

As filed with the Securities and Exchange Commission on June 11, 1996  
 Registration No. 33-91184

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549

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 POST-EFFECTIVE AMENDMENT NO. 1  
 TO

FORM SB-2  
 REGISTRATION STATEMENT  
 UNDER THE  
 SECURITIES ACT OF 1933

-----  
 NATURAL HEALTH TRENDS CORP.  
 (Name of small business issuer in its charter)

Florida 8200 59-2705336  
 (State or other jurisdiction of (Primary Standard Industrial (I.R.S. Employer  
 incorporation or organization) Classification Code Number) Identification No.)

NATURAL HEALTH TRENDS CORP.  
 2001 West Sample Road  
 Pompano Beach, Florida 33064  
 (305) 969-9771  
 (Name, address and telephone number of principal executive offices  
 and principal place of business)

NEAL R. HELLER  
 Natural Health Trends Corp.  
 2001 West Sample Road  
 Pompano Beach, Florida 33064  
 (305) 969-9771  
 (Name, address and telephone number of agent for service)

-----  
 Copies to:  
 MARTIN C. LICHT, ESQ.  
 JOHN J. DRISCOLL, ESQ.  
 845 Third Avenue  
 New York, New York 10022-6601

-----  
 Approximate Date of Commencement of Proposed Sale to the Public:  
 As soon as practicable after this Registration Statement becomes effective.

-----  
 If any of the securities being registered on this Form are to be offered on a  
 delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
 1933, check the following box. [X]

CALCULATION OF REGISTRATION FEE

<TABLE>  
 <CAPTION>

Title of Each Class of Securities to be Registered	Offering Amount to be Registered	Aggregate Price Per Security	Amount of Offering Price	Registration Fee
<S>	<C>	<C>	<C>	<C>
Shares of Common Stock underlying Class A Redeemable Common Stock Purchase Warrants ("Class A Warrants")(1).....	2,661,672	\$3.00	\$7,985,016	\$2,753.45
Shares of Common Stock underlying Class B Redeemable Common Stock Purchase Warrants ("Class B Warrants")(1).....	2,661,672	\$3.625	\$9,648,561	\$3,327.09
Underwriters' Units.....	100,000	\$4.875	\$487,500	\$168.10
Shares of Common Stock underlying Underwriters' Unit Purchase Option(1).....	200,000	\$2.25	\$450,000	\$155.17
Class A Warrants contained in Underwriters' Unit Purchase Option.....	100,000	--	--	--

Class B Warrants contained in Underwriters' Unit Purchase Option.....	100,000	--	--	--
Shares of Common Stock underlying Class A Warrants contained in Underwriters' Unit Purchase Option(1).....	200,000	\$3.00	\$600,000	\$206.90
Shares of Common Stock underlying Class B Warrants contained in Underwriters' Unit Purchase Option(1).....	200,000	\$3.625	\$725,000	\$250.00
Total Registration Fee(2).....			\$6,692.61	

</TABLE>

(1) Pursuant to Rule 416, there are also being registered such additional shares as may become issuable pursuant to the anti-dilution provisions of the Warrants and the Underwriters' Unit Purchase Option.

(2) A fee of \$9,724.84 was paid upon the initial filing of this Registration Statement.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

CROSS REFERENCE SHEET

<TABLE>  
<CAPTION>

Item No.	Caption in Form SB-2	Location in Prospectus
<S>	<C>	<C>
1.	Front of the Registration Statement and Outside Front Cover Page of Prospectus.....	Outside Front Cover.
2.	Inside Front and Outside Back Cover Pages of Prospectus .....	Inside Front and Outside Back Covers.
3.	Summary Information and Risk Factors.....	Prospectus Summary; Risk Factors.
4.	Use of Proceeds.....	Use of Proceeds.
5.	Determination of Offering Price.....	Front Page of Prospectus, Risk Factors; Plan of Distribution.
6.	Dilution.....	Not Applicable.
7.	Plan of Distribution.....	Plan of Distribution.
8.	Legal Proceedings.....	Business - Litigation.
9.	Directors, Executive Officers, Promoters and Control Persons.....	Management.
10.	Security Ownership of Certain Beneficial Owners and Management.....	Principal Shareholders.
11.	Description of Securities .....	Description of Securities.
12.	Interests of named Experts and Counsel.....	Legal Matters; Experts.
13.	Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	Management.
14.	Organization Within Last Five Years.....	Not Applicable
15.	Description of Business.....	Prospectus Summary; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; and Financial Statements.
16.	Management's Discussion and Analysis or Plan of Operation.....	Management's Discussion and Analysis of Financial Condition and Results of Operations.
17.	Description of Property.....	Business - Leased Property.
18.	Certain Relationships and Related Transactions.....	Certain Transactions.
19.	Market for Common Equity and Related Stockholder Matters.....	Outside Front Cover; Market for Common Equity and Related Stockholder Matters.
20.	Executive Compensation.....	Management - Executive Compensation and Employment Agreements.
21.	Financial Statements.....	Financial Statements.

