cureanydisease.com was obviously derived from the name of Gebauer's book "*How to Cure and Prevent Any Disease.*" Mannatech purportedly "banned" the book in 2000 and Gebauer supposedly agreed to give refunds to anyone who had purchased it, because the book made improper health claims about what Mannatech products can and cannot do. According to the former Public Relations Representative, Caster and Lemme knew that Gebauer was using www.cureanydisease.com to continue selling the book and promote his Mannatech business and web-site (www.raygebauer.net) and that it was an active web-site in 2003 and 2004. Nevertheless, Caster and Lemme did nothing to prevent the sale of the book through the website or to shutdown the website because Gebauer was one of the top ten associates at Mannatech in terms of sales and size of his downlines. As of the date of filing this Complaint, this website is still being operated and touting "testimonials" regarding cures for asthma, osteoporosis, allergies, and arthritis, and promises of "testimonials" regarding autism, prostate cancer, lupus, stomach cancer, ulcers, Epstein-Bace virus, Candida infection, PMS, pre-menopause, high cholesterol, and depression!!

84. In addition, Caster and other Mannatech executives received weekly reports identifying the top selling associates, the associates with the most rapidly increasing sales, and a lot of other information about the levels of sales that Mannatech associates were generating. The former Public Relations Representative recalled that if such information was not tracked daily, it was “definitely tracked at least weekly.” The executives “kept a very close eye on it,” and always knew who the top associates were. The former consultant recalled that the top associates got away with a lot because they were making so much money for Mannatech.

85. The former Public Relations Representative recalled also that Caster regularly socialized with the top associates, including Gebauer. The associates attended parties at Caster’s house for the holidays and other events. In other words, Caster knew who the most successful associates were, and knew what they did to be successful. This confidential witness stated that Caster’s friendship with associates prevented him from disciplining associates even though Caster knew they were making improper health claims. “The only reason Gebauer’s web-site www.cureanydisease.com is still up is because he’s tight with Sam [Caster].” In addition to friendship, Caster was reluctant to take action against that site and others “because they make Mannatech a lot of money.” “Sam [Caster] is not an idiot. He knows what’s going on. Caster is not stupid, he can’t claim he doesn’t know” that Mannatech associates make unapproved health claims and that Mannatech profits immensely from their doing so. “If you are his friend, he will go to bat for you.”

86. Part of one confidential witness’ job as Public Relations Representative was to be aware of threats to Mannatech’s image, and to bring those threats to the attention of Lemme, Caster and other executives. This confidential witness was very concerned that Mannatech associates making unauthorized health claims on their web-sites posed a serious threat to Mannatech. Put

simply, it risked bringing terrible publicity to Mannatech, as well as increased regulatory oversight that could harm the Company. As part of her/his role of tracking threats to Mannatech's image, the former consultant "spent hours every day looking at associates' web-sites that made outlandish and improper health claims about the effects of Mannatech products." She/he also received phone calls from reporters and consumers who were asking about the health claims being made on associates' web-sites. The former consultant "got calls regularly complaining that web-sites claimed that Mannatech products can cure cancer." She/he kept logs of the calls she/he received and the web sites she/he monitored. The former consultant turned all that information over to Caster and discussed it with him. "Caster knows what's going on." The former consultant also provided the same information to Lemme, among others. She/he told "anyone who would listen," including Caster and Lemme, that these sites posed a huge problem.

87. The former Public Relations Representative told Caster and others that "this is crazy, it doesn't make sense, this is wrong" but to little effect. Occasionally, Mannatech sent "Cease and Desist" letters to the associates running the offending web-sites. But, usually within two weeks the web-sites were back up and running at the same web-address. The former consultant then complained to Caster that the sites were back up in spite of the cease and desist letters, and Caster told her/him "We'll look at it," but nothing happened.

88. The former Public Relations Representative stated that for an associate or Mannatech executive to claim that Mannatech products will cure their cancer, for instance, in addition to risking Mannatech's business, it could cause a person to delay seeking medical treatment, thereby exacerbating their conditions.

89. As another means of illegally touting Mannatech products through "testimonials," during the Class Period, Mannatech used its "MannaRelief" program. According to Mannatech's

SEC filings, Caster founded MannaRelief in 1999. Mannatech describes MannaRelief as a 501(c)(3) charitable organization that provides Mannatech products to under-privileged children. Donald Herndon (“Herndon”), who serves as the Company’s Vice President of Field Serves, also serves on MannaRelief’s Board. Herndon is the brother-in-law of Caster and is also the brother-in-law of Persinger. During 2003 and 2004, the Company made cash contributions to MannaRelief, sold products to MannaRelief at cost plus shipping and handling charges, and shipped the purchased products to MannaRelief’s “chosen recipients.” In addition, certain Company employees and consultants periodically worked on various fund raising projects and events for MannaRelief at no cost to MannaRelief. For the years ended December 31, 2003 and 2004, the Company sold products to MannaRelief at cost plus shipping and handling of approximately \$0.5 and \$0.8 million, respectively and made cash contributions of approximately \$0.2 million and \$0.3 million, for 2003 and 2004, respectively.

90. During the Class Period, Mannatech, through its MannaRelief’s website, www.mannarelieff.org, made numerous illegal health claims via “testimonials” that purported to describe numerous Mannatech-related success stories. True and correct copies of www.mannarelieff.org, as it existed on September 24, 2004, are attached hereto as **Exhibit B.**⁸ In these “testimonials,” Mannatech provided a forum for product users to make all sorts of insupportable health claims, such as:

ADD My daughter Claire has been diagnosed with ADD, dyslexia and Dysgraphia. She was experiencing anxiety and poor self esteem during the school term while throwing up every morning from being on Ritalin. This was not acceptable so I took her off Ritalin and brought her home to school. The first year was challenging to say the least. I was introduced to Manna Products [Mannatech] and the next September,

⁸ Plaintiffs obtained the archived content of www.mannarelieff.org via an internet archive available at http://web.archive.org/web/*/http://www.mannarelieff.org.

on our first day of school, we started the first lesson and she said to me, “That’s ok, Mom. I can do it without you.”

And she did! Claire has come along [sic] way from where she used to be before the supplements. In February, she was the first student to finish an entire program for dyslexic students. Today, I can’t remember when she was last sick.

Asperger’s Syndrome⁹ *Aidan has been on the [Mannatech] products for 10 months, following Dr. Reg’s protocol.*¹⁰ He is doing REALLY WELL!!! Differences observed since increasing Sport include: talking and initiating “connection” with us, wanting to interact and talking in ways HE HAS NEVER DONE BEFORE! (conversations which include thoughts, opinions, and feelings) He continues to be happy and easy-going and copes with frustration very well. His appetite and growth have taken off; he grew 1 ½” in six weeks. This winter his previous growth pattern was 2” and 2 pounds per year. We see few signs of Asperger’s, ADD, or anxiety. Allergy symptoms have disappeared as well.

Anaplastic Astrocytoma [sic]¹¹ Tim’s tumor has remained stable while on the products. He has increased energy and has been more himself. Many people have remarked that he looks good. We believe that he feels better than he did when the tumor was first discovered. He also tolerated radiation treatments remarkably well! His radiologist said he hasn’t seen anything like this in his 15 years of practice. His

⁹ Asperger’s syndrome is a developmental disorder in which people have difficulties understanding how to interact socially. People with Asperger’s syndrome have some traits of autism, especially weak social skills and a preference for sameness and routine. However, unlike those with autism, children with Asperger’s syndrome usually start to talk around 2 years of age (the age at which speech normally develops).

¹⁰ “Dr. Reg” is Dr. H. Reginald McDaniel (“McDaniel”), a former Mannatech “Medical Director” who resigned from Mannatech in July 2002. A former high-ranking Marketing Department executive who worked for Mannatech until late 2003 recalled that McDaniel sent out e-mails daily “prescribing” various Mannatech products in various quantities to supposedly cure cancer and other diseases. This confidential witness recalled that Caster “absolutely, without question, had knowledge of what he [McDaniel] was doing.” McDaniel even had a “recipe book” for what amounts of products people should take for various diseases. She/he stated that the FDA was developing a file on McDaniel, which eventually prompted Caster to agree to move McDaniel to MannaRelief. This confidential witness knew about McDaniel’s actions because she/he spoke about them with Wayment, who attended regular meetings with Caster and other top Mannatech executives.

¹¹ Anaplastic is a term used to describe cancer cells that divide rapidly and bear little or no resemblance to normal cells. Astrocytoma is a type of brain tumor that begins in the brain or spinal chord in small, star-shaped cells called astrocytes.

blood counts remained stable throughout chemotherapy. God Bless You All!!
Thank You!!

Cancer On February 13th there is “no tumor” seen! Keren had another picture taken of her left eye and there are no tumors! Yea! Thanks for all your help. Please give **Dr. Reg** a big hug from us and tell him that *the Manna[tech product] is working*. God Bless

Cerebral Palsy¹² Thank you for giving of yourselves to touch our son’s life...I am Tammy, mom to Micah, age 4, diagnosed with Cerebral Palsy. My husband David and I wanted to send our deepest gratitude to you for your overwhelming generosity and thoughtfulness in sponsoring our son.

Micah has been on the Manna[tech] products for one month now and we wanted you to be the first to know they are working! They have given him so much more energy and endurance. His endurance in walking , tricycling and therapy sessions has increased quite a bit. His physical therapist just commented yesterday on how much his endurance has increased lately. Additionally, this week both his hospital speech therapist and his school speech therapist came to me independently, one saying she has noticed a dramatic difference in his speech in the past three weeks [...]

Coma Cole was in a deep coma for three years, after taking the [Mannatech] product he responded the 3rd day. 1) circulation in hands and feet 2) suctioning reduce a great deal 3) hands opened after one week 4) color in child has improved 5) cough completely healed up 6) moving hands and feet, toes and legs 7) looks around the room, aware of surroundings, 8) Will be going to kindergarten in Sept 2003! 9) brain scans changed drastically!

Cystic Fibrosis¹³ Michala had four episodes of pneumonia in the last six months. She doesn’t have CF in her lungs; the doctor said she is just susceptible to pneumonia. Since we started the [Mannatech] products in February 2003, she has not had pneumonia. She has only had two colds, which by now she should have had at least 5-7 and she has gotten over the worst of the colds within 24 hours. She has

¹² Cerebral palsy is a group of motor problems and physical disorders related to a brain injury. It causes uncontrolled reflex movements and muscle tightness (spasticity) that may affect a part, a side, or the entire body, with varying severity. Several conditions, such as mental retardation, seizures, or vision and hearing problems, are often also associated with cerebral palsy.

¹³ Cystic fibrosis is a disease that causes mucus in the body to become thick, dry, and sticky. This glue-like mucus builds up and causes problems in many of the body's organs, especially the lungs and the pancreas. People who have cystic fibrosis can have serious breathing problems and lung disease. They can also have problems with nutrition, digestion, growth, and development. There is no cure for cystic fibrosis and the disease generally gets worse over time.

gained 2 ½ pounds and is digesting more fats from her foods. Her eating habits have increased tremendously. She is doing great!

Down Syndrome¹⁴ 9-3-02 - My name is Sheila Reetz. My granddaughter, Ashley, was born 6-28-02. Ashley is a beautiful baby with red hair and blue eyes. She has Down Syndrome.

The DS characteristics that she was born with include: almond shaped eyes, straight line across her palms, extra flesh at the base of the skull, and the thick tongue that she is forever sticking out! lol! She also has two holes in her heart. When she was four days old they tested and measured: the largest hole was 7.7 mm. This is very large for a baby 5 lbs, 13 oz.

As soon as we could (one week old) we started giving Ashley 1/4 teaspoon of Ambrotose in every 8 ounces of formula. When she was one month old, we got her into the Hope Program of MannaRelief for critically ill children. *Dr Reg McDaniel of MannaRelief put Ashley on their DS protocol. At that time she began eating, per 8 oz formula, 1 teaspoon bulk Ambrotose, 1/4 teaspoon bulk Phytaloe, and 1/2 Sport capsule.* When she was two months old, her heart holes were measured again, in an effort to determine when cardiac surgery to fix the holes would be necessary. The test showed the larger hole (7.7mm) to be only 5 mm at that time and the smaller hole was then negligible! No surgery was scheduled. Hopefully it will not be necessary at all!

91. Although some of the confidential witnesses identified and relied upon herein did not work for Mannatech during the Class Period, the pervasive pre-class period acts they describe, when viewed in light of the corroborating statements of confidential witnesses who worked at Mannatech during the Class Period, justify the inference that pre-Class Period activities continued on into the Class Period and should be considered as part of the totality of the allegations of fraud.

¹⁴ Down syndrome is a chromosomal abnormality characterized by the presence of an extra copy of genetic material on the 21st chromosome, either in whole (trisomy 21) or part (such as due to translocations). The effects of the extra copy vary greatly from individual to individual, depending on the extent of the extra copy, genetic background, environmental factors, and random chance. Most children with Down syndrome are in the mild to moderate range of mental retardation.

E. Associate Meetings, Conference Calls & Mannafest

92. A former Training Facilitator who worked for Mannatech during the Class Period recalled that, at all times relevant to the Class Period, including during the Class Period, there were two types of Mannatech meetings that associates could attend. Some of these meetings were produced and sponsored by Mannatech, and some were hosted by associates. One type of meeting was the “Product Meeting,” at which Mannatech associates or speakers had more freedom to discuss the health “benefits” of the products because the stated intent of the meetings was merely to educate, not to recruit new associates or sell product to prospective associates or members. According to this confidential witness, Product Meetings included a discussion of “case studies” into the beneficial effects of taking Mannatech products, glyconutrients, and disease conditions. The confidential witness explained that the producers of the meeting often held a Product Meeting, and then the next night held a meeting with the exact same group of attendees, only on the second night the meeting focused on the business side of Mannatech, that Mannatech products are intended only “to promote optimal health” and the financial/business opportunities available to those who became Mannatech associates. Thus, the type of meeting held governed what would be said about the Mannatech products. The former Training Facilitator stated that associates could talk about health “benefits” more broadly in a “Product Meeting” that was not intended to recruit than in a “business-side” meeting designed to recruit and sell products.

93. For example, one of Mannatech’s Presidential Level Associates in New Mexico stated that she/he organizes and holds frequent meetings in various cities in New Mexico, including Carlsbad and Alamogordo. The purpose of such meetings is for Mannatech associates and prospective associates to attend to learn more about the Mannatech products and how to sell Mannatech products. Each of the meetings this New Mexico Presidential associate organized

generated between 30 and 50 attendees. The New Mexico Presidential associate stated that as part of the effort to recruit new associates, Mannatech has conference calls “all the time” that associates from New Mexico could participate in. Mannatech encourages people, including New Mexico residents, to participate in the conference calls.

94. A former Training Facilitator who worked for Mannatech until the end of 2004 recalled that Mannatech held a big meeting every year called Mannafest. Current and prospective associates and members from around the world attended these multi-day events. This confidential witness stated that “doctors” attended Mannafest and gave speeches about Mannatech products. Frequently, these “doctors” were not medical doctors, but instead were PhD holders or holders of doctors of chiropractic or other similar alternative degrees. During Mannafest, there were also opportunities for individuals to give “testimonials” about how Mannatech products had supposedly helped them.

95. According to the former Training Facilitator, the idea of Mannafest was to get “people excited about starting a home based business.” Thus, attendees heard about the Mannatech products during Mannafest, heard testimonials about the great things, including the curing of diseases, people using Mannatech products experienced, and so the attendees got “charged up” to buy Mannatech products and take those products home to sell to others.

96. A former Company Vice President who worked for Mannatech during the Class Period recalled that Stan Frederick (“Frederick”), a member of the Company’s Board of Directors, got up on stage at Mannafest in approximately April 2005 and told the audience of associates and prospective associates how Mannatech products had *cured* his wife’s disease that had kept her home bound. Although the confidential witness could not recall the exact disease, she/he recalled that it was an unusual disease. The former Vice President recalled that Frederick went so far as to

acknowledge his wife in the crowd during his speech, and she stood up and everyone clapped for her. The former Vice President also confirmed that Lemme (Caster's "right-hand man") regularly made speeches at annual Mannafest events, and other Company-sponsored events, about how Mannatech products had solved his youngest child's health problems. This confidential witness recalled that Lemme would tell the audience that his family no longer saw doctors – *instead they just took Mannatech products.*

97. According to the former Public Relations Representative, top Associates held big recruiting meetings regularly at Mannatech's headquarters or regional meetings around the country, including in New Mexico. The "Associate Leaders" would start such meetings by talking about the great money there is to be made and the positive impact the products will have on health. Then the Associate Leaders would tell the assembly, including their downlines in attendance, that they needed testimonials for a newsletter or a web-site. The people in attendance who had downlines would "say whatever they need[ed] to say to push sales" and attract new customers for themselves. "It's a pyramid thing," the former consultant recalled, where providing testimonials will increase sales which will in turn increase compensation.

98. Additionally, this confidential witness recalled that some associates and Mannatech product users are motivated to give testimonials because it provides them an opportunity to be the "center of attention" and accepted by a large group of people. At the big Mannatech-organized meetings around the country, "people will literally climb over each other for the chance to get on stage." The former consultant attended a large meeting in Portland, Oregon in 2003 at the Portland convention center that was attended by more than 20,000 people. This confidential witness was introduced as the new Public Relations Representative, and they put a spotlight on her/him, and she/he got a standing ovation. The confidential witness recalled that everyone wanted to get on stage

before that big crowd in order to get that kind of acclaim and acceptance, stating that “It’s like you are a rock star.” Mannatech asked people if they wanted to give testimonials at that event, and a huge crowd did so. The two main motivations of people giving testimonials appeared to be trying to attract business, and wanting the attention.

99. Specifically, this confidential witness told Mannatech executives that she/he could not recommend the use of testimonials at Mannatech events. The former consultant was concerned that the Company was too close to the line of making illegal health claims or that the practice would reflect badly on Mannatech. The executives disregarded her/his advice because there was so much money being made, and testimonials were at the heart of the Company’s sales success. This is yet another example of Mannatech’s scheme to drive its sales and stock price through illegal marketing while attempting to shield itself from liability.

