

FEBRUARY 27, 2009, 12:09 A.M. ET

Vitamin Company Settles Texas Case for \$6 Million

By **SUZANNE SATALINE**

Mannatech Inc. will pay \$6 million and its founder will pay \$1 million to settle the Texas attorney general's allegations that the company made false claims about the health benefits of its vitamins and supplements.

Mannatech agreed to pay \$4 million in restitution to people who bought the products and \$2 million to pay for the state's investigation.

In an unusual aspect of the agreement, Sam Caster, the company's founder, former chairman and biggest shareholder, will pay a \$1 million civil penalty and is barred from serving as an officer, director or employee of the company for five years.

The company and Mr. Caster didn't admit wrongdoing. Mr. Caster "denied any wrongdoing," said Bill Jones, a lawyer for Mr. Caster. "Nor was there any wrongdoing."

Texas Attorney General Greg Abbott filed suit in 2007, accusing the Coppel, Texas, company of exaggerating the therapeutic benefits of its nutritional products. Marketing material falsely claimed that Mannatech's supplements, especially its big seller Ambrotose, could cure or treat Down syndrome, cystic fibrosis, cancer and other serious diseases, the state alleged. The company's annual sales conference featured testimonials from several of its freelance sales representatives, attesting to the benefits of the products. The company was the subject of a page-one article in The Wall Street Journal in 2007.

Mannatech Chief Executive Wayne Badovinus said Thursday that the company changed its marketing practices before the lawsuit was filed. "Clearly there were things on the Internet, testimonials that were taken, that were inappropriate," he said in an interview. "The company has been compliant for at least 19 months."

Mr. Caster is barred for five years from engaging in multilevel marketing programs, which reward freelance sales representatives for the sales of people they recruit. Mr. Caster resigned as Mannatech chairman earlier this month. He continues to serve as an unpaid adviser to Mr. Badovinus.

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