</TABLE>

NATURAL HEALTH TRENDS CORP.

5,923,344 Shares of Common Stock, including 100,000 Underwriter Units  
Each Underwriter Unit consisting of two shares of Common Stock  
and one Class A Redeemable Common Stock Purchase Warrant  
and one Class B Redeemable Common Stock Purchase Warrant

This prospectus relates to an offering (the "Offering") by Natural Health Trends Corp., a Florida corporation (the "Company"), of (i) 2,661,672 shares of common stock, \$.001 par value (the "Common Stock") issuable upon the exercise of the Company's Class A redeemable common stock purchase warrants (the "Class A Warrants"), (ii) 2,661,672 shares of Common Stock issuable upon the exercise of the Company's Class B common stock purchase warrants (the "Class B Warrants"), and (iii) 100,000 units (the "Underwriter Units") issuable upon the exercise of the Underwriters' Unit purchase option, each unit consisting of two shares of Common Stock, together with one Class A Warrant and one Class B Warrant. The Class A Warrants and Class B Warrants are sometimes collectively referred to herein as the "Warrants."

There are presently outstanding: (a) 1,330,836 Class A Warrants and (b) 1,330,836 Class B Warrants. Each of the Warrants expires June 21, 2000 and entitles the holder, commencing June 21, 1996, or earlier with the prior written consent of Maidstone Financial, Inc. ("Maidstone"), to purchase two shares of Common Stock, for \$3.00 per share with respect to the Class A Warrants, and \$3.625 per share with respect to the Class B Warrants, in each case subject to adjustment in certain events. The Warrants were offered by the Company in the Company's initial public offering in June 1995 (the "Initial Public Offering"). See "PLAN OF DISTRIBUTION."

The Warrants are redeemable by the Company at a price of \$.05 per Warrant commencing June 21, 1996 (earlier with the prior written consent of Maidstone), provided that (i) 30 days prior written notice is given to the holders of the Warrants (the "Warrantholders") and (ii) the closing bid price per share of the Common Stock as reported on The NASDAQ Stock Market ("NASDAQ") (or the last sale price, if quoted on a national securities exchange) for 20 consecutive trading days, ending on the third day prior to the date of the notice of redemption, has been at least \$4.50 with respect to the Class A Warrants and \$5.00 with respect to the Class B Warrants, subject to adjustment in certain events. The Warrantholders shall have exercise rights until the close of the business day immediately preceding the date fixed for redemption. See "DESCRIPTION OF SECURITIES - Warrants."

The Underwriters' Unit Purchase Option was sold for \$10 to Maidstone and The Harriman Group, Inc. (collectively, the "Underwriters") as part of their compensation in connection with their underwriting of the Initial Public Offering. Each of the Underwriter Units are issuable upon exercise at \$4.875 per Underwriter Unit under the Underwriters' Unit Purchase Option commencing June 21, 1996 until the close of business on June 21, 2000, and consists of two shares of Common Stock, one Class A Warrant and one Class B Warrant. The Class A Warrants and Class B Warrants contained in the Underwriters' Unit Purchase Option are identical to the Class A Warrants and Class B Warrants offered in the Initial Public Offering.

The public offering prices of the Common Stock offered hereby are equal to the exercise price of the Class A Warrants, Class B Warrants and the Underwriters' Unit Purchase Option.

The Common Stock, the Class A Warrants and the Class B Warrants are traded on NASDAQ under the symbols "NHTC," "NHTCW" and "NHTCZ," respectively. The exercise prices of the Warrants were determined by negotiation between the Company and the Underwriters. The Company will not receive any proceeds from the sale of Common Stock and Warrants underlying the Underwriters' Units.

THIS OFFERING INVOLVES SUBSTANTIAL INVESTMENT RISKS, AND SECURITIES SHOULD BE PURCHASED ONLY BY PERSONS WHO CAN AFFORD TO SUSTAIN THE LOSS OF THEIR ENTIRE INVESTMENT. SEE "RISK FACTORS" ON PAGE 9.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION, OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

<TABLE>

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	Price to the Public	Underwriter Discounts and Commissions(1)	Proceeds to Company Per Share	Total Proceeds to Company(2)	
<S>	<C>	<C>	<C>	<C>	
Per Share of Common Stock underlying Class A Warrants.....		\$3.00	\$0.00	\$3.00	\$7,985,016
Per Share of Common Stock underlying Class B Warrants.....		\$3.625	\$0.00	\$3.625	9,648,561
Per Underwriter Unit, consisting of two shares of Common Stock, one Class A Warrant and one Class B Warrant.....		\$4.875	\$0.00	\$4.875	487,500
Per Share of Common Stock underlying Class A Warrants contained in the Underwriters' Unit Purchase Option.....		\$3.00	\$0.00	\$3.00	600,000
Per Share of Common Stock underlying the Class B Warrants Contained in the Underwriters' Unit Purchase Option.....		\$3.625	\$0.00	\$3.625	\$725,000
Total Proceeds to the Company.....	N/A	\$0.00	N/A	\$18,721,077	

(Footnotes on following page.)