100. Similarly, the former Senior Brand and Product Marketing Manager recalled that Mannatech annually sponsored and held three to five huge events for Mannatech associates and prospective associates to attend. This confidential witness attended several of these events, such as Mannafest, which were used to build hype about Mannatech and its products. The former Senior Brand and Product Marketing Manager recalled that the Company’s events generally had two phases. In the first phase, the Company played a “politically correct” role, which focused on the products and included the FDA-required warnings that the products are not intended to cure or prevent any disease or health condition.

101. For the second phase of the events, however, the former Senior Brand and Product Marketing Manager stated that Mannatech would bring out Medical Director Nugent to introduce the “testimonial” portion of the event. During testimonials, associates would take the stage and “make all sorts of health claims” regarding the medical benefits they purportedly enjoyed as a result of

taking Mannatech's products. This confidential witness recalled hearing claims that Mannatech's flagship product, Ambrotose, had cured everything from multiple sclerosis to cancer. She/he recalled that Nugent would take the stage and request testimonials, and that the associates obliged, and that Caster and other corporate executives would disappear during this portion of the events because they "tried to keep their hands clean." This confidential witness stated that Caster knew about the testimonials because Caster would help plan all the big Mannatech events for associates.

102. This former Senior Brand and Product Marketing Manager also stated that throughout her/his employment with Mannatech, and through today, Mannatech offered videos of associate health testimonials on Mannatech's website for associates. There is a portion of the www.mannatech.com website that is dedicated to associates and is password protected. Any associate or member can get a password and gain access to this part of the Mannatech website. This confidential witness explained that while she/he worked at Mannatech, *the video testimonials were sorted by disease or health problem.*

103. Similarly, a former high-level executive in Mannatech's Marketing Department who worked for Mannatech until late 2003 recalled that video copies of testimonials were kept on the Mannatech web-site behind a firewall starting in early 2001 around the time of Mannafest. This confidential witness stated that Mannatech put the testimonials behind a firewall specifically to evade the FTC and FDA. To gain access to the videos, a visitor to the website had to enter a user id and a password. The former Marketing Department executive stated that later, *Mannatech made the testimonials sortable by health condition or disease*, which made what many at Mannatech believed was a violation of law that much more blatant. She/he stated that "Caster knows it's wrong, and knows that Mannatech cannot put testimonials in print" or let the testimonials be published in a way attributable to Mannatech.

104. The former Marketing Department executive stated that rather than avoid the illegal behavior, Caster tried to figure out “What safeguards can we put out to protect ourselves?” Indeed, Caster had Senior Vice President of Research Eileen Vennum (“Vennum”) draft a lengthy disclaimer explaining that the website was intended for associate use only, the videos may not be copied or rebroadcast, and other disclaimers to try to protect Mannatech from the FDA or FTC. This confidential witness recalled that Caster hoped that with the disclaimer the Company could claim that “the Company is not telling associates what to do or not do with it.” Caster took the position that the Company could not control whether an associate chose to sit down with a friend who has lupus and show them a video testimonial from an associate who recovered from lupus after using Mannatech products – despite the fact that the Company made the video testimonials available specifically for that purpose.

105. The former Marketing Department executive who worked for Mannatech until late 2003 stated that because of the video testimonials, “all the FTC or FDA needs to do is scratch the surface and they can shut Mannatech down.” This confidential witness was able to make this statement because she/he previously worked for several years in a regulatory capacity at a large public company and knew the FDA and FTC rules well.

106. Indeed, the former Marketing Department executive had discussions with Mannatech’s Chief Information Officer Tysinger, Vellum, and Wayment concerning risks to the Company. The confidential witness stated that Tysinger, Vellum and Wayment all appealed to Caster not to put the videos on the web-site because of the risk to the Company. Caster, however, overruled them. Caster’s response was that it was never a question of if we should do it. Rather, Caster’s position was “this is something we will do and so find a way to do it.” The confidential witness stated that Vennum and Chief Science Officer McAnalley fought it because they felt it could

result in the shutdown of the Company. Caster overruled them and Vellum and McAnalley eventually dropped their objections, but refused to have anything to do with the video testimonials. The former Marketing Department executive stated that McAnalley and Vellum hated the fact that the testimonials were available on the internet.

107. According to the former Marketing Department executive, Caster tried to compromise with them, and told them to do a regulatory review of the videos and “just take down the bad ones.” McAnalley and Vellum refused. The confidential witness stated that no one familiar with the federal regulations governing Mannatech’s marketing claims could ever think that any of the video testimonials were permissible. Vellum and McAnalley declined to conduct a regulatory review to weed out any “bad” videos because it was their position that any video testimonials on Mannatech’s website were, by definition, “bad ones.” The former Marketing Department executive stated that Mannatech’s Marketing and Regulatory Departments had no involvement with the video testimonials on the Mannatech website. The testimonials went straight from the events to the website. This confidential witness stated that Caster’s motivation for allowing testimonials and permitting improper health claims generally was simple: “it was absolutely clear from [Caster’s] actions . . . [that money] was his motivation, there was absolutely no doubt whatsoever.”

108. A former Mannatech Project Manager recalled that at Mannatech sponsored events, Mannatech executives including Mannatech’s Director of Communications Jodelle Landers, who helped organize the events, encouraged testimonials from people claiming that Mannatech products had cured them of terrible diseases and conditions such as leukemia and diabetes. When asked how much of Mannatech’s marketing depended on the supposed healing properties of Mannatech products, this confidential witness replied, “All of it. All of it. The marketing is designed to talk about how [Mannatech products] heals.” This former employee recalled that at large meetings

organized by Mannatech and on conference calls produced by Mannatech for associates to find out more about Mannatech, Mannatech employees encouraged associates to target sick people as prospective customers for Mannatech products. A clear focus at Mannatech was encouraging associates to sell products to the associates' sick friends.

109. The former Project Manager stated that "The number one thing that sold these products are [health] testimonials from individuals." If Mannatech just sold the supplements in health food stores like other products, they would not sell. "The underlying message is this will cure you."

110. At Mannatech, the former Project Manager heard the quote that Mannatech products don't cure you, they just provide necessary ingredients your body needs to heal itself. In the hallways at Mannatech, this confidential witness regularly heard employees giving "testimonials" about how the products had cured other people's diseases. Lemme gave testimonials in the hallways and at meetings, including claims that the products had cured his son's medical problems. So, although Mannatech supposedly was not endorsing what the associates said, it provided them with corporate space and used corporate funds to put on big meetings where the whole point was for associates to give these testimonials.

111. The former Project Manager also recalled that Mannatech's Communications Department was in charge of communications with associates. According to the confidential witness, Director of Communications Jodelle Landers ("Landers") and the Communications Department made conference calls available for associates, including New Mexico associates, to call in to learn more about Mannatech, or associates could use the calls to help convince new people to become associates or buy Mannatech products. The calls were scheduled for a weekly time, such as every Tuesday night for one call, or every Saturday morning for another. The calls were also

supposed to be taped for replay at other times. The former Project Manager stated that these calls, which were organized by Mannatech, included a lot of illegal health testimonials by associates regarding diseases that Mannatech's products had cured for them. Mannatech attempted to cover itself, however, as each call began and ended with a "disclaimer" that the statements made on the call by associates were those associates' independent thoughts and beliefs, and that Mannatech did not endorse their statements. The former Project Manager recalled that "nothing was documented" for these calls and Mannatech did not write down the health claims made by associates.

112. All the calls were supposed to be recorded and archived for regulatory reasons, but there always seemed to be problems that prevented that from happening. So, the former Project Manager was put in charge of investigating the replay problems, and she/he discovered that Mannatech had no scripts for the calls, and there was no process for vetting what was going to be said on the calls in advance. Instead, people were permitted to say whatever came to mind. The confidential witness recalled that Nugent and others made health claims about benefits of Mannatech products, dosages callers should use to address various health concerns, and "trials" of new products to determine their effectiveness. In other words, the sense the confidential witness got from the calls was that "no one is monitoring so we can say whatever we want." The former Project Manager told Lemme, Anderson and Landers about this in February and March 2004, but "no one cared." She/he also sent e-mails to Lemme, Anderson and Landers about these problems, but never got any response or was just told not to worry about it. The confidential witness eventually stopped talking about the problems after it became clear no one wanted to do anything about it. By taking no steps to police what happened during the calls, Defendants attempted to maintain their smoke screen of separation from the illegal health claims they depended on to misrepresent the true demand for Mannatech's products, and to drive Mannatech's sales, profits, and stock price.

F. Mannatech Conventions Included Third Party Vendors Who Made Improper Health Claims

113. The former Public Relations Representative who worked for Mannatech until early 2004 attended Mannatech organized and produced conventions at which third party vendors leased space to sell brochures and books which made impermissible health claims about the effects of Mannatech products, sometimes referred to in the generic as “glyconutrients.” For instance, the former Public Relations Representative attended a convention in Chicago, Illinois in which the hall was divided in two. One side included Mannatech speakers, booths selling Mannatech produced merchandise and books, a long table at which Mannatech customer service employees were taking orders for and distributing Mannatech products, such as Ambrotose, and a booth manned by members of Mannatech’s marketing department.

114. On the other side of the hall, Mannatech had leased space to third party vendors, such as Dr. Moore, and others to sell brochures and books. Some of the brochures and books included “*Secret Intruders*,” “*Decoding Cancer*,” “*How to Survive on a Toxic Planet*,” and many other books and brochures that made claims about the curative powers of Mannatech products. The former Public Relations Representative stated that it was clear those books and brochures were both intended for current associates and were packaged to be used by associates to recruit new associates and members. The former consultant complained to Lemme, Persinger, and anyone else who would listen, that Mannatech should not lease space to those vendors or allow them in the hall. The confidential witness told them “we can’t have those people making health claims about our products next to where we are selling products.” Lemme and others told the former consultant that “we’re not liable, we can’t control what they [the third party vendors] say.” The confidential witness reminded them that Mannatech could control whether they had a platform to say it and seemed to be

encouraging it by inviting the vendors, but that objection did not move anyone to change the practice. The reason why is obvious – illegal marketing sold product.

115. Mannatech ultimately hired Dr. Moore as the Senior Director of Worldwide Training shortly before the former consultant stopped working with Mannatech in 2004. That position was intended to train associates about the best way to sell Mannatech products. The former Public Relations Representative does not know how much time Dr. Moore spent discussing what associates may and may not say in selling Mannatech products. But, Dr. Moore had booths at the Portland, Oregon show and other conventions, and sold her books about the health benefits of taking Mannatech products at those booths. Thus, the former Public Relations Representative stated that it sent a very mixed message for Mannatech to hire Dr. Moore to train associates, considering she appeared to be violating Mannatech’s rules against making health claims herself.¹⁵ The former Public Relations Representative acknowledged that it did not make sense from an ethical or compliance perspective, but “Mannatech was about making money, and [hiring Dr. Moore to train associates to be better sellers] is going to make Mannatech money.”

116. Similarly, another confidential witness recalled that third party vendors set up booths at big Mannatech events to sell materials. This former Senior Brand and Product Marketing Manager who worked at Mannatech until April 2004 stated that the vendors sold books, tapes, and other materials that made health claims about the benefits of Mannatech products, and that there was no process for screening the materials in advance to make sure that the materials did not make improper health claims.

¹⁵ For example, in her book “The Missing Link – The Facts About Glyconutrients,” Dr. Moore writes “Can glyconutrients help patients with arthritis? The answer is *yes* and a brief explanation of the way arthritis occurs in the body will clarify the reasons.”

117. The former Project Manager recalled attending “big rah-rah meetings” during 2003 and 2004 held in convention centers for associates that were organized and sponsored by Mannatech, to promote Mannatech, its products and to inspire associates to get more involved with the Company, to recruit additional associates and to sell more Mannatech products. This former Project Manager recalled that the meetings also included “third party vendors” who sold various Mannatech brochures, books, tapes, and other products. Some of these vendors included innocuous business building vendors, such as people selling business card printing services. Other vendors were selling materials that made health claims about the effects of Mannatech products. According to this confidential witness, Mannatech’s Director of Communications Landers decided which vendors got booth space at the Mannatech sponsored meetings to sell their products. Landers needed Lemme’s ultimate approval of all vendors and booths, before allowing any vendors to have a booth and sell. The Communications Department, and Landers specifically, were in charge of all contacts with Associates and organizing the Mannatech sponsored conventions/events.

118. The former Project Manager recalled that the books being sold at large booths at the Mannatech events she/he attended included such titles as: “*How to Survive on a Toxic Planet*” by Dr. Steve Nugent (Mannatech’s Marketing Department Doctor), “*Healing Power of 8 Sugars*” by Allan Sumerall, “*Free Yourself from High Blood Pressure*” by Dr. Pancheta Wilson, “*It’s Time for Wellness*” by Lua Sage Fisher, among others. This confidential witness recalled that vendors also had booths selling brochures to associates, including such titles as: “*Are You Sick and Tired of Being Sick and Tired?*”¹⁶ published by Health Education International, “*Decoding Cancer*”¹⁷

¹⁶ The description of this product is as follows: “Are you looking for a sharing tool with a **strictly health focus**? This new brochure provides a straight-forward, easy-to-understand overview of America's Health Crisis and the role that cellular communication and glyconutrients play in supporting proper immune function.

published by Health Education International and “*Secret Intruders*”¹⁸ published by Health Education International, among others. In addition, Mannatech’s Senior Director of Worldwide Training Dr. Moore attended the meetings in Dallas and Oregon, among others, and had a booth selling her various books, including “*The Missing Link, The Facts about Glyconutrients.*” According to the former Mannatech project manager, ***the market for these brochures and books was Mannatech associates, who used the literature to help sell Mannatech’s products.*** The materials were grouped and sold depending on whether the author had their own booth, like Dr. Moore. If an author was not present at the meeting, or did not have their own booth, then a publisher might have a booth with the works of different authors available together, often grouped by subject.

119. According to the former Project Manager who worked for Mannatech until mid-2004, in addition to selling his books at the Dallas and Oregon meetings, Nugent, Mannatech’s Executive Director of Complementary Health and Education, also spoke at the meetings. This confidential witness saw the scripts for his speeches and the PowerPoint presentations he used in advance because she/he was friendly with Nugent’s assistant Pat Porath, who was in charge of putting those documents together. This former Project Manager recalled that Nugent’s speeches and PowerPoint presentations always seemed to be about scaring people and then offering Mannatech products as a cure. This former employee stated that Nugent and other writers used “scare tactics” to sell

¹⁷ This brochure states, among other things: “Has Science Discovered the Cellular Cipher? Large brochure (11 x 17 when unfolded). Includes a synopsis of the four prevalent types of cancer, and the results of glyconutritional research in this field. ... This will open doors for you!”

¹⁸ Subtitled “Use Your Best Defense Against Infectious Diseases,” this brochure’s advertisement claims that it explains how glycobiology (the generic term for the supposed science behind Mannatech’s sugar based products, such as Ambrotose) “may hold the key to relief for sufferers of” HIV, Hepatitis, Yeast Infections and Bacterial Infections.

Mannatech products and they would always “go back to an ill and [that Mannatech products would] cure your illness.”

120. At the meetings the former Project Manager attended during 2003 and 2004, the “highlights of the events was hours and hours of testimonials. People wanted to get on stage” and all they had to do to get on stage was offer a testimonial about the health benefits they enjoyed using Mannatech products. The Company’s rules were that associates were only supposed to provide testimonials about things that actually happened to them using Mannatech products. However, there was zero control over what associates actually said when they took the stage. There were many testimonials about how Mannatech products had cured associates’ distant relatives, neighbors and other stories of cures that associates had merely “heard.” According to the former Project Manager, Mannatech never stopped any associate testimonial from providing this type of third-hand information or for any other reason. For example, one associate provided a testimonial at the Dallas meeting claiming that Mannatech products allowed them to stop taking insulin for their diabetes, and someone else claimed they no longer needed to take their heart medication. At the Dallas meeting there was also a speech by Dr. Benjamin Solomon Carson, Sr. who claimed that Mannatech products helped cure his cancer.

121. In discussing whether Defendants knew that third party vendors were promoting Mannatech products with outlandish health claims, the former Project Manager who worked for Mannatech until mid-2004 stated that the Marketing Department, including Lemme, “definitely knew” that other publishers were creating and selling brochures that made claims that Mannatech products could cure disease and provide other health benefits. This confidential witness recalled that Lemme and Nugent were both very well versed on what was claimed in the various third-party published brochures and books about glyconutrients and Mannatech products. During the course of

her/his employment, she/he saw many of these books and pamphlets in Lemme's office. Lemme left many of these on a table in his office, and he offered to let this confidential witness and others borrow those materials to learn more about the "health benefits" of Mannatech products. "Lemme was very knowledgeable about the books and what was going on."

122. The former Project Manager attended meetings with Lemme and others in the Marketing Department at which those brochures were discussed. Some of those meetings were just with the Project Manager and Lemme in Lemme's office in February and March 2004. Other meetings, also in February and March 2004 were also in Lemme's office with Lemme, Product Brand Manager Patrick Crowder and Anderson. The brochures created by other publishers to help Associates sell Mannatech products "contained outlandish health claims." At the meetings the confidential witness attended, Lemme said that "to the extent that we're not saying it, the FDA can't come down on us."

123. One example the former Project Manager gave of a problematic health claim being made by a third party occurred after Lemme asked her/him to help out an employee high up in the International Department, who was checking the Spanish translations for a third party vendor. The confidential witness discovered the translations were making claims that Mannatech products provide "definite health benefits." For instance, the English version might say "may provide health benefits eventually" and the Spanish version translated that the product "will provide health benefits immediately." It was clear the translations were slanted to promote the health benefits of Mannatech products. These were not innocent translation errors that sometimes made the health claims stronger and sometimes weaker. The health claims were "slanted to make positive health claims." The former Project Manager brought this to Lemme's attention during the February and March 2004 meetings in Lemme's office and Lemme told her/him not to worry about it. Despite Lemme's

admonitions, the former Project Manager continued to complain to the employee in International on whose behalf the confidential witness was performing or checking the translations regarding the improper health claims being made therein. The International employee appeared to be worried that the confidential witness was threatening a valuable or profitable relationship with the third party vendor, and so stopped requesting the confidential witness' assistance with translations.

124. According to the former Project Manager, the attendees of the February and March 2004 marketing meetings in Lemme's office also discussed health claims in brochures and books in English. Lemme always said either "Don't worry about it" or "I have someone taking care of it." It was clear, however, that Lemme did not have anyone taking care of it, because anyone tasked to do that would have had to talk to the confidential witness and others in the Marketing Department to get information about the specific problem, and that never happened. "We would have heard about it if someone was working on tracking false claims about Mannatech products."

125. The former Project Manager also learned about the alternative brochures with health claims through calls from associates. Associates called the Customer Service Department to try to order some of these brochures that discussed specific health conditions that Mannatech products could supposedly treat or cure. As these brochures were not produced by Mannatech, Customer Service transferred the associates to the confidential witness to discuss it. She/he knew that the brochures were not published by Mannatech, and the confidential witness told the associates to contact the publisher directly. She/he then talked to Lemme on different occasions to tell him "We're getting calls on this, do you need to see copies of this [brochure]?" Lemme told her/him "No, if it's not one of our brochures, it's not something we're responsible for." It was clear to the former project manager that "Nobody [at Mannatech] was tracking any associates. Associates could do and say whatever [they wanted]."

G. Mannatech's Speaker's Bureau

126. A former Mannatech Senior Brand and Project Marketing Manager who worked for the Company until mid-2004 stated that a "Speaker's Bureau" was set up to try and mimic the success that Caster, Nugent, and McAnalley had in the early days of Mannatech. The idea was to train a group of speakers who could attend associate meetings around the country in place of Caster and others.

127. According to a former high-ranking Marketing Department executive who worked for Mannatech until late 2003, Mannatech's "Speaker's Bureau" was run by Caster's assistant, who at the time made arrangements and set the schedules for various members of the Speaker's Bureau to attend various Mannatech events and talk about the Company and its products. The members of the Speaker's Bureau were paid by Mannatech between \$1000 and \$3000 per speech, and Mannatech also paid all their expenses. This confidential witness pointed out that if Mannatech was paying these people to speak on Mannatech's behalf, then Mannatech should have been very careful about what the speakers said because Mannatech could be held responsible for their statements. Caster disagreed, however, and like so many other things at Mannatech, there was no oversight or vetting of Speaker's Bureau comments or materials. Indeed, the former Marketing Department executive heard about associates calling Mannatech to complain about statements that members of the Speaker's Bureau made at events, but she/he never heard about any speakers being disciplined. This confidential witness recalled that one Presidential Level Associate in Washington State who ran his Mannatech business "by the book" refused to allow Moore or Nugent to speak in his area because their presentations crossed the line.

128. Thus, the Speaker's Bureau, like MannaRelief, is one of a number of thinly-veiled attempts by Mannatech to enjoy the benefits of its illegal marketing efforts while attempting to insulate itself from the consequences of its illegal acts.

H. Introduction of Products Into the Marketplace

129. A former Mannatech Project Manager who was employed by Mannatech until mid-2004 recalled that there was a Product Development Department at Mannatech. However, Lemme decided he did not like the products they were developing, and so Lemme enlisted Nugent to start developing new products that Lemme thought would be successful, without alerting Product Development or the Legal Department in advance. The Marketing Department, at Lemme's direction, hired its own vendor to make the product and the Marketing Department ran its own product tests and then announced it would start selling the product. Although the former Project Manager could not recall the name of the product, she/he recalled it had to do with "Digestive Enzymes." Because the product was not developed through normal channels, there was no Quality Assurance performed on the product before it was sold. Nugent was the "science" point person on the development of the product. The confidential witness stated that Nugent did not sit with the other scientists in Product Development, and instead had his office 20 steps from Lemme's office. This was how the confidential witness came to know Nugent as "the Marketing Doctor." There were a lot of associate complaints to Customer Service when the product first came out because apparently it caused horrible digestive discomfort, including diarrhea. Mannatech stopped selling the product shortly thereafter as a result of those reactions.

130. According to the former Project Manager, Patrick Crowder ("Crowder") also helped Nugent and Lemme come up with new product ideas. Crowder's main job was to take information about products from the Product Development Department, and put that information onto flyers.

However, Crowder exercised a lot and read a lot of sport magazines, and used those magazines as inspiration for new products the Marketing Department could produce without Product Development's involvement. Crowder did not appear to the former Project Manager to have any other job qualifications beyond a good level of physical fitness.

I. International Problems

131. According to a former Public Relations Representative who worked for Mannatech until early 2004, Mannatech experienced bad press as a result of outlandish health claims being made by associates in New Zealand and Australia soon after she/he was hired. The confidential witness worked with Mannatech executives to come up with talking points to try to defuse the situation. True to form and consistent with its desire to avoid liability by having associates illegally market its products, Mannatech's response was that this was the independent actions of individuals in Australia and New Zealand, and Mannatech should not be held responsible for their actions. The former consultant described the associates in Australia and New Zealand as "loose cannons" and that beyond telling them not to make those claims, there did not appear to be much Mannatech was doing to rein them in. Although Caster "seemed a little worried," other executives, including Lemme, seemed to treat it more with a wink and a nod. Lemme and other executives believed that Mannatech should make a statement condemning the practices, but really it was not a big deal and Mannatech should not do anything to stop it. Their attitude was that if Mannatech itself wasn't saying it, then "we're not responsible for it."

132. In addition to encountering regulatory problems overseas, Mannatech also used improper tactics to sell Mannatech products in countries where Mannatech did not have permission to do so. For example, the former Public Relations Representative knew Mannatech's Mexican Director Rafael "Raffy" Cruz ("Cruz"). Cruz was supposedly hired to open the Mexican market to

Mannatech products, but Mannatech did not have approval or legal rights to sell its products in Mexico. Cruz had been one of the top associates in the United States prior to “joining” Mannatech, and continued to have an active downline after joining Mannatech. The confidential witness confirmed that Cruz was trying to get individuals in Mexico or who traveled to Mexico to agree to accept large shipments of Mannatech products, which the recipients were then supposed to re-sell to customers in Mexico. This was “a way around” the rules against Mannatech selling directly in Mexico.

133. This confidential witness stated that the executives at Mannatech knew about this practice. The sale of large quantities of products to individuals triggered “red flags” in Mannatech’s sales tracking system, and the executives knew which individuals were buying large enough quantities of products that they were likely re-distributing the products. Each person at executive level knew that Mannatech was using associates to redistribute products in markets in which Mannatech was not approved to sell its products. The former consultant stated that associates “could not place an order that big without getting noticed. If they place an order for \$5,000 or over, the executives “had a pretty good idea it was being sold into a country Mannatech was not supposed to be in.” Specifically, the confidential witness recalled that Mannatech’s Senior Vice President of Operations Jeff Bourgoyne (“Bourgoyne”) monitored order size and reported the existence of suspiciously large orders to other Company executives.

134. Along these same lines, a former Project Manager who was employed by the Company until mid-2004 recalled hearing that American associates had begun recruiting other associates and selling products in countries before Mannatech was authorized to sell product in those countries. The former Project Manager recalled that at one time, Mannatech was not supposed to be selling products in Australia or New Zealand. So instead of shipping products to the end customer,

as was Mannatech's normal custom, Mannatech had an associate place a very large order to Mannatech for \$10,000 or more worth of product. Then the associate distributed the product to customers in those countries. The idea was for Mannatech to have plausible deniability if the Company were accused of improperly selling products in either Australia or New Zealand. The goal was to have it appear as if the actions were just those of an independent associate acting alone. The confidential witness stated that "there was knowledge within the Company this was going on." In particular, the former project manager stated that Lemme, Anderson, Bayless, Caster and Crowley knew about this improper practice. The confidential witness could not recall the sales volumes at issue with these straw men in either product quantity or dollars, but knew that it was happening in Australia and New Zealand.

135. The former Project Manager stated that Mannatech intended to do the same thing to gain a foothold in Mexico. Lemme and others at Mannatech knew the former Project Manager was from Mexico and had relatives there. One day, before Mannatech was approved to sell any products in Mexico, Lemme introduced the confidential witness to Cruz and said "this guy is opening Mexico, make sure you help him with anything he needs." Lemme then walked away, leaving the confidential witness with Cruz. Cruz told her/him that he understood she/he had relatives in Mexico, and asked if any of her/his relatives were interested in taking in Mannatech products and re-distributing them to potential customers in Mexico. The former project manager knew this was not legal in Mexico, that Mannatech was not approved to sell its products in Mexico and doing so could get her/his relatives in serious legal trouble. The former project manager declined Cruz's offer.

136. The former Project Manager believed that Lemme's introduction of her/him to Cruz was "a setup" to pressure her/him to help Mannatech and Cruz even though what they were asking

was illegal. At the time, there were no plans to begin selling in Mexico for approximately five years, yet Mannatech had Cruz on staff supposedly to open the Mexican market.

137. Similarly, a former Public Relations Representative who worked for Mannatech until early 2004 recalled that Lemme had a habit of “setting people up” or putting things like that in motion, and then walking away so he could later deny he knew what was happening. Lemme’s philosophy and the philosophy of other executives was to “make sure their hands were clean” and “if anything went wrong they could blame the associates.”

J. Despite Touting Mannatech, Caster Knew that Its Business Model Was Vulnerable

138. A former Public Relations Representative helped Caster prepare for an interview with *Investor’s Business Daily* in early January 2004. Caster then conducted the interview with a writer from *Investor’s Business Daily* in the first week of January 2004, by telephone from the Maui, Hawaii Mannatech trip. The confidential witness discussed the interview with Caster right after the interview concluded and recalled that Caster appeared somewhat shaken and said that the interview had started positively, but then the writer began delving into more problematic areas. The interviewer asked Caster about his prior businesses that were shut down by Texas regulators for making false claims about the products’ effectiveness. The interviewer also asked Caster about false or improper health claims being made by Mannatech associates, and the appearance of a conflict of interest that was created by allowing Mannatech executives to manage active downlines of associates. Caster was worried the article was going to hurt Mannatech by revealing negative information about the Company and its sales methods, including the tendency of associates to make improper health claims. Caster was spared, however, as the article never mentioned Mannatech’s numerous improprieties.

**DEFENDANTS' FALSE AND MISLEADING STATEMENTS
DURING THE CLASS PERIOD**

139. The Class Period begins on August 10, 2004. On that date, Mannatech issued a press release entitled “Mannatech Announces Record Quarterly Sales, Net Income and E.P.S.,” which stated, in relevant part:

Mannatech, Incorporated (NASDAQ: MTEX) today announced record sales and net income for its second quarter ended June 30, 2004. For the three months ended June 30, 2004, net sales reached \$74.3 million, which was an increase of 59.8% from \$46.5 million for the same period in 2003 and net income increased by 376.1% to \$5.6 million or \$0.20 earnings per share (diluted), as compared to \$1.2 million or \$0.04 earnings per share (diluted) for the same period in 2003. For the first six months of 2004, net sales increased by 52.5% to reach \$132.7 million and net income increased to \$8.7 million, or \$0.32 earnings per share (diluted), compared to sales of \$87.0 million and net income of \$2.6 million, or \$0.10 earnings per share (diluted) for the same period in 2003. Net sales by country for the three months ended June 30, 2004, in millions, and as a percentage of total net sales are as follows:

	United States		Canada		Australia		United Kingdom		Japan		New Zealand		Total	
2004	\$ 49.5	66.6%	\$ 5.8	7.8%	\$ 7.4	10.0%	\$ 2.6	3.5%	\$ 5.9	7.9%	\$ 3.1	4.2%	\$ 74.3	100%
2003	\$ 31.7	68.2%	\$ 4.2	9.0%	\$ 3.4	7.3%	\$ 1.0	2.2%	\$ 4.6	9.9%	\$ 1.6	3.4%	\$ 46.5	100%
% increase 2004 over 2003	56.2%		38.1%		117.6%		160.0%		28.3%		93.8%		59.8%	

Commenting on the results, Mannatech Chairman and CEO Sam Caster said, “*Our record performance, with sales growth of 59.8% and net income increasing 376.1%, is a testament to Mannatech’s products, our Associates and the future of the Company.* Along with this tremendous growth in our current markets, we are excited about introducing Mannatech products to South Korea when we plan to open for business in September 2004. Another sign of our strong trend is our increase in pack sales, which increased by 101.8% in the second quarter of 2004 as compared to 2003. Pack sales, which are regarded as a leading indicator for Mannatech, include signups, renewals, and upgrades, and our higher priced pack choices include various product selections as well as sales materials. New Associates are joining our company at a record rate, and we look forward to adding South Korea to our family of markets.”

140. The statements referenced in ¶139 were each materially false and misleading when made as the misrepresented and/or omitted adverse facts which then existed and disclosure of which

was necessary to make the statements not false and/or misleading. The true facts, which were then known to each of the Defendants, based upon their access to and review of internal Mannatech data, as well as their direct involvement in Mannatech's product marketing, were:

- Defendants' false, misleading, and illegal marketing had the cause and effect of distorting the true demand for Mannatech's products and increasing the sales of Mannatech products at all relevant times. Defendants' fraudulent promotional scheme and illegal marketing tactics created the false and misleading public impression that Mannatech was generating "record" numbers through legitimate marketing of its products. The truth was, however, that Defendants absolutely could not have sustained such "record" numbers without their illegal promotional scheme.
- The Company's "record" performance was anything but a testament to Mannatech products. In fact, it could only be attributed to wildly insupportable marketing claims by Mannatech and its associates, which, at all times relevant to and during the Class Period, were the driving force behind Mannatech's financial condition.
- Mannatech's entire business model depended upon illegal marketing that Defendants permitted, encouraged, and utterly failed to prevent. As a result of such reliance on blatantly illegal conduct, Mannatech's business rested on the precipice of failure should the Company's true business model be revealed, which is exactly what ultimately happened.
- The Company's extensive reliance on illegal marketing claims meant that Mannatech's financial picture was materially less promising than Mannatech said it was.
- There was an extremely high likelihood that Mannatech's absurd and illegal marketing claims would be made public, and that a severe stock drop was not only foreseeable, but inevitable.

141. On November 9, 2004, the Company issued a press release announcing its record quarterly sales and earnings. The release stated in part:

Mannatech, Incorporated (NASDAQ – MTEX) today announced record sales and earnings for its third quarter ended September 30, 2004 as compared to the same period in 2003. For the three month period ended September 30, 2004, sales reached \$77.6 million, a new quarterly sales record for Mannatech, which was an increase of \$27.8 million, or 56.1%, as compared to the prior year. Net income rose to \$6.8 million, which more than doubled versus the same period in 2003. Net income as a percentage of net sales increased to 8.8% of net sales as compared to 5.8% for the same period in 2003. Earnings per share (diluted) for the third quarter of 2004

increased to \$0.25 per share, which was an increase of 127.3% as compared to the prior year.

Sales for the nine months ended September 30, 2004 were \$210.2 million, up 53.8% versus 2003. Net Income reached \$15.5 million, which was an increase of \$10.0 million or 183.4% over last year, while earnings per share (diluted) for the nine months ended September 30, 2004 was \$0.57, again of 171.4% as compared to the same period in 2003.

The third quarter results represented a new quarterly record and marks Mannatech's eighth consecutive quarter of successive sales increases, during which time sales have more than doubled. Net sales by country for the three months ended September 30, 2004, in millions, and as a percentage of total net sales, as well as the number of new and continuing Mannatech independent Associates and members who purchased Mannatech's products within the last 12 months were as follows:

Three months ended September 30,

	United States	Canada	Australia	United Kingdom	Japan	New Zealand	South Korea	Total
2004	\$51.3	\$ 5.6	\$ 8.0	\$ 2.6	\$ 6.5	\$ 3.4	\$ 0.2	\$ 77.6
	66.1%	7.2%	10.3%	3.3%	8.4%	4.4%	0.3%	100.0%
2003	\$33.4	\$ 4.1	\$ 4.2	\$ 1.3	\$ 4.9	\$ 1.8	—	\$ 49.7
	67.2%	8.2%	8.5%	2.6%	9.9%	3.6%	—	100.0%

* * *

Sam Caster, Chairman and CEO of Mannatech, commented on the record setting results. *“We have seen our business grow rapidly and successfully for the past eight quarters, through the tremendous labors of our Associates around the world in concert with the highly focused and motivated activities of our corporate staff. We have also seen our sales double since the string of successive quarterly increases began in the fourth quarter of 2002. This strong trend is rewarding to us, and yet we believe that we have just begun to realize the potential of the products Mannatech brings to the world. We intend to continue our growth into new markets around the globe, and we welcome into the Mannatech family the Associates in our newest market in South Korea, which opened in September, 2004.”*

142. On November 9, 2004, the Company filed its interim quarterly financial report on Form 10-Q for the quarter ending September 30, 2004. The financial results reported in the 10-Q were substantially similar to those reported in the Company's November 9, 2004 press release. The

Form 10-Q was signed by Caster and Fenstermacher, and contained required Sarbanes-Oxley certifications. The November 9, 2004 10-Q stated, in part:

Net income increased by 137.0% to \$6.8 million for the three months ended September 30, 2004 and by 183.4% to \$15.5 million for the first nine months of 2004 as compared to the same periods in 2003. Mannatech's diluted earnings per share for the three months ended September 30, 2004 increased by 127.3% to \$0.25 per diluted share as compared to \$0.11 per diluted share for the comparable period in 2003. For the nine months ended September 30, 2004, diluted earnings per share increased by 171.4% to \$0.57 per diluted share as compared to \$0.21 per diluted share for the comparable period in 2003. Mannatech believes the strong increase in its net income and diluted earnings per share was the result of continuing to increase net sales in all countries related to the increase in independent associates and its ability to contain operating expenses.

* * *

Mannatech's net sales increased in all countries for the three and nine months ended September 30, 2004 as compared to the same period in 2003. For the three months ended September 30, 2004, net sales increased \$27.9 million, or 56.1%, to \$77.6 million as compared to the same period in 2003. For the first nine months of 2004, net sales increased \$73.5 million, or 53.8%, to \$210.2 million as compared to the same period in 2003.

Product Sales

Mannatech's product sales have increased in 2004 in all countries. *The increase is primarily the result of an increase in the number of associates and members purchasing Mannatech products and an increase in sales volume.* Mannatech is continuing to look at ways to improve its existing products and is exploring new products to bring to market. At its corporate-sponsored event held in Portland, Oregon in September 2004, Mannatech introduced its reformulated Phyto•Bears® product and renamed it Manna•Bears.™ Mannatech has delayed its plans to introduce a unique water-filtration device pending further research.

For the three months ended September 30, 2004, existing product sales increased by approximately \$16.6 million, or 45.2%, to \$53.3 million as compared to the same period in 2003. For the first nine months of 2004, existing product sales increased by \$46.3 million, or 45.5%, to \$148.1 million as compared to the same period in 2003. The increase in Mannatech's existing product sales related to a continued increase in the number of new and existing associates and members purchasing Mannatech products and an increase in sales volume.

Pack Sales

For the three months ended September 30, 2004, Mannatech had approximately 46,000 new independent associates and members purchasing packs as compared to 34,000 new independent associates and members purchasing packs for the same period in 2003. For the twelve months ended September 30, 2004, the number of new and continuing independent associates and members who purchased packs increased by approximately 99,000, or 40.7%, to approximately 342,000 at September 30, 2004 as compared to approximately 243,000 at September 30, 2003.

For the three months ended September 30, 2004, pack sales increased by \$9.0 million, or 84.9%, to \$19.6 million, as compared to the same period in 2003. For the first nine months of 2004, pack sales increased by \$23.7 million, or 82.0%, to \$52.6 million as compared to the first nine months of 2003. *Mannatech believes this continued increase relates to the increase in the number of new associates and the increase in the number of continuing associates who purchase products and who continue to purchase pack upgrades and annual renewal packs from Mannatech.*

New associates and members purchasing packs accounted for 74.3% of the total increase in overall pack sales for the three months ended September 30, 2004 and accounted for 70.2% of the total increase in overall pack sales for the first nine months of 2004. For the three months ended September 30, 2004, pack sales to new associates and members increased by \$6.8 million, or 91.8%, to \$14.1 million as compared to the same period in 2003. For the first nine months of 2004, pack sales to new associates and members increased by \$16.6 million, or 82.0%, to \$37.0 million as compared to the same period in 2003. Mannatech continues to believe the overall increase in the number of packs sold to new associates and members and packs sold to continuing associates over the past few years correlates to the changes made in Mannatech's revamped global associate career and compensation plan; introducing new associate incentives, including an annual travel incentive; introducing new products; and implementing several key management changes in 2003.

* * *

Gross Profit

For the three months ended September 30, 2004, gross profit increased by \$10.3 million, or 50.4%, to \$30.9 million as compared to \$20.6 million in the same period in 2003. This increase was primarily the result of a strong increase in net sales partially offset by an increase in commissions related to an increase in the number of associates earning commissions. As a percentage of net sales, gross profit decreased for the three months ended September 30, 2004 to 39.9% as compared to 41.4% for the same period in 2003. This percentage decrease was due to an increase in commissions and incentives, which related to the increase in the number of associates and the change in sales mix sold as compared to the same period in 2003.

For the first nine months of 2004, gross profit increased by \$26.2 million, or 45.6%, to \$83.7 million as compared to \$57.5 million for the same period in 2003. This increase was primarily the result of a strong increase in net sales partially offset by an increase in commissions and incentives related to an increase in the accrual for Mannatech's 2004 annual travel incentive and the increase in the number of associates earning commissions. As a percentage of net sales, gross profit decreased for the first nine months of 2004 to 39.8% as compared to 42.1% for the same period in 2003. This decrease was primarily due to the increase in commissions and incentives, which continue to relate to the sales mix sold and the increase in expected expenses related to the 2004 travel incentive as compared to the same period in 2003.

143. In response to the November 9, 2004 press release and Form 10-Q, the Company's stock price increased dramatically on November 10, 2004, rising \$4.28 to close at \$21.86, an increase of nearly 25% over the prior day's close, on nearly 15 times the previous day's trading volume.

144. The statements referenced in ¶¶141 through 142 were each materially false and misleading when made for the reasons stated in ¶140. In addition, the statements were each materially false and misleading when made as the misrepresented and/or omitted adverse facts which then existed and disclosure of which was necessary to make the statements not false and/or misleading. The true facts, which were then known to each of the Defendants, based upon their access to and review of internal Mannatech data, as well as their direct involvement in Mannatech's product marketing, were:

- The Company's "record" numbers were not caused by the tremendous labors of its associates in concert with the highly focused and motivated activities of its corporate staff. To the contrary, the Company's performance was completely reliant upon illegal marketing and patently unreasonable health claims that the Defendants facilitated. Without such fraudulent conduct, Mannatech's financial outlook would have materially suffered, as it eventually did.
- The Company had not "just begun to realize the potential" of Mannatech's products. Instead, the Company and Defendants were realizing the potential of their illegal conduct. Had the market been aware of true reasons for Mannatech's "success," its stock price and, ultimately, its results, would have suffered dearly, as eventually happened at the close of the Class Period.

145. After announcing “record” results in its November 9, 2004 10-Q, on November 15, 2004, Mannatech issued a press release entitled “Mannatech, Incorporated Declares Dividend,” which stated, in part:

Mannatech, Incorporated (NASDAQ – MTEX) today announced that its Board of Directors declared a cash dividend for the quarter of \$0.07 per share payable on Monday, January 10, 2005 to shareholders of record at the close of business on Wednesday, December 1, 2004. This is the third dividend declared by the Board of Directors this year. The declaration follows this week’s record sales and earnings announcement of \$0.25 fully-diluted earnings per share for the third quarter; the highest in the company’s ten year history. *The dividend reflects Mannatech’s growth in earnings as well as its commitment to encourage long term investment in its common stock.*

Sam Caster, Chairman and CEO said, “We intend to closely examine our results each quarter of the coming year for the possibility of declaring dividends as an effective method of enhancing shareholder value. *Our Board of Directors is impressed with our recent record-setting results*, and we hope our shareholders are pleased as well.”

146. The statements referenced in ¶145 were each materially false and misleading when made for the reasons stated in ¶140. In addition, the statements were each materially false and misleading when made as the misrepresented and/or omitted adverse facts which then existed and disclosure of which was necessary to make the statements not false and/or misleading. The true facts, which were then known to each of the Defendants, based upon their access to and review of internal Mannatech data, as well as their direct involvement in Mannatech’s product marketing, were:

- The Company’s “record-setting” results were misleading and illusory because such results were completely dependent upon Defendants’ fraudulent scheme of illegal marketing.
- In addition, without Defendants’ blatant disregard for ethical and legal boundaries in the marketing of the Company’s products, Mannatech would not have generated enough earnings to support a dividend. By issuing dividends that depended upon revenues and earnings generated by illegal marketing, Defendants continued to materially mislead the market as to the true financial condition of the Company.

147. On March 9, 2005, the Company issued a press release entitled “Mannatech Inc. Announces Another Record-Breaking Year of Annual Sales & Profit.” The press release stated in part:

Mannatech, Incorporated (NASDAQ: MTEX) today announced the achievement of new annual sales and profit records for 2004. Consolidated net sales reached a new high of \$294.5 million, an increase of \$103.5 million, or 54.2%, as compared to 2003. Mannatech’s net income of \$19.6 million more than doubled as compared to the prior year with an increase of \$10.8 million, or 122.4%, and earnings per share of \$0.71 (diluted) increased 108.8% as compared to 2003. Annual historical sales by market are shown in the table below.

	2002		2003		2004	
United States	\$105.0	74.5%	\$127.8	67.0%	\$192.5	65.4%
Canada	\$16.4	11.6%	\$16.7	8.7%	\$22.2	7.5%
Australia	\$6.6	4.7%	\$15.6	8.2%	\$30.6	10.4%
United Kingdom	\$1.6	1.1%	\$5.0	2.6%	\$10.5	3.6%
Japan	\$9.0	6.4%	\$18.6	9.7%	\$24.5	8.3%
New Zealand	\$2.3	1.7%	\$7.3	3.8%	\$12.9	4.4%
South Korea	\$0.0	0.0%	\$0.0	0.0%	\$1.3	0.4%
Total	\$140.9	100.0%	\$191.0	100.0%	\$294.5	100.0%

Fourth quarter results also included a new consolidated net sales record of \$84.2 million for Mannatech, which was an increase of \$29.9 million, or 55.1%, as compared to the same period in 2003. Fourth quarter net income was \$4.0 million, or \$0.15 earnings per share (diluted), which was an increase of 21.9 % over the fourth quarter of 2003. Net income for the fourth quarter included one-time non-cash charge, totaling \$3.0 million, or \$0.07 per diluted share, net of tax, related to Mr. Caster’s sale of 180,000 shares of his common stock to a former employee, Dr. H. Reginald McDaniel. The sale was for a price that was below the fair market value of Mannatech’s stock on the date of the sale. Quarterly sales volumes by market are shown in the table below.

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
United States	\$36.8	63.0%	\$49.5	66.6%	\$51.3	66.1%	\$54.8	65.2%
Canada	\$4.7	8.0%	\$5.8	7.8%	\$5.6	7.2%	\$6.1	7.2%
Australia	\$6.5	11.1%	\$7.4	10.0%	\$8.0	10.3%	\$8.8	10.4%
United Kingdom	\$2.8	4.8%	\$2.6	3.5%	\$2.6	3.3%	\$2.5	3.0%
Japan	\$5.0	8.6%	\$5.9	7.9%	\$6.5	8.4%	\$7.1	8.4%

New Zealand	\$2.6	4.5%	\$3.1	4.2%	\$3.4	4.4%	\$3.8	4.5%
South Korea	\$0.0	0.0%	\$0.0	0.0%	\$0.2	0.3%	\$1.1	1.3%
Total	\$58.4	100.0%	\$74.3	100.0%	\$84.2	100.0%	\$84.2	100.0%

Mr. Caster commented on the new all time high record sales volumes for the periods, stating ***“We are extremely pleased with the financial gains and continued strength shown throughout 2004, and also are delighted with the impressive sales momentum generated by our 369,000 current independent Associates and members around the world. Our groundbreaking glyconutritional technology continues to bring hope, health, and opportunity to people in record numbers and we believe that we are just scratching the surface of the potential of Mannatech.”***

148. On March 10, 2005, the Company issued an updated press release entitled “Mannatech Inc. Announces Another Record-Breaking Year of Annual Sales & Profit – Updated.”

The press release stated in part:

Mannatech, Incorporated (NASDAQ: MTEX) today announced the achievement of new annual sales and profit records for 2004. Consolidated net sales reached a new high of \$294.5 million, an increase of \$103.5 million, or 54.2%, as compared to 2003. Mannatech’s net income of \$19.6 million more than doubled as compared to the prior year with an increase of \$10.8 million, or 122.4%, and earnings per share of \$0.71 (diluted) increased 108.8% as compared to 2003. Annual historical sales by market are shown in the table below.

	2002		2003		2004	
United States	\$105.0	74.5%	\$127.8	67.0%	\$192.5	65.4%
Canada	\$16.4	11.6%	\$16.7	8.7%	\$22.2	7.5%
Australia	\$6.6	4.7%	\$15.6	8.2%	\$30.6	10.4%
United Kingdom	\$1.6	1.1%	\$5.0	2.6%	\$10.5	3.6%
Japan	\$9.0	6.4%	\$18.6	9.7%	\$24.5	8.3%
New Zealand	\$2.3	1.7%	\$7.3	3.8%	\$12.9	4.4%
South Korea	\$0.0	0.0%	\$0.0	0.0%	\$1.3	0.4%
Total	\$140.9	100.0%	\$191.0	100.0%	\$294.5	100.0%

Fourth quarter results also included a new consolidated net sales record of \$84.2 million for Mannatech, which was an increase of \$29.9 million, or 55.1%, as compared to the same period in 2003. Fourth quarter net income was \$4.0 million, or \$0.15 earnings per share (diluted), which was an increase of 21.9 % over the fourth quarter of 2003. Net income for the fourth quarter included one-time non-cash

charge, totaling \$3.0 million, or \$0.07 per diluted share, net of tax, related to Mr. Caster's sale of 180,000 shares of his common stock to a former employee, Dr. H. Reginald McDaniel. The sale was for a price that was below the fair market value of Mannatech's stock on the date of the sale. Quarterly sales volumes by market are shown in the table below.

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
United States	\$36.8	63.0%	\$49.5	66.6%	\$51.3	66.1%	\$54.8	65.2%
Canada	\$4.7	8.0%	\$5.8	7.8%	\$5.6	7.2%	\$6.1	7.2%
Australia	\$6.5	11.1%	\$7.4	10.0%	\$8.0	10.3%	\$8.8	10.4%
United Kingdom	\$2.8	4.8%	\$2.6	3.5%	\$2.6	3.3%	\$2.5	3.0%
Japan	\$5.0	8.6%	\$5.9	7.9%	\$6.5	8.4%	\$7.1	8.4%
New Zealand	\$2.6	4.5%	\$3.1	4.2%	\$3.4	4.4%	\$3.8	4.5%
South Korea	\$0.0	0.0%	\$0.0	0.0%	\$0.2	0.3%	\$1.1	1.3%
Total	\$58.4	100.0%	\$74.3	100.0%	\$84.2	100.0%	\$84.2	100.0%

Mr. Caster commented on the new all time high record sales volumes for the periods, stating "***We are extremely pleased with the financial gains and continued strength shown throughout 2004, and also are delighted with the impressive sales momentum generated by our 369,000 current independent Associates and members around the world. Our groundbreaking glyconutritional technology continues to bring hope, health, and opportunity to people in record numbers and we believe that we are just scratching the surface of the potential of Mannatech.***"

149. The statements referenced in ¶¶147 through 148 were each materially false and misleading when made for the reasons stated in ¶140. In addition, the statements were each materially false and misleading when made as the misrepresented and/or omitted adverse facts which then existed and disclosure of which was necessary to make the statements not false and/or misleading. The true facts, which were then known to each of the Defendants, based upon their access to and review of internal Mannatech data, as well as their direct involvement in Mannatech's product marketing, were:

- The Company was not experiencing legitimate financial gains and continued strength. To the contrary, it was experiencing the fruits of Defendants' fraud, and it was highly likely that Defendants' scheme would be brought to light and the market for Mannatech's stock would be drastically and negatively impacted, as ultimately happened at the close of the Class Period.

- Any “sales momentum” was solely generated by Defendants’ illegal marketing scheme. By touting such sales momentum to the market, Defendants continued to mislead the public as to the nature of and cause for the Company’s financial performance, as well as its financial outlook.

150. Also on March 10, 2005, following announcement of “record” sales and profit, the Company issued a press release entitled “Mannatech, Incorporated Declares Dividend.” The March 10, 2005 press release stated, in part:

Mannatech, Incorporated (NASDAQ – MTEX) today announced that its Board of Directors declared a quarterly cash dividend of \$0.07 per common share payable on Friday, April 15, 2005, to all shareholders of record at the close of business on Friday, April 1, 2005. This will be the second dividend paid by the Company this year. The declaration follows this week’s record sales and earnings announcement of \$0.71 earnings per share fully-diluted for the year ended 2004. ***The dividend reflects Mannatech’s continued growth in earnings, as well as its on-going commitment to encourage long-term investment in its common stock.***

151. The statements referenced in ¶150 were each materially false and misleading when made for the reasons stated in ¶140. In addition, the statements were each materially false and misleading when made as the misrepresented and/or omitted adverse facts which then existed and disclosure of which was necessary to make the statements not false and/or misleading. The true facts, which were then known to each of the Defendants, based upon their access to and review of internal Mannatech data, as well as their direct involvement in Mannatech’s product marketing, were:

- The dividend did not reflect the true state of Mannatech’s financials. Instead, Mannatech’s “continued growth in earnings” was the direct result of Mannatech’s distortion of the demand for its products and the artificial inflation of sales via illegal marketing. Indeed, the dividend reflected Defendants’ fraudulent scheme and reckless course of conduct through which Mannatech’s entire business model came to depend upon outrageous and insupportable health claims for its products. Without such illegal marketing tactics, the Company’s financial picture would have been severely and negatively impacted, and the Company would not have been able to manufacture such a large dividend, if any.

152. On March 31, 2005, Mannatech filed its annual report on Form 10-K for the fiscal year ended December 31, 2004, which reiterated the results announced in its March 9th and 10th, 2005 press releases. The Form 10-K was signed by Caster, Persinger, and Fenstermacher, and contained required Sarbanes-Oxley certifications.

153. In its 2004 10-K, Mannatech assured investors that the Company took an active role in monitoring its associates, making sure their conduct was consistent with Company policies:

Management of Independent Associates. Mannatech takes an active role in the oversight of its independent associates. Mannatech tries to ensure that its independent associates' conduct complies with applicable laws and regulations governing the sale of its products and the promotion of its business opportunities by contractually binding its independent associates to abide by Mannatech's policies and procedures for its independent associates and members. Mannatech provides each independent associate with a copy of its policies and procedures upon signing up as an independent associate and uses various media formats to distribute changes to its policies and procedures that must be followed in order to remain compliant with respect to Mannatech's policies and procedures, including publishing the changes in a newsletter, posting the changes on its corporate website, and announcing the changes at various educational meetings, seminars, and webcasts. **Furthermore, Mannatech's legal/compliance department periodically monitors its independent associates' websites for content.** In an effort to decrease the number of independent websites owned by its independent associates and to preserve and protect its trademarks, Mannatech offers Mannapages™. Mannapages™ is a standardized personal Internet website program created to help its independent associates with their sales efforts, provide consistent standardized information and education, and assist Mannatech in monitoring websites of its independent associates.

154. The 2004 10-K also told investors that the Company would not allow its associates to make improper health claims:

In certain markets, including the United States, specific claims made by Mannatech with respect to its products 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 an unapproved and thus an illegal drug. To maintain the product's status as a dietary supplement, the labeling and marketing must comply with the provisions in DSHEA and the FDA's extensive regulations. **As a result, Mannatech has procedures in place to help ensure that its independent associates and employees comply with the requirements of DSHEA,**

the Food, Drug and Cosmetic Act, and various other regulations. Because of the diverse scope of regulators enforcing these regulations, guidelines for conformance is often open to interpretation and debate. Mannatech can make no assurances that regulators will not question its actions in the future, even though it believes it complies with all applicable regulations.

155. The 2004 10-K also purported to describe Mannatech's current legal status:

In March, 2004, the New Zealand Medical Devices Safety Authority (referred to as MEDSAFE), contacted Mannatech regarding several Mannatech independent associates who were allegedly advertising Mannatech's products for therapeutic purposes, which claims were in violation of the New Zealand Medicines Act 1981. Mannatech addressed the complaints through its independent associate disciplinary procedure and notified MEDSAFE of its actions. MEDSAFE notified Mannatech on June 3, 2004 that it was satisfied with Mannatech's response to the complaints and that no further action would be taken.

On June 11, 2004, the Australian Therapeutic Goods Administration notified Mannatech regarding a complaint that an Australian independent associate had made certain therapeutic claims to promote Mannatech's products. In response to this complaint, Mannatech conducted an investigation and terminated this associate's account. In November 2004, the Australian Therapeutic Goods Administration indicated its agreement to the action proposed by Mannatech, including Mannatech's plans for ongoing education and compliance training for its independent associates over the next three years. However, the Australian Therapeutic Goods Administration will continue to monitor Mannatech's activities.

On November 15, 2004, Ms. Chie Sasaski filed suit against Mannatech, Samuel Caster, its CEO, Victoria Arcadi, an independent associate, and Kathryn Dykman, a former employee of Mannatech, in the Superior Court of California, County of Los Angeles, case no. LC 069762. The suit alleged intentional and negligent infliction of emotional distress, intentional and negligent misrepresentation, invasion of privacy, and unfair competition. The lawsuit arises from the publication of a journal article written by an independent associate describing the treatment of the plaintiff's child in 1997. Mannatech's insurance carriers have accepted the duty of defense for this case under a reservations of rights. On January 18, 2005, Ms. Dykman was dismissed as a defendant. Currently, this matter is in the initial stages of discovery and Mannatech intends to vigorously defend itself against this suit. Ms. Sasaski is seeking unspecified damages.

156. The statements referenced in ¶¶153 through 155 were each materially false and misleading when made for the reasons stated in ¶140. In addition, the statements were each materially false and misleading when made as the misrepresented and/or omitted adverse facts which

then existed and disclosure of which was necessary to make the statements not false and/or misleading. The true facts, which were then known to each of the Defendants, based upon their access to and review of internal Mannatech data, as well as their direct involvement in Mannatech's product marketing, were:

- The Company absolutely and utterly failed to take even the most rudimentary measures to oversee its associates. Contrary to the statements in the 10-K, Mannatech's associates were permitted and encouraged, indeed, Defendants provided the platform, to run roughshod over any and all boundaries for the marketing of Mannatech products. Had Defendants enforced any semblance of control, the Company's financial circumstances would have been materially and negatively impacted, because associates would not have been able to sell nearly the volume of Mannatech products and would not have been able to recruit as many new associates.
- Mannatech did not have procedures in place to ensure that its associates properly marketed and sold Company products. Furthermore, to the extent such procedures did exist, they would over-ruled and negated by Caster and Defendants so that Defendants could continue to enjoy the fruits of their fraudulent scheme.
- The Company's disclosure of its regulatory compliance and legal status facilitated the false impression that Defendants were "on top of" the Company's illegal marketing, and that such marketing only reared its ugly head in limited circumstances. To truthfully inform the market as to the Company's legal status, Defendants' should have admitted that the Company's entire financial performance depended upon illicit marketing and manipulative health claims.

157. On May 9, 2005, at the close of the Class Period, the Company issued a press release entitled "Mannatech, Inc. Announces New First Quarter Records: Sales Increase 46%, E.P.S. up 55%." The press release stated, in part:

Mannatech, Inc. (NASDAQ: MTEX) today announced record first quarter financial results. For the three months ended March 31, 2005, consolidated net sales increased 46% as compared to the prior year quarter to reach a new quarterly record of \$85.1 million. In addition current independent Associates and members totaled 401,000 and reached a new record level. Net sales by country for the three months ended March 31, in millions, and as a percentage of net sales are as follows:

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

(in millions)	United States	Canada	Australia	United Kingdom	Japan	New Zealand	South* Korea	Total
2004	\$36.8	\$ 4.7	\$ 6.5	\$ 2.8	\$ 5.0	\$ 2.6	\$ —	\$ 58.4
2005	\$56.1	\$ 6.7	\$ 8.1	\$ 2.4	\$ 7.8	\$ 3.6	\$ 0.4	\$ 85.1
	United States	Canada	Australia	United Kingdom	Japan	New Zealand	South* Korea	Total
2004	63.0%	8.0%	11.1%	4.8%	8.6%	4.5%	—	100.0%
2005	65.9%	7.9%	9.5%	2.8%	9.2%	4.2%	0.5%	100.0%

The strong sales trend for the first quarter of 2005 resulted in record-setting sales and earnings as well as with net income of \$4.7 million up 50% from a year ago and diluted earnings per share of \$0.17, which increased by 55% as compared to \$0.11 per share for the first quarter of 2004.

Sam Caster, Founder, Chairman, and Chief Executive Officer of Mannatech, commented on the quarterly results, saying *“We have now completed ten consecutive quarters of sales increases and during this period our quarterly volume has grown 245% to reach a new quarterly record of \$85.1 million. Our current independent Associate count as of March 31, 2005 grew 210% over the same ten quarters. Our recent new product introduction of Advanced Ambrotose™ has become one of our best-sellers, since its introduction in March 2005. Our earnings are growing at an accelerated rate, and we have a new market opening planned in June 2005 with Taiwan and plan to distribute our products in Germany and Denmark later in 2005. We believe, the future has never looked better for Mannatech, and we intend to continue to build further on the successes of the past ten quarters.”* The number of new and continuing Mannatech independent associates and members who purchased Mannatech’s products within the last 12 months is as follows:

For the twelve months ended March 31,

	2004		2005	
New	141,000	49.1%	192,000	47.8%
Continuing	146,000	50.9%	209,000	52.2%
Total	287,000	100.0%	401,000	100.0%

158. Also on May 9, 2005, the Company filed its interim quarterly financial report on Form 10-Q for the quarter ending March 31, 2005. The financial results reported in the 10-Q were substantially similar to those reported in the Company’s May 9, 2005 press release. The Form 10-Q

was signed by Caster and Fenstermacher, and contained required Sarbanes-Oxley certifications. The 10-Q stated:

For the three months ended March 31, 2005, Mannatech's consolidated net sales increased by \$26.8 million to \$85.1 million, or 45.8% as compared to the same period in 2004. Mannatech attributes the improvement in its sales and operations to the following:

- increasing its current independent associate base by 39.7%, or 114,000 additional independent associates and members, to 401,000 as of March 31, 2005 as compared to 287,000 as of March 31, 2004;
- a shift in the mix of the number of independent associates purchasing business-building packs;
- increasing net sales by \$0.4 million related to the expansion of its operations into South Korea in September 2004;
- registering its product Ambrotose AO® in its international markets; and
- introducing new products including MannaBears™ in September 2004, Wellness Water Bottle in November 2004, and Advanced Ambrotose™ in March 2005.

* * *

For the three months ended March 31, 2005, existing product sales increased by \$16.4 million, which was related to the increase in its sales volume as compared to prior year and the increase in pack sales, which was spurred by an increase in the number of new and existing independent associates and members purchasing Mannatech products.

Pack Sales

Pack sales consists of pack sales to new independent associates and pack sales for renewal and upgrade sold to existing independent associates and members. For the three months ended March 31, 2005, pack sales increased by \$8.1 million, or 65.7%, to \$20.5 million as compared to \$12.4 million for the same period in 2004. The increase in overall pack sales primarily relates to an increase in the number of current independent associates and members purchasing packs.

For the three months ended March 31, 2005, new independent associates and members purchasing packs increased total pack sales by \$6.1 million, or 71.8%, to \$14.6 million as compared to \$8.5 million in the same period in 2004. Mannatech believes the increase in the number of new independent associates and members over the past few years resulted from expansion into new countries, introducing new products, changes initiated in 2002 to its global associate and career plan, introducing new incentives, travel incentives and contests, and a shift to associates' purchasing higher-cost packs, also called business-building packs.

For the three months ended March 31, 2005, total packs sales for renewal packs from business-building independent associates increased by \$2.0 million, or 52.6%, to \$5.9 million as compared to \$3.9 million for the same period in 2004. Mannatech believes the increase in the number of renewal and upgrade packs sold to existing associates is the result of retaining more-business-building independent associates related to implementing changes to its global associate career and compensation plan in late 2002 and 2003, as well as offering travel incentives and contests.

* * *

Mannatech's management, with the participation of its Chairman of the Board and Chief Executive Officer (its principal executive officer) and its Chief Financial Officer (its principal financial officer) have concluded, based on their evaluation as of the end of the period covered by this report, that its disclosure controls and procedures are effective to ensure that information required to be disclosed by Mannatech in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by Mannatech in such reports is accumulated and communicated to its management, including its principal executive officer and financial officer, as appropriate to allow timely decisions regarding required disclosure.

159. Like Mannatech's other public statements during the Class Period, the May 9, 2005 10-Q purported to describe the Company's regulatory compliance issues, but did not disclose the true financial condition of the Company or how the Company's business and financial condition was founded upon illegal and improper health claims. Indeed, the 10-Q only stated that there had been "no material changes in, or additions to, the legal proceedings previously reported in Mannatech's Annual Report on Form 10-K (File No. 000-24657) for 2004 as filed with the United States Securities and Exchange Commission on March 31, 2005."

160. The statements referenced in ¶¶157 through 159 were each materially false and misleading when made for the reasons stated in ¶140. In addition, the statements were each materially false and misleading when made as the misrepresented and/or omitted adverse facts which then existed and disclosure of which was necessary to make the statements not false and/or

misleading. The true facts, which were then known to each of the Defendants, based upon their access to and review of internal Mannatech data, as well as their direct involvement in Mannatech's product marketing, were:

- The Company's "ten consecutive quarters of sales increases" were the result of Defendants' fraudulent scheme. Without illegal marketing and wildly insupportable health claims, Mannatech could not have reported such glowing results.
- The continual increase in the number of associates, which further generated revenue and earnings for Mannatech, was caused by, at all times relevant to the Class Period and during the Class Period, illegal marketing of Mannatech products.
- The status of Advanced Ambrotose as one of the Company's "best sellers" was caused by Defendants' illegal marketing scheme.
- Defendants had no reasonable basis to tout Mannatech's bright future, because it was inevitable that the Company's reliance on claims that Mannatech products were a cure-all for everything from multiple sclerosis to lupus to cancer would be publicly revealed and negatively impact Mannatech's true financial condition, as happened at the close of the Class Period.

161. On the same day that the Company reported "record first quarter financial results," the truth about Mannatech's operations was exposed. On May 9, 2005, *Barron's* published a story on Mannatech that revealed the true state of Mannatech's affairs:

Already growing at a blistering pace -- sales last year hit \$295 million, up from \$191 million the year before and \$141 million in '02 -- the company, from its base in Coppell, Texas, is busily stepping up expansion of its budding empire, not only in the U.S., but in foreign markets, as well. Some 35% of revenues last year came from operations in Australia, Japan, Canada, New Zealand and the U.K. In September, Mannatech branched out into Korea, and it will enter Taiwan next month.

The fuel for Mannatech's explosive growth is no high-tech breakthrough or merchandising innovation, but, rather, a line of nutritional supplements, called glyconutrients. These supplements supply carbohydrates, or sugars, the company claims are necessary for optimal health and not found in adequate amounts in modern diets. Mannatech also offers skin-care and weight-management products.

Last year Mannatech earned \$19.6 million, or 71 cents a share, more than twice the 34 cents it netted in 2003. Book value weighs in at only about \$2 a share, but some \$1.60 of it is cash, and the company has barely a speck of long-term debt.

* * *

But for all the surface flash, eye-popping financials and grand plans, Mannatech's allure steadily dims the more intensely one scrutinizes its provenance and how it makes its living.

More specifically, our skepticism grew as we examined the company's multilevel marketing structure, reviewed some of the extravagant claims of its sales people both here and abroad, and perused the complaints of the Texas attorney general's office about an earlier venture of Mannatech's chief exec, Samuel Caster.

A lot of the concerns sparked by our research into the company and its affairs find dramatic expression in a civil suit, filed in Los Angeles Superior Court, charging Mannatech and Caster with, among other things, "negligent misrepresentation" and "conspiracy to commit fraud." The company, let us hasten to add, denies all the allegations in that case and avers it deals severely with any misconduct by its sales associates.

Mannatech went public in February 1999 at \$8. In the first days of trading, the stock ran wild, hitting an intraday high of \$44.50. From there on, however, it was virtually all downhill. By May '01, shares were trading under \$1, and for the next two years, they never got above \$4 and change.

From the get-go, Mannatech's strategy has been two-pronged: to develop a proprietary line of supplements and a multilevel marketing organization to sell them. The hallmark of its multilevel marketing is that salespeople, called "associates," earn money not only by selling supplements, but also by recruiting other associates to sell supplements, who, in turn, are encouraged to recruit still more salespeople. In this fashion, the original associate builds what is called a downline network and, importantly, gets a financial cut from not only his own sales, but the sales of his entire network.

This is not Caster's first multilevel marketing venture. In the late 1980s, he headed up just such an enterprise, Eagle Shield, that was the source of run-ins with the consumer-protection division of the Texas attorney general's office.

Eagle Shield's initial product -- based, the company claimed, on a new technology invented by the National Aeronautics and Space Administration -- was insulation for homes that bore the label Radiant Barrier and could, the company boasted, slash a consumer's utility bills by 18% to 40%.

In sharp disagreement, the attorney general's office maintained that the technology long predated NASA -- in fact, had been around since the 1940s -- and didn't work as advertised. In August 1988, Eagle Shield and Caster agreed, without admitting or denying wrongdoing, to a permanent injunction requiring them to prominently

disclose they had no ties to NASA and to not claim Radiant Barrier cut utility bills by more than 3% to 8%.

In January 1991, the Texas AG's office was again stirred to action. This time the focus of its displeasure was the ElectroCat, a device that emitted "pulsed" vibrations and could, according to the company, rid farms and homes "of roaches, spiders, crickets, fleas, ticks, ants, mice, rats, gophers, moles, snakes and scorpions."

Baloney, said the attorney general's office, noting that the ElectroCat emitted "no measurable vibrations, pulsed or otherwise," and had no measurable effect on mice or bugs. "The device is a hoax," the AG declared, "and stands on the same scientific footing as a perpetual motion machine."

On Jan. 24, 1991, Caster and his multilevel marketing company agreed to the entry of a judgment against them and admitted that the ElectroCat, flat out, didn't work. Asked about his difficulties with the Texas attorney general, Caster is philosophical. "It taught us how to appropriately validate claims," he responds. "It was a very good lesson in life."

Undaunted, Caster tried again and hit it big with Mannatech. Not the least of reasons for its success is that a whopping amount of Mannatech's business gets done over the Internet. Associates can both sell supplements and sign up recruits on-line. Going into biz takes nothing more than a home computer on the kitchen table. Importantly, Mannatech helps associates design Websites and offers to ship supplements directly to customers, all the while keeping track of an associate's commissions. What's more, an associate can monitor his whole downline network -- see who's drumming up business and who's not -- via computer.

The company's stock-in-trade supplements, often referred to by associates simply as glyconutrients, are based on something called Ambrotose Complex. Ambrotose is a proprietary blend of Manapol, a substance derived from the aloe vera plant, and other glyconutrients, which Mannatech contends support the immune system, the endocrine system and cell-to-cell communication. Ambrotose Complex is a key component in all but one of Mannatech's line of 30 products.

The ingredients in Ambrotose Complex are arabinogalactan (larix decidua gum), gum ghatti, gum tragacanth and, notably, Manapol aloe vera gel extract (inner-leaf gel).

The last-named ingredient, Manapol, is sold exclusively by Irving, Texas-based Carrington Labs (CARN), a company whose research for more than two decades has focused on the aloe vera plant. During that long span, as *Barron's* readers may well recall, Carrington has touted its aloe-based drugs as a cure for everything from cancer and AIDs to ulcerative colitis.

The gyrations in Carrington's stock have been spectacular -- in 1989-90, it bounced from \$12 to \$41 to \$4; in '96, from \$30 to \$50 to \$7. But, alas, Carrington's drugs, for all they induced bouts of speculative fever, were total duds as a treatment for AIDS, cancer or even colitis.

In only two of the past 10 years has Carrington been even marginally profitable. Its shares now fetch about \$4, and arguably its most successful product is the aloe-based Manapol it supplies to Mannatech, which last year chipped in 47% of Carrington's sales.

The Carrington connection, however, goes beyond that of buyer-supplier. Some of Carrington's key scientists and execs have signed on with Mannatech and reaped very handsome rewards.

Eileen Venum, who from 1988 to '96 was Carrington's director of regulatory affairs, is today a senior vice president of R&D at Mannatech. Bill McAnalley, who from '87 to '95 was a V.P. of R&D at Carrington, is today Mannatech's chief science officer.

Reginald McDaniel, who as a consultant did studies on aloe-based compounds for Carrington, served as Mannatech's medical director from '96 to '02. After Mannatech's IPO, he owned more than 500,000 shares, which today would be worth \$10 million.

Last December, when Mannatech shares were trading around \$20, McDaniel -- no longer on the payroll -- was allowed to buy 180,000 shares directly from chief exec Sam Caster at \$2.66 a share. On paper, it was a tidy \$3 million bequest. The sale, says Caster, was to enable McDaniel to "pursue his ongoing passion for the research of glyconutrients."

An upbeat Texan with a bit of drawl, the 54-year-old Caster credits McAnalley and McDaniel with having "pioneered the science of glycomics."

"Glyco" is the Greek word for sugar, he explains, not the sweet kind, sucrose, but rather sugars that come from plants, like mannose from the aloe vera. With its "significant patents," Mannatech is on the forefront of a "brand new area of nutrition," Caster insists. But while Mannatech does have some foreign patents, in the U.S., according to the 10-K, it "continues to face the risk of its patent protection for Ambrotose complex being ultimately denied."

Unlike Carrington, which wanted to market its products as drugs and suffered devastating rebuffs by the Food and Drug Administration, Mannatech is selling Ambrotose only as a food supplement and so needs no blessing from regulators. However, the company is strictly prohibited from claiming Ambrotose "treats" or "cures" anything. Moreover, the Federal Trade Commission requires Mannatech to

have “adequate substantiation” for its claims, meaning they must be based on “competent and reliable scientific evidence.”

Associates receive clear guidelines about what they can claim, Caster asserts, and the company disciplines or dismisses those who break the rules.

Yet even the most cursory visit to the Websites of Mannatech associates reveals that these sites are replete with the most astonishing of claims. For example, one such Website, with no readily visible disclaimer, tells with graphic visuals and somewhat primitive prose the remarkable story of Jaclyn, a young woman suffering from multiple sclerosis. She is shown first sitting in a wheelchair and then, in a second photo, working out on a treadmill.

The text accompanying those starkly contrasting photos reads: “Shortly after being married, Jaclyn was faced with the greatest challenge of her life. The excitement of being a newlywed was soon drowned out by the confinement to a wheelchair. . . . A friend introduced her to glyconutrients. . . . To everyone’s amazement, Jaclyn became the fastest response to glyconutrients of anyone who has tried them with MS. The restoration of health usually takes several months with such a debilitating condition. For Jaclyn, within two weeks she was walking again.”

Or jump to another Website and learn about Rikkea, born with cerebral palsy. The pitch comes presumably from her parents: “Our six-year-old daughter Rikkea could not walk or speak at the age of two due to brain damage caused by cerebral palsy. . . . She was having seizures, constant drooling from the mouth. . . . We were introduced to and gave her two capsules of glyconutrients a day in December 1998. After only one week, she got up and walked around the house!! She soon began speaking clearly in sentences too!!”

Close inspection of this site turns up a disclaimer, in small print, to the effect that the statements made have not been evaluated by the FDA and that Mannatech products are dietary supplements not intended to treat disease. But perhaps worth noting, this demur comes after pages and pages of testimonials about the remarkable effects of glyconutrients on a vast array of diseases, including arthritis, hepatitis, brain cancer, diabetes, subglottic hemangioma, prostate cancer and toxic-shock syndrome.

Here, as on a good many other associates’ sites, people also can get info on the “amazing opportunity” to sell Mannatech’s supplements. Such sites do double duty, by both selling the products and also recruiting foot soldiers for Mannatech’s sales force.

The promotional spiel on this associate’s site begins: “Think about this. If there is a product that could benefit every person on earth, is scientifically validated, is new, is essential like vitamins, is patented, and is only available from ONE company that has an upward business growth compared to that of Microsoft, that equates to a very significant opportunity.” Bill Gates, are you listening?

In spite of flagrant flouting of the rules by salespeople, Mannatech maintains that it complies with applicable laws and regulations. Caster makes a sharp distinction between the company and its associates, conceding that from time to time the latter may make improper claims. “We’re enforcing our policies,” he insists, “but there’s only so much we can do.”

The seemingly irrepressible inclination of some Mannatech associates to make extraordinary therapeutic claims for the supplements has irked some foreign regulators. In New Zealand, the Medical Devices Safety Authority notified Mannatech that its salespeople were making unwarranted claims after newspaper articles in early 2003 described how Stephen Nugent, a Mannatech employee with Ph.D.s in psychology and “naturopathic medicine,” had extolled the virtues of the supplements before packed crowds in several cities.

Speaking to some 500 people in an Auckland ballroom, Nugent is reported to have referred repeatedly to breast and child cancer, cited medical studies supporting the company’s theories and implied he could be more specific except for fear of running afoul of the government and its regulatory bodies

In addition, the New Zealand Press Association reported that Mannatech associates were allegedly claiming the supplements could treat HIV, cancer, cystic fibrosis, arthritis and Down syndrome.

Mannatech addressed the complaints from the New Zealand Medical Devices Safety Authority through its in-house “disciplinary procedure” and, as of last June, according to the 10-K, had satisfied the regulators.

In Australia, the Therapeutic Goods Administration continues to monitor the company and has required Mannatech to provide “compliance training” for associates for the next three years.

Symptomatic of what may have prompted such oversight were some dubious practices by a Mannatech associate, whose medical license was cancelled for two years in 2000 by the Australian Health Practitioner’s Tribunal. According to the tribunal’s report of its disciplinary action, the doctor, Ian Raddatz, who together with his wife had a sideline business selling Mannatech products, had told patients that the supplements could treat infertility, brain damage and cancer; had urged patients to use Mannatech supplements instead of their prescribed medications, and had tried to recruit a cancer patient’s daughter as an associate, telling her: “These wonderful pills will. . . work wonders on your mother’s cancer.”

Even more egregious are the allegations at the heart of a lawsuit filed Nov. 1, 2004, in a Los Angeles Superior Court by Chie Sasaki, mother of a child with Tay-Sachs disease. She accuses a Mannatech associate, Caster and Mannatech itself of, among

other things, intentional infliction of emotional distress, negligent misrepresentation and conspiracy to commit fraud.

The charges stem from the alleged actions of a Mannatech associate and Sherman Oaks chiropractor, Victoria Arcadi, who treated Sasaki's son, Yasuhiro, after he was diagnosed with Tay-Sachs, a fatal ailment most common among Ashkenazi Jews. Arcadi has denied all the charges against her.

According to court papers, after an initial chiropractic exam in September 1996, Arcadi recommended that Sasaki's son, then three years and nine months old, be given Mannatech supplements. His mother added them to a complicated diet she was already feeding him based on a high-calorie soy-based formula. By being fed nine times a day, the boy managed to gain several pounds.

His mother subsequently gave Arcadi pictures of the boy to show his weight gain, solely for the purpose of his treatment and expecting them to be kept confidential. Yet without oral or written consent, the complaint continues, in May 1997 Arcadi showed photographs of a naked Yasuhiro to several hundred people at a Mannatech demonstration seminar.

A month later, when Yasuhiro's mother discovered her son's photos were being widely used at Mannatech sales meetings, she fired off a letter of protest directly to Samuel Caster, then Mannatech's president. According to the complaint, Mannatech and Caster denied responsibility.

In July 1997, the complaint continues, Yasuhiro's mother protested, on three separate occasions, to Arcadi, who, promised to protect Yasuhiro's privacy but did not return the photographs as requested.

A month later, Arcadi co-authored an article entitled "Case Study: Tay-Sachs Disease Improvement During Nutritional Supplementation" in the Journal of the American Nutraceutical Association, featuring Yasuhiro Sasaki and describing his dramatic improvement taking Mannatech supplements. Thanks apparently to the supplements, the authors reported, "the child is interacting with his environment and exhibiting physical and vocal communication."

Yet, according to the complaint, when the article was published in August 1997, Yasuhiro Sasaki was already dead.

After his death, his mother again demanded Mannatech, Caster and Arcadi stop using her son's likeness and story in marketing Mannatech products, and, according to the complaint, she was led to believe the objectionable distribution would stop.

But years later -- in March 2004, to be precise -- she received an e-mail from a woman in Mexico whose nephew was afflicted with Tay-Sachs. The woman had seen photographs depicting Yasuhiro's purported improvement using Mannatech

products on a current Website, “with the clear inference,” according to the complaint, “that Yasuhiro was alive and doing well some seven years after his actual death.”

Caster adamantly denies that he or Mannatech had anything to do with distributing Yasuhiro’s story or his photographs. “As a company, we never used the pictures,” he stresses. But he concedes that some associates might still be using Yasuhiro’s story and photos. “Once they get out there,” he observes, “it’s impossible to get them back.”

So far, anyway, neither regulatory disapproval abroad nor wildly hyperbolic claims by associates on their Websites here have dampened the ardor of Mannatech users and associates (who often overlap) or slowed the company’s vigorous growth.

162. This shocking news revealed the relevant truth regarding Mannatech’s true financial circumstances (*i.e.*, that illegal marketing was rampant and ignored by Defendants) and caused the market to punish Mannatech’s stock price. With the disclosure by *Barron’s* on May 9, 2005 concerning improper sales tactics and other materially problematic issues, on approximately *twenty times* the stock’s normal volume, shares of Mannatech dropped approximately 25% from a close of \$20.43 on May 6, 2005 to a low of \$14.35 per share on May 9, 2005 before closing at \$15.11 per share. On that one day, the market value of the Company decreased by *\$150 million*. The punishment continued on May 10, 2005, as the stock fell to a low of \$11.64 per share before closing at \$12.15. During those two days, Mannatech stock dropped approximately 40% - despite the fact that the Company had just announced “record” financial results. The revelation of the truth about the driving force behind Mannatech’s artificially inflated demand, sales, and, consequently, stock price proximately caused the artificial inflation to come out of Mannatech’s stock, causing substantial financial damages to its shareholders.

163. As evidenced by the enormous spike in trading volume and the substantial decline in the price of Mannatech stock, a reasonable investor would consider Defendants’ misrepresentations in their public statements described herein as important in their decision making and would have viewed these misrepresented facts as significantly altering the total mix of information made

available about Mannatech from both a quantitative and qualitative standpoint. Had Plaintiffs, and the other members of the Class, and the marketplace known of Mannatech's true condition and business prospects, Plaintiffs and other members of the Class would not have purchased or otherwise acquired their Mannatech securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid and would not have suffered damages when the truth about Mannatech was revealed and its stock price plummeted.

ADDITIONAL SCIENTER ALLEGATIONS

164. As alleged herein, Defendants acted with scienter in that they knew or disregarded with deliberate recklessness that the public documents and statements, issued or disseminated in the name of the Company, were materially false and misleading, knew that such statements or documents would be issued or disseminated to the investing public, and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail throughout this complaint, Defendants, by virtue of their receipt of information reflecting the true facts regarding Mannatech, their control over, and/or receipt and/or modification of Mannatech's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Mannatech, participated in the fraudulent scheme alleged herein.

165. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information that they caused to be disseminated to the investing public. The ongoing fraudulent scheme described in this complaint could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including each of the Individual Defendants.

166. In addition to the foregoing and other facts alleged herein, the following facts provide compelling evidence that Defendants acted with actual knowledge, or at the very least, with deliberate recklessness.

**APPLICABILITY OF PRESUMPTION OF RELIANCE:
FRAUD ON THE MARKET DOCTRINE**

167. At all relevant times, the market for Mannatech's publicly traded securities was an efficient market for the following reasons, among other things:

(a) Mannatech's securities met the requirements for listing, and were listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) as a regulated issuer, Mannatech filed periodic public reports with the SEC;
and

(c) Mannatech regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services.

168. As a result, the market for Mannatech's publicly traded securities promptly digested current information regarding Mannatech from all publicly-available sources and reflected such information in Mannatech's securities prices. Under these circumstances, all purchasers of Mannatech's publicly traded securities during the Class Period suffered similar injury through their purchase of Mannatech's publicly traded securities at artificially inflated prices and a presumption of reliance applies.

LOSS CAUSATION

169. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated Mannatech's stock price and

operated as a fraud or deceit on Class Period purchasers of Mannatech stock by misrepresenting the Company's business success and future business prospects, including but not limited to misrepresentations regarding the efficacy of the Company's products, the Company's lack of controls to prevent false statements by associates, the true demand for Mannatech's products, the true driving force behind sales and revenue, and the Company's role in tacitly encouraging associates to make misleading claims about its products.

170. As a result of Defendants' fraudulent conduct as alleged herein, the prices at which Mannatech securities traded were artificially inflated during the Class Period. When Plaintiffs and other members of the Class purchased their Mannatech securities, the true value of such securities was substantially lower than the prices actually paid by Plaintiffs and the other members of the Class.

171. During the Class Period, Defendants improperly inflated and misrepresented the reasons behind the demand for its products, the volume of its sales, and, consequently, the price of its stock. Defendants also misrepresented the reasons behind Mannatech's reported results and made numerous false and misleading statements regarding many aspects of its business. Later, however, when the truth regarding Mannatech's true financial circumstances leaked out and Defendants' prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, Mannatech stock fell precipitously as the prior artificial inflation came out of Mannatech's stock price. As a result of their purchases of Mannatech stock during the Class Period, Plaintiffs and other members of the Class suffered economic loss, *i.e.*, damages under federal securities laws.

172. By misrepresenting the success of the Company's business and concealing its improprieties, Defendants presented a misleading picture of Mannatech's business and prospects.

These claims of future profitability caused and maintained the artificial inflation in Mannatech's stock price throughout the Class Period until the truth was revealed to the market.

173. As a result of Defendants' materially false and misleading nature of the statements and documents, as well as the adverse, undisclosed information (*i.e.*, that Mannatech depended and relied on illegal marketing and improper health claims) known to the Defendants, Plaintiffs and other members of the Class relied, to their detriment on such statements and documents, and/or the integrity of the market, in purchasing their Mannatech stock at artificially inflated prices during the Class Period. Had Plaintiffs and the other members of the Class known the truth, they would not have taken such actions.

174. As explained herein, these false statements directly or proximately caused, or were a substantial contributing cause of the damages and economic loss suffered by Plaintiffs and other members of the Class, and maintained the artificial inflation in Mannatech's stock price throughout the Class Period and until the truth leaked into and was revealed to the market, at which time the prior inflation came out of the stock.

175. Defendant's false and misleading statements had the intended effect and directly and proximately caused, or were a substantial contributing cause of Mannatech's stock trading at artificially inflated levels, reaching as high as more than \$26 per share, throughout the Class Period.

176. On May 9, 2005, *Barron's* published a story on Mannatech disclosing various improprieties by Mannatech associates which had fueled the Company's growth. As investors and the market became aware of Mannatech's prior misstatements and concealments and that Mannatech's actual business prospects were, in fact, driven by illegal marketing, the prior artificial inflation came out of Mannatech's stock price, damaging investors.

177. As a direct result of the public revelations regarding the truth about Mannatech's conduct and its actual business prospects going forward, Mannatech's stock price plummeted 26%, falling from \$20.43 per share on Friday, May 6, 2005 to \$15.11 per share on Monday, May 9, 2005, resulting in a one-day drop of \$5.32 per share. The stock then continued its decline, dropping as low as \$11.64 per share on May 10, 2005. These substantial drops of approximately 40% removed the inflation from Mannatech's stock price, causing real economic loss to investors who had purchased the stock during the Class Period.

178. The decline in Mannatech's stock price between August 2004 and May 2005 was a direct result of and proximately caused by the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of Mannatech's stock price declines negate any inference that the loss suffered by Plaintiffs and other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by Plaintiffs and other members of the Class was a direct result of Defendants' fraudulent scheme to artificially inflate Mannatech's stock price and the subsequent significant decline in the value of Mannatech's stock when Defendants' prior misrepresentations and other fraudulent conduct was revealed and the artificial inflation came out Mannatech's stock.

179. In addition, the decline in Mannatech's stock price between August 2004 and May 2005 was a natural and probable consequence of Defendants' fraud and should have been foreseen by Defendants in light of the attending circumstances. The severe market reaction to the disclosure of Mannatech's true financial condition (*i.e.*, that it relied tremendously on illegal marketing to drive sales, demand, and, thus, its stock price) was foreseeable to Defendants and well within the "zone of risk" concealed by Defendants' fraudulent conduct.

180. In sum, there were no changed economic circumstances, changed investor expectations, new industry-specific facts or Mannatech-specific facts, conditions or other events, which taken separately or together account for the declines in the price of Mannatech stock described therein.

NO SAFE HARBOR

181. The federal statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as “forward-looking statements” when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of Mannatech who knew that those statements were false when made. Moreover, to the extent that defendants issued any disclosures designed to “warn” or “caution” investors of certain “risks,” those disclosures were also false and misleading since they did not disclose that defendants were actually engaging in the very actions about which they purportedly warned and/or had actual knowledge of material adverse facts undermining such disclosures.

COUNT I

FOR VIOLATIONS OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 PROMULGATED THEREUNDER AGAINST ALL DEFENDANTS

182. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth therein. This claim is asserted against all defendants.

183. During the Class Period, Mannatech and the Individual Defendants, and each of them, carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, Plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Mannatech's publicly traded securities; and (iii) cause Plaintiffs and other members of the Class purchase Mannatech's publicly traded securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Mannatech and the Individual Defendants, and each of them, took actions set forth herein.

184. These defendants: (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operate as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Mannatech's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. These Defendants are sued as primary participants in the wrongful and illegal conduct charged herein. The Individual Defendants are also sued as controlling persons of Mannatech, as alleged below.

185. In addition to the duties of full disclosure imposed on defendants as a result of their making of affirmative statements and reports, or participating in the making of affirmative statements and reports, or participating in the making of affirmative statements and reports to the investing public, they each had a duty to promptly disseminate truthful information that would be

material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. § 210.01 et seq.) and S-K (17 C.F.R. §229.10 et seq.) and other SEC regulations, including accurate and truthful information with respect to the Company's operations, sales, product marketing and promotion, financial condition and operational performance so that the market prices of the Company's publicly traded securities would be based on truthful, complete and accurate information.

186. Mannatech and each of the Individual Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, business practices, sales performance, product marketing and promotion, operations and future prospects of Mannatech as specified herein.

187. These defendants each employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Mannatech's value and performance and continued substantial sales, financial and operational growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state necessary facts in order to make the statements made about Mannatech and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Mannatech securities during the Class Period.

188. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: a) each of the Individual Defendants was a high-level executive and/or director at the Company during the Class Period; b) each of the Individual Defendants, by

virtue of his responsibilities and activities as a senior executive officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal sales and marketing plans, projections and/or reports; and c) each of the Individual Defendants was aware of the Company's dissemination of information to the investing public which each knew or recklessly disregarded was materially false and misleading.

189. Each of these defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that each failed to ascertain and to disclose such facts, even though such facts were available to each of them. Such Defendants' material misrepresentations and/or omissions were done knowingly or with recklessness and for the purpose and effect of concealing Mannatech's operating condition, sales, product marketing and promotional practices and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' misstatements of the Company's financial condition and performance throughout the Class Period, each of the Individual Defendants, if he did not have actual knowledge of the misrepresentations and omissions alleged, was reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false and misleading.

190. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market prices of Mannatech's securities were artificially inflated during the Class Period. In ignorance of the fact that market prices of Mannatech's publicly traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or disregarded with recklessness by Defendants but not disclosed in public statements by Defendants

during the Class Period, Plaintiffs and the other members of the Class acquired Mannatech securities during the Class Period at artificially high prices and were damaged thereby, as evidenced by, among others, the stock price decline on or about May 9, 2005 when the artificial inflation was released from Mannatech stock.

191. At the time of said misrepresentations and omissions, Plaintiffs and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiffs and the other members of the Class and the marketplace known of the true performance, sales, marketing, promotion and other fraudulent business practices, future prospects and intrinsic value of Mannatech, which were not disclosed by Defendants, Plaintiffs and other members of the Class would not have purchased or otherwise acquired their Mannatech publicly traded securities during the Class Period, they would not have done so at artificially inflated prices which they paid.

192. By virtue of the foregoing, Mannatech and the Individual Defendants have each violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

193. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and the other members of Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period, as evidenced by, among others, the stock price decline on or about May 9, 2005 when artificial inflation was released from Mannatech stock.

COUNT II

FOR VIOLATIONS OF SECTION 20(a) OF THE EXCHANGE ACT AGAINST THE INDIVIDUAL DEFENDANTS

194. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein. This claim is asserted against the Individual Defendants.

195. Each of the Individual Defendants acted as a controlling person of Mannatech within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level

positions with the Company, participation in and/or awareness of the Company's operations and/or intimate knowledge of the Company's fraudulent marketing and promotions and actual performance, each of the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiffs contend are false and misleading. Each of the Individual Defendants was provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiffs to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

196. In addition, each of the Individual Defendants had direct involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations alleged herein, and exercised the same.

197. As set forth above, Mannatech and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their controlling positions, each of the Individual Defendants is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period, as evidenced by, among others, the stock price decline on or about May 9, 2005 when artificial inflation was released from Mannatech stock.

WHEREFORE, Plaintiffs pray for relief and judgment, as follows:

(a) Determining that this action is a proper class action and designating Lead Plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedure;

(b) Awarding compensatory damages in favor of Plaintiffs and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

DATED: March 3, 2006

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing pleading has mailed by United States mail, to the following counsel on this 3rd day of March, 2006.

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EXHIBIT “A”

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These search terms have been highlighted: **steve lemme mannatech**

Product Training Seminar with **Steve Lemme** – A Summary

March 8, 2003 in Surrey BC

(Summary from notes by Cindy Schattenkirk)

THESE ARE GUIDELINES AND EXAMPLES OF WHAT HAS BEEN SEEN AND REPORTED. IT IS MEANT FOR TRAINING PURPOSES AND FOR **MANNATECH ASSOCIATES ONLY.**

Talking about cleansing and detoxing, or the “Correcting Crisis” is a great place to start to understand natural healing and how the body really works and heals.

Parasites, heavy metals and particles, as well as toxic chemicals need to come out over time to bring over all health to one’s body. It is wise to educate and monitor people when they start on this journey to Optimal Health as most people only have exposure to just a digestive corrective cleanse. Since **Mannatech** products go beyond that and help cell-to-cell communication, it also provides a “cellular cleanse” which needs to be explained BEFORE someone starts on these products. Letting people know in advance and educating them on this process is so important. When we do not warn people they may think this safe and non-toxic food is making them “ill” and not the poisons and toxins and bad eating habits of their past coming to the surface. Many have never experienced this level of good food in their bodies before.

It is wise to warn people who have serious health conditions and have been on a lot of medications, which all have toxic levels and side effects, that when they start to have their cells cleanse it can cause a lot of changes in the body. These unhealthy cells from the toxins that have been stored in their fat cells for years have been discovered by this cell-to-cell communication. In order to make room for healthy cells, the bad cells need to make their way out of the body through the various ways of escape. The skin is the largest organ and that is why rashes may come to the surface.

When whole body is saying, “let’s dump this stuff out” it can be confusing and uncomfortable

and is something we need to explain to people. Follow up is vital as you often have to encourage new product takers to keep going and reinforce that it is not the products that are making them feel worse. Asking questions on what is happening is so important. Asking what they have done in their past (have they had these feelings or experiences before) is helpful in guiding them through this process. One man had a rash breakout over his whole body just taking the GlycoLEAN and as you can imagine was very concerned. I started asking him when he had last seen this kind of rash and we discovered it was 10 years prior when he had an allergic reaction to Tylenol. This rash was identical and we were surprised how these toxins could hide in his fat cells for some many years. When I explained what I believed was happening he calmed down and the rash did go away. Remember to ask questions, as this is where you will discover the answers!

Having people read you the side effects from their pharmaceuticals is a helpful tool as often using these products makes their meds work better and the side effects often more distinct. There is no contra-indication or interaction but many times people need to be aware and take

lesser amounts of their meds and consult with their doctor when this happens. Remember we are just educators, not medical professionals.

The most severe and confusing case of correcting crisis I knew of was from a man, who when asked if he was on meds or ill the answer was “no”. It was very confusing and he was very alarmed as with just a small amount of products he had a high fever, convulsions, throwing up, upset stomach and rash. Fortunately we kept asking questions as WE KNOW that it is NOT this new food making him sick but something that was trying to come out of his body that was really bad for him. We found out he had worked for a pest control company for 20 years and knew that it was not good for him but did not consider himself “sick” yet. It is logical that his constant exposure to these toxins could explain why he was throwing up, having convulsions and high fevers. His body could finally do a cellular cleanse and get rid of all the pesticides and poisons that he had stored in his cells over the past 20 years. Understanding this is very important when working with people, as you need to ask them questions to help them see how true healing really works.

There are autoimmune diseases, like Fibromyalgia, MS, Lupus and Diabetes that seem to detox

quickly. Consumers with these conditions need to take it SLOWLY when starting on the products and work up very gradually. Also those on numerous medications need to take it slowly, too, and be careful to follow **some important guidelines below.**

Everybody needs to start drinking more purified water. Take ½ your body weight in fluid ounces a day. A gallon of water a day for 100 lb. person is minimum. This is so important! This alone can shut off the headaches and fatigue of cleansing by just adding more water.

For those who are ill and or already have problems with their bowel function, it is wise to start them on MannaCleanse for 2-4 days first and high levels of water. Some do quite well with the addition of Fiberfull if there is a history of constipation. Then add ¼ tsp of Ambrotose/day to start and then up to twice/day to help the cleansing process. Then they can add PLUS and Vitamins, and then Phytaloe when they are ready. Learning to listen to their body is the key.

When Consulting with a Doctor about Mannatech Products:

We should NEVER give a recommendation about medications, as they need to be regulated by a health care professional ALWAYS. Taking Phytaloe to a doctor is a good place to start as everyone knows fruits and veggies are good for you. Or take in the Catalyst or Glycentials Vitamins, as that is something a medical professional understands. Most doctors will usually not know what Ambrotose is so that is not a good one to ask about first, and doctors are trained to be cautious. They may not have heard about “glycoscience” and few have time or inclination to do sufficient research about it. It is wise to ask your doctor to monitor your health. Ask them when your health improves, would they consider weaning you off your drugs? Tell them you are making some positive lifestyle changes and including changing your diet to eat more non-processed foods and drink more water. Always remember drugs need to be professionally managed.

GUIDELINES FOR TAKING MANNATECH PRODUCTS:

Everyone needs the 4 sciences to help the body:

If you have cells, you need Ambrotose

If you have eyes, you need Phytaloe

If you have glands, you need the hormonal balance from Plus.

If you eat food, you need our Food Matrix Vitamins/Minerals (Glycentials or Catalyst)

The four act together synergistically.

Maintenance level: If you want to maintain the level of health you have, then take what is recommended on the bottles. If you have a health challenge, chances are that on this level it will not change, but this is a good place to start for most people and you can work up from here.

You need balance in all your systems. If you were a car which tires would you want to keep air in for balanced ride? All of them, of course. Our bodies need that same balance.

For kids under 5: ¼ tsp of Ambrotose and 1 GlycoBear Chewable Vitamin is minimum –you can crush up the Glycobears. The warning on the bottle is to do with choking for children under 4.

Over the age of 5 -¼ tsp of Ambrotose twice a day and 1/4 tsp Phytaloe and 2 Glycobears. Steve gives PLUS to his kids 3 & 4 years old, but that is up to the parent, as it would need to be crushed for most children to swallow.

For Health Conditions: If you want to see a change this is where you have to listen to your body and see where you might need more than the amount recommended on the bottle. Ambrotose is the generally the first one to increase.

A 100 gram Ambrotose powder a month works out to 2 tsp/day. This level of consumption is where many conditions can start to repair and heal. Learn to watch for correcting crisis symptoms. This will help you know what level your body needs to kick out sick cells. Many people take 6-12 months to work up to this level. BE PATIENT.

Children may only need ½ the amount of Ambrotose but it depends on how serious it is, so you have to adjust and see how they are responding.

PLUS is for any glandular issue. Again, you have to listen to your body's needs. Some people get great results on up to 6 tablets/day, some go up to 12/day for conditions like Chronic Fatigue Syndrome/Fibromyalgia, or panic/anxiety attacks. Again, try various amounts and see where you get results. Each person is different and some people vary their amounts daily depending on their stress level. Some people find they need to take them all at once to get results while others prefer to take 2-3 Plus 3 times a day for anything that is hormone related. 10% of women need to take Phytaloe with PLUS to help with menopausal systems, while some

people gain weight if they take the Plus with any food. Remember this is FOOD so experiment with the recipe for your body!

Cancer prevention, free radical issues and eye conditions are where the Phytaloe needs to be increased as well as with any. Also people with eye conditions use Emprizone directly in the eye although that is not what it is designed for. Emprizone seem to work in every orifice of the body.

If someone has a digestive condition like Colitis or Crohns, then they need to wait to take Phytaloe, but may introduce it later, and some start by sucking on PhytoBears. If someone is allergic to any of the fruits and vegetables in the products they may find that their sensitivity to these foods lessens after they have been on the other products in higher amounts for a number of months.

With the Vitamins/Minerals, 4/day is all that is needed for all conditions. Find out which one is best for you (Glycentials or Catalyst) by doing the dietary needs survey which can be found on the www.mannatech.com website.

From 7 years of experience in the field and talking to many people we have found that:

Asthma/Allergies seem to respond well usually in 6 months with higher amounts of Ambrotose (2 tsp/day or more) and the recommended amounts on the bottles of Plus, Phytaloe and Vit/Min –some have to add Manna C for certain times of year.

All hormone-related conditions seems to take up to a one year, but respond well with 2 tsp of Ambrotose and up to 6 PLUS/day with maintenance levels of Phytaloe and Vit/min. (Depression, Manic/ Bio Polar, Migraines and Headaches, PMS etc)

GI track seem to do best with high levels of Ambrotose, maintenance amounts of everything else. No Phytaloe, instead use MannaCleanse. (Crohns, colitis, etc.)

FM/Lupus: Start with the full Optimal Health Plan at maintenance level. Add in Sport and Firm for those whose need pain management. Many do well on Empact as that helps with the lactic acid build up, and/or Ambrostart to help with energy and fiber needs. Many give up just before it works for them and we have found that often the pain does NOT go away till month 4, 5 or for some the 6-month mark. They may need to increase to Condition Level of products gradually to get results. Note that these peoples' detox can last for the 6 months or longer if they have been on a lot of medications and as they increase their products.

Rheumatoid or any kind of **Arthritis** and other painful conditions seem to follow a similar recipe as with FM. Some find relief of pain and stiffness when they go up to 4 tubes of Firm a month over all their painful joints, and they also may need to go to up 8 Sport/day till they get relief.

MS needs are like above but often they do not see results until 1-2 years depending on severity, and they may need serious amounts of Ambrotose to see changes.

ADD/ADHD, Autism –high levels of Ambrotose and normal of others. Most respond in 6-12 months.

Neurological, Arthritis, and Diabetes conditions may take 18 months to 2 years and may need to take the serious amounts depending on how advanced the condition is. It seems that any condition that has to do with brain dysfunctions. MS, Parkinson's, Alzheimer's, Lou Gehrigs, stroke and even spinal cord injuries can take many years to see significant changes. They need to keep increasing amounts, especially with the Ambrotose, and it is not till they take serious amounts that they see changes. One lady that was told she would have serious brain damage due to a car accident worked her way up to 4 tubs of Ambrotose/month and now she can talk without any indication that she was in an accident. However, if she goes down on her amounts her words start to slur and her motor function decreases.

Terminal and Serious conditions:

4 Bulk Ambrotose a month

2 Bulk Phytaloe a month

1 Bottle of Plus and 1 of Glycentials or Catalyst

This is standard for most people with serious conditions.

The key is listening to your body's needs and seeing what areas you need improvement and more nutritional support. Start with the Optimal Health products that are taken daily at the various levels that are mentioned above and then add as needed:

1 bottle a month of MannaCleanse and/or Fiberfull for helping bowels to clean out toxins.

Some can cut back to ½ the amounts of these product then they last for 2 months.

1-3 bottles of Sport and/or Firm cream for pain management use as needed. Athletes also use these for training & injuries and add in the Empact and/or Ambrostart.

1 bottle of CardioBalance for issues with heart, stroke, and high blood pressure.

1-2 bottles of MannaC/month for allergies and breathing issues-some only need seasonally.

1-2 bottles of ImmunoStart/month for those who struggle with colds and flus as well as those who need extra support to rebuild their immune system particularly those who have had cancer, or heavy metal toxin issues. Even kids love the taste of ImmunoStart. They are great to suck on with a sore throat, or when you are under extra stress and your body is fighting something off.

Cancer usually responds in 6-9 months on these large amounts. It is wise to stay on high levels of the products 6 months AFTER the symptoms go away. Cut these amounts in half for the next year and beyond. But NEVER stop taking the products, as the cancer can still come back and usually does with a vengeance and may not be treatable if it recurs.

Pay me now or pay me later---preventive is a lot cheaper than sickness in the future.

Many people think that they cannot get cancer or get sick on the maintenance amounts of products and get confused when someone does. That is why it is wise for someone to take significant amounts for at least 3-6 months even when you are feeling well so that your body can alert you early if something serious is hiding in there! Cancer takes 10-15 years to grow; your arteries take 20 years or more to prepare for a heart attack, so you must be realistic and look at your overall health program. Be serious about PREVENTION and consider taking larger amounts and not just what is on the bottles. If you never experience some detox that is a warning that you still have some unhealthy cells in there, and you need to increase amounts until you see your body doing the cleansing at a cellular level as everyone who breaths and eats

is exposed to some toxins. I know people who had cancer hiding and never knew so they only stayed on the maintenance amounts until it was too late. Then there was not enough time to fight as they could keep any food down, never less go to serious levels of products.

If you feel something is not quite right in your body or your Doctor does NOT KNOW what it is, it would be very wise to go up to this serious level of product consumption to see what an amazing healing machine your own body is! A diagnosis helps to know how much to take but if you do not know what is wrong with you it is wise to take a larger amounts, as it is your body that ultimately knows what needs to be worked on. I understand that no one really likes to go through this correcting crisis and when you feel good why rock the boat? But it is what is hidden in your boat that might capsize you later!

Ambrotose can put into food and be heated or even microwaved without damaging the effect. Phytaloe and the other products can be affected by heat. It is wise to eat Ambrotose with foods, as you risk using Ambrotose as an expensive energy source if you eat it for breakfast with no food.

We found out that Ambrotose seems to bind to oatmeal and go through digestive track without being utilized properly. This was concluded when someone with cancer did not respond taking the 4 TBSP of Ambrotose for 6 months in his daily oatmeal. Once they quit mixing them together then the results came after another 6 months on the serious amounts of Ambrotose.

It is wise for EVERYONE to eat Low Glycemic foods, always. Diabetics benefit greatly from this way of eating.

Type 1 Diabetic seems to do best with 6 Plus (2 in the morning, 2 at noon, 2 at dinner)

1 tsp Ambrotose, ¼ tsp Phytaloe, 1 Vitamin 4 times/day

We have heard of many people that have been able to reduce their insulin levels gradually.

Judy Allen- a **Mannatech** Presidential- used to take \$1400 of medications a month and even had a double kidney transplant, as she was such a brittle Type 1 Diabetic. Her insulin need has gone down 70%, and her transplant meds to suppress her immune system have now been stopped, which is unheard of! We have heard of 3 cases now that have been able to stop taking their immune suppressant drugs, which is amazing. Since skin and internal organs can regenerate all new cells, the doctor monitoring these people has questioned if the body is now

recognizing the foreign kidneys as their patients' own organs. It would make sense if all the new cells have replaced the old organ's cells then they would no longer need the immune suppressant drug.

For Diabetics Type 1 & 2: With food, take your Ambrotose, Phytaloe, Vitamin/Mineral and Sport. Then a couple of hours later take your Plus as it help to stabilize blood sugars in between meals. Ray Robbins needs to take his Plus 4 Hours away from other products for his sugars to balance. But others only need a 1-2 hour break. So learning what works with your body is something only you can discover. It is wise for diabetics to gradually add these products. As they test their blood sugars daily, they are best able to judge what they need daily for supplementation. Often it takes from three to six months or longer for their blood sugars to reach a balance. It is a good idea to caution them that their blood sugars may be "all over the place" for first three months on the products, and often they will notice that they can start reducing their insulin gradually. Make sure they always work with their health professional. We have heard that many Type 2 diabetics get totally off their insulin just by making this change in their diet, and many get at least a 50% reduction.

If you want to read some great testimonies go to www.edensway.net

You can also go to this site: <http://www.healthandlongevity.info> to hear Steve on an audio presentation called "Health Care: the Hidden Truth". It also contains other great audio presentations including the initial CF conference call, third party validation, Paul Zane Pilzer, links to Glycobusiness, Glycostory, Glycotrim, glycoscience, product and business presentations.

EXHIBIT “B”

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ADHD Calie has ADHD and social workers made threats to remove her from the home if her parents did not put her on Ritalin. After years of intensive reading help she only read at a second grade reading level. Calie started on the Results Program in the Fall of 2000. With in one grading period her grades went up a grade point average. She is now Graduating one year early from High School with a 3.3 grade point average. She is reading at a 12th grade level.

ADD My daughter Claire has been diagnosed with ADD, dyslexia and Dysgraphia. She was experiencing anxiety and poor self esteem during the school term while throwing up every morning from being on Ritalin. This was not acceptable so I took her off Ritalin and brought her home to school. The first year was challenging to say the least. I was introduced to Manna Products and the next September, on our first day of school, we started the first lesson and she said to me, "That's ok, Mom. I can do it without you."

And she did! Claire has come along way from where she used to be before the supplements. In February, she was the first student to finish an entire program for dyslexic students. Today, I can't remember when she was last sick.

Asperger's Syndrome Aidan has been on the products for 10 months, following Dr. Reg's protocol. He is doing REALLY WELL!!! Differences observed since increasing Sport include: talking and initiating "connection" with us, wanting to interact and talking in ways HE HAS NEVER DONE BEFORE! (conversations which include thoughts, opinions, and feelings) He continues to be happy and easy-going and copes with frustration very well. His appetite and growth have taken off; he grew 1 1/2" in six weeks. This winter his previous growth pattern was 2" and 2 pounds per year. We see few signs of Asperger's, ADD, or anxiety. Allergy symptoms have disappeared as well.

Anaplastic Astracytoma Tim's tumor has remained stable while on the products. He has increased energy and has been more himself. Many people have remarked that he looks good. We believe that he feels better than he did when the tumor was first discovered. He also tolerated radiation treatments remarkably well! His radiologist said he hasn't seen anything like this in his 15 years of practice. His blood counts remained stable throughout chemotherapy. God Bless You All!! Thank You!!

Autism Josh has had sporadic insomnia since birth, he has slept solid the entire month of April, also we are seeing "playful" smiles and expressions!

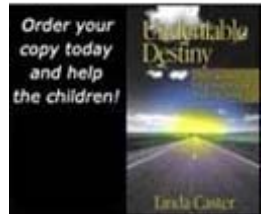
Autism Jason's ability to follow directions has improved, eye contact continues to improve. His overall health has improved and seems more curious and aware of what others are doing.

Testimonies

Hydrocephalus

IrisCoral has made improvements in several areas. Her facial features have significantly improved by becoming more aware and lively. She has more move...

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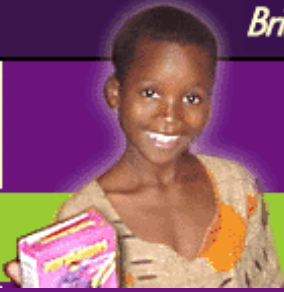
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Blood Disorder As you remember, Coleson made his own blood in November and then the next 3 - 3 week check ups for blood values, his RBC was very low requiring transfusion. After that first month on the Manna when he made his own blood, he had a vaccination and his blood has not been normal again. Then 3 weeks ago when the hospital was typing Coleson's blood during the count before his transfusion, Coleson typed out as being O+. He has not been that type since he started transfusions at 2 days old. At birth, he typed out as O+ but the hematologist has ordered him O- for all transfusions. It has something to do about him building antibodies. That he typed at O+, we feel it was a sign that Coleson was maybe making some of his own blood even though his RBC was 8.4. Well today, 3 weeks later, his RBC is 11.3 so he did not need a transfusion. PTL!!! He has been able to increase his Manna Product due to a generous donation from a sponsor through MannaRelief. Keep your eye on this boy...some good things are going to continue to happen!

-Mary, MR Champion

Blindness/Partial IrisCoral has made improvements in several areas. Her facial features have significantly improved by becoming more aware and lively. She has more movement in her limbs, and continues to increase her movements throughout her body. Her body is straightening out and lengthening when she is in a supine position. She has more control of her head and is now able to hold her head in an upright position for longer periods of time. She holds her eyes open more now and is able to process receptive information. Physical Therapy states that she is less fragile than before beginning the supplements and that her brain is processing more messages. She is now walking in a walker and can walk in circles independently. She is responding with eye blinks for yes/no questions. Her eye blinks are consistent and appropriate in context with language. Her teacher notices that her will is stronger. She knows what she wants and is developing ways to express her displeasure. This observation is in addition to everything else listed above. These small achievements are noticeable to everyone who is in regular contact with IrisCoral. Thank you for assisting her to become the young lady that God intended her to be!

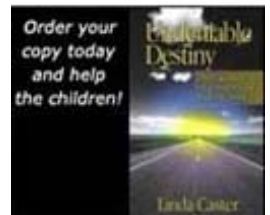
Burketts Lymphoma Apryl's cancer is DEAD! Praise God! She is doing well, she is gaining strength and energy. Her hair is growing back. She has no back pain and no leg pain. The Cat Scan show that there is still a small mass that is dead. We are believing that too will disappear. Her counts are coming up. Over all she is doing great.

Testimonies

Down Syndrome

9-3-02 - My name is Sheila Reetz. My granddaughter, Ashley, was born 6-28-02. Ashley is a beautiful baby with red hair and blue eyes. She ...

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Cancer On February 13th there is "no tumor" seen! Keren had another picture taken of her left eye and there are no tumors! Yea! Thanks for all your help. Please give Dr. Reg a big hug from us and tell him that the Manna is working. God Bless

Cerebral Palsy Thank you for giving of yourselves to touch our son's life...I am Tammy, mom to Micah, age 4, diagnosed with Cerebral Palsy. My husband David and I wanted to send our deepest gratitude to you for your overwhelming generosity and thoughtfulness in sponsoring our son.

Micah has been on the Manna products for one month now and we wanted you to be the first to know they are working! They have given him so much more energy and endurance. His endurance in walking, tricycling and therapy sessions has increased quite a bit. His physical therapist just commented yesterday on how much his endurance has increased lately. Additionally, this week both his hospital speech therapist and his school speech therapist came to me independently, one saying she has noticed a dramatic difference in his speech in the past three weeks.

Once again, David and I wish to thank you for your generosity, through your giving of money to help a total stranger. As you are helping Micah get the nutritional supplements he so desperately needs; you are giving him the best chance to become as independent as possible. Thank you for giving Micah the opportunity to work hard; so that his brain might learn to function despite his disability.

To those of you who have so graciously given into Micah's life, thank you for giving of yourselves to touch our son's life. Please know you are making a huge difference in his life. We are overwhelmed with gratefulness to you, for your giving and for your caring. May God who sent us this Champion pour out His blessings upon you. Be blessed.

Love, Tammy, David, Kelsey, and Micah our Champion

Coma Cole was in a deep coma for three years, after taking the product he responded the 3rd day. 1) circulation in hands and feet 2) suctioning reduce a great deal 3) hands opened after one week 4) color in child has improved 5) cough completely healed up 6) moving hands and feet, toes and legs 7) looks around the room, aware of surroundings, 8) Will be going to kindergarten in Sept 2003! 9) brain scans changed drastically!

Cystic Fibrosis Michelle is healthier than she has ever been. She has gained 7 pounds. She is a normal weight for her age and height. Mucus is thinner. She is able to cough the mucous out. She is taking one less enzyme with meals. Her immune system is much stronger than it ever has been.

Cystic Fibrosis Michala had four episodes of pneumonia in the last six months. She doesn't have CF in her lungs; the doctor said she is just susceptible to pneumonia. Since we started the products in February 2003, she has not had pneumonia. She has only had two colds, which by now she should have had at least 5-7 and she has gotten over the worst of the colds within 24 hours. She has gained 2 ½ pounds and is digesting more fats from her foods. Her eating habits have increased tremendously. She is doing great!

Cystic Fibrosis Connor's nasal discharge and stuffiness has improved from yellowish to clear to presently next to nothing. He seems to be maintaining his weight quite well and even "bulking" up a little.

Testimonies

Quadriplegia

IrisCoral has made improvements in several areas. Her facial features have significantly improved by becoming more aware and lively. She has more move...

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Cystic Fibrosis Seth exhibits marked improvement in morning cough after about 3 weeks of taking the product. Now cough is non-existent.

Cystic Fibrosis William's lungs cleaned out dramatically!! We avoided a hospital stay due to him being on the products. His PFT's went from 18% to 56%!! His stools are formed, stomach aches have stopped. Problems with his RAD and allergies have also stopped.

Cancer After eight weeks of chemo and prednisone finished with a follow-up bone scan, full body scan, and MRI. Verdict: ALL TRACES OF CANCER ARE GONE!!! There is no more cancer in Emma's body. They will do periodic scans to insure that the cancer is caught early if it has the audacity to return.

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Down Syndrome 9-3-02 - My name is Sheila Reetz. My granddaughter, Ashley, was born 6-28-02. Ashley is a beautiful baby with red hair and blue eyes. She has Down Syndrome.

The DS characteristics that she was born with include: almond shaped eyes, straight line across her palms, extra flesh at the base of the skull, and the thick tongue that she is forever sticking out! lol! She also has two holes in her heart. When she was four days old they tested and measured: the largest hole was 7.7 mm. This is very large for a baby 5 lbs, 13 oz.

As soon as we could (one week old) we started giving Ashley 1/4 teaspoon of Ambrotose in every 8 ounces of formula. When she was one month old, we got her into the Hope Program of MannaRelief for critically ill children. Dr Reg McDaniel of MannaRelief put Ashley on their DS protocol. At that time she began eating, per 8 oz formula, 1 teaspoon bulk Ambrotose, 1/4 teaspoon bulk Phytaloe, and 1/2 Sport capsule. When she was two months old, her heart holes were measured again, in an effort to determine when cardiac surgery to fix the holes would be necessary.

The test showed the larger hole (7.7mm) to be only 5 mm at that time and the smaller hole was then negligible! No surgery was scheduled. Hopefully it will not be necessary at all!

Dyslexia My daughter Claire has been diagnosed with ADD, dyslexia and Dysgraphia. She was experiencing anxiety and poor self esteem during the school term while throwing up every morning from being on Ritalin. This was not acceptable so I took her off Ritalin and brought her home to school. The first year was challenging to say the least. I was introduced to Manna Products and the next September, on our first day of school, we started the first lesson and she said to me, "That's ok, Mom. I can do it without you."

Dysgraphia My daughter Claire has been diagnosed with ADD, dyslexia and Dysgraphia. She was experiencing anxiety and poor self esteem during the school term while throwing up every morning from being on Ritalin. This was not acceptable so I took her off Ritalin and brought her home to school. The first year was challenging to say the least. I was introduced to Manna Products and the next September, on our first day of school, we started the first lesson and she said to me, "That's ok, Mom. I can do it without you."

Down Syndrome Channing's response to Ambrotose, GlycoBears, and PhytoAloe has been night and day. She was in and out of the hospital for pneumonia ten or so times in 2001. Since beginning Ambrotose in particular, (which was at the start of 2002), she has had pneumonia once and was hospitalized just overnight. That was a year ago now and the winter of 2002/early 2003 did not see the pneumonia or any type of respiratory illness outside of a sinus infection she eventually recovered from well. We have seen a marked difference in the strength of her immune system and overall health and growth. Thank you!

Diamond Blackfan Anemia Coleson has monthly blood transfusions and has never had a bad reaction to them (very unusual). He has no liver damage even though he is chronically transfused and has been since birth! He is very healthy year round!

Down Syndrome Daniel has improved. He is sleeping much better. His math skills have improved. His energy levels have increased.

Testimonies

Cancer

On February 13th there is "no tumor" seen! Keren had another picture taken of her left eye and there are no tumors! Yea! Thanks for all your help....

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Eye Tick This is my beautiful (I'm her mom, I can say that) daughter Shea. Although Shea has not had any "learning disabilities" such as ADD or ADhD, she did have a eye tick that was developing about a year ½ ago.

I upped her Bears to 4 or more if she wanted them as a snack (from 2) a day and made sure she got ¼ teas. of other Manna Products. Within a WEEK the eye tick was GONE!

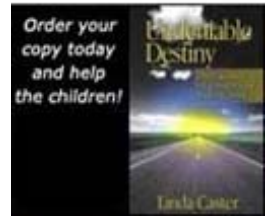
Then during the next month or so her reading took off (now she loves to sit and read Chapter books or whatever)...overall her FOCUS improved as well (stated by her soccer coach and other parents).

Testimonies

Cancer

On February 13th there is "no tumor" seen! Keren had another picture taken of her left eye and there are no tumors! Yea! Thanks for all your help....

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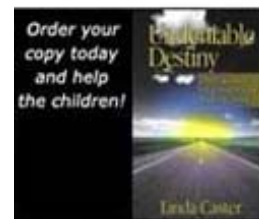
Hydrocephalus IrisCoral has made improvements in several areas. Her facial features have significantly improved by becoming more aware and lively. She has more movement in her limbs, and continues to increase her movements throughout her body. Her body is straightening out and lengthening when she is in a supine position. She has more control of her head and is now able to hold her head in an upright position for longer periods of time. She holds her eyes open more now and is able to process receptive information. Physical Therapy states that she is less fragile than before beginning the supplements and that her brain is processing more messages. She is now walking in a walker and can walk in circles independently. She is responding with eye blinks for yes/no questions. Her eye blinks are consistent and appropriate in context with language. Her teacher notices that her will is stronger. She knows what she wants and is developing ways to express her displeasure. This observation is in addition to everything else listed above. These small achievements are noticeable to everyone who is in regular contact with IrisCoral. Thank you for assisting her to become the young lady that God intended her to be!

Testimonies

Metastatic Osteosarcoma

Diana has been taking mega doses of the nutrients since January. She had chemo in January and February and then a ct-scan of her lungs. The ct-scan in...

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Improved Coordination This one was shocking but the mother was very adamant that it was true: "My child's coordination kicked in overnight. There were some things that were very obvious to her."

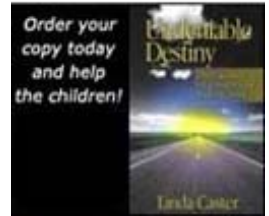
-Sharon, Illinois

Testimonies

Blindness/Partial

IrisCoral has made improvements in several areas. Her facial features have significantly improved by becoming more aware and lively. She has more move...

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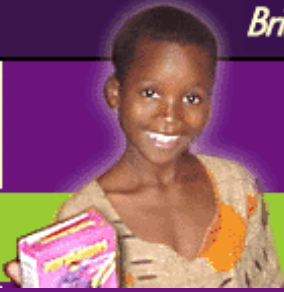
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Metastatic Osteosarcoma Diana has been taking mega doses of the nutrients since January. She had chemo in January and February and then a ct-scan of her lungs. The ct-scan indicated a reduction in size of some of the tumors. Previous to this, the chemo's they have tried have not been effective at all. Diana tolerated the chemo better than she has any previous chemo's. Also of significance, while on chemo she was given in January and February almost always causes hair loss, her hair is continuing to grow. She was totally bald in November after a different chemo.

Testimonies

Burketts Lymphoma

Apryl's cancer is DEAD! Praise God! She is doing well, she is gaining strength and energy. Her hair is growing back. She has no back pain and no leg p...

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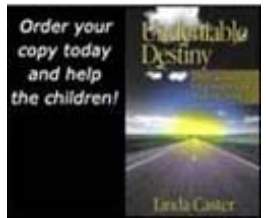
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Neurofibromatosis Tim's tumor has remained stable while on the products. He has increased energy and has been more himself. Many people have remarked that he looks good. We believe that he feels better than he did when the tumor was first discovered. He also tolerated radiation treatments remarkably well! His radiologist said he hasn't seen anything like this in his 15 years of practice. His blood counts remained stable throughout chemotherapy. God Bless You All!!! Thank You!!

Testimonies

Cystic Fibrosis

Connor's nasal discharge and stuffiness has improved from yellowish to clear to presently next to nothing. He seems to be maintaining his weight quite...

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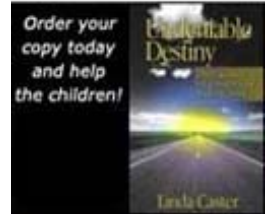
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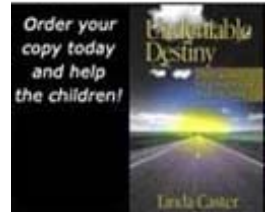
Quadriplegia IrisCoral has made improvements in several areas. Her facial features have significantly improved by becoming more aware and lively. She has more movement in her limbs, and continues to increase her movements throughout her body. Her body is straightening out and lengthening when she is in a supine position. She has more control of her head and is now able to hold her head in an upright position for longer periods of time. She holds her eyes open more now and is able to process receptive information. Physical Therapy states that she is less fragile than before beginning the supplements and that her brain is processing more messages. She is now walking in a walker and can walk in circles independently. She is responding with eye blinks for yes/no questions. Her eye blinks are consistent and appropriate in context with language. Her teacher notices that her will is stronger. She knows what she wants and is developing ways to express her displeasure. This observation is in addition to everything else listed above. These small achievements are noticeable to everyone who is in regular contact with IrisCoral. Thank you for assisting her to become the young lady that God intended her to be!

Testimonies

Down Syndrome

9-3-02 - My name is Sheila Reetz. My granddaughter, Ashley, was born 6-28-02. Ashley is a beautiful baby with red hair and blue eyes. She ...

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Retinblastoma The physician reports that Keren is doing very well. He describes her status as excellent after all the procedures and treatments she has undergone. The physicians are very impressed with her healing and well-being and developmental progress

Testimonies

Quadriplegia

IrisCoral has made improvements in several areas. Her facial features have significantly improved by becoming more aware and lively. She has more move...

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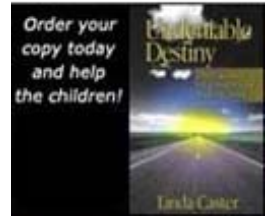
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