</TABLE>

(1) Does not include additional compensation which may be paid to Maidstone by the Company arising from the Company's agreement that it pay to Maidstone a solicitation fee of seven percent of the aggregate exercise price of the Warrants exercised through the efforts and with the assistance of Maidstone. See "PLAN OF DISTRIBUTION."

(2) Does not include the payment of other expenses of the Offering (estimated at \$150,000), payable by the Company.

The date of this Prospectus is , 1996

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#### AVAILABLE INFORMATION

A Registration Statement on Form SB-2 (the "Registration Statement"), under the Securities Act, relating to the securities offered hereby has been filed by the Company with the Securities and Exchange Commission (the "Commission"), Washington, D.C. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and the securities offered hereby, reference is made to such Registration Statement, exhibits and schedules. Statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as exhibits to the Registration Statement, each such statement being qualified in all respects by such reference. A copy of the Registration Statement may be inspected without charge at the Commission's principal offices in Washington, D.C., and copies of all or any part thereof may be obtained from the Commission upon the payment of certain fees prescribed by the Commission.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), and in accordance therewith files periodic reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information concerning the Company may be inspected or copied at the public reference facilities at the Commission located at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the Commission's Regional Offices in New York, 7 World Trade Center, 13th Floor, New York, New York 10048, and in Chicago, Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such documents can be obtained at the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

The Company intends to furnish its shareholders with annual reports containing audited financial statements certified by the Company's independent public accounting firm and such other reports as the Company deems appropriate.

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## PROSPECTUS SUMMARY

The following is a summary of certain information contained in this Prospectus and is qualified in its entirety by reference to the more detailed information, including the Financial Statements and the Notes thereto, appearing elsewhere in this Prospectus. Unless otherwise indicated, the information in this Prospectus gives effect to a 1.56 to 1 stock split, a 1-2/3 to 1 stock split, and a 2 to 1 stock split effected in the form of stock dividends, in October 1994, March 1995, and October 1995, respectively. Unless the context otherwise indicates, the term the "Company" includes Natural Health Trends Corp., F.I.M.T.E. Supply, Inc., The Corporate Body, Inc. and Health Wellness Nationwide Corp. its wholly-owned subsidiaries. Each prospective investor is urged to read this Prospectus in its entirety. See "GLOSSARY OF TERMS" for definitions of certain technical terms used herein.

## THE COMPANY

Natural Health Trends Corp. (the "Company") is a corporation which develops and operates businesses to promote human wellness. Doing business as the Florida Institute, the Company owns and operates three vocational schools in Oviedo, Lauderhill and Miami, Florida (individually, the "Oviedo School," the "Lauderhill School" and the "Miami School" and collectively the "Schools") that offer training and preparation for licensing in therapeutic massage. Through its wholly owned subsidiary, Health Wellness Nationwide Corp., the Company owns a natural health care center in Boca Raton, Florida (the "Natural Health Care Center"), which provides multi-disciplinary complementary health care in the areas of alternative and nutritional medicine.

The Company acquired the Oviedo School from Reese Institute, Inc. in November 1995. The Lauderhill School and the Miami School also offer training and preparation for registration in holistic skin care. The Company seeks to fulfill the educational needs of adults seeking augmented career skills or whose educational needs have not been met in traditional educational environments. These individuals are primarily high school graduates and underemployed adults seeking specific career skills and training. As of May 31, 1996, approximately 560 students were enrolled in the Schools. The Miami School and Lauderhill School are licensed under Florida law and approved by the United States Department of Education (the "USD OE") to provide financial aid to qualified applicants. For the year ended December 31, 1995, the Schools derived approximately 66% of its revenues from financial aid provided under Federal or state assistance programs.

The Company plans to expand its business operations by seeking to increase the enrollment of the Schools and developing programs to offer massage therapy and other holistic health care services to the public. In September, 1995 the Company commenced the operation of an on-site service that offers massages at corporate offices (the "Corporate Massage Service").

Health Wellness Nationwide Corp. ("HWNC") a wholly owned subsidiary of the company was incorporated in 1995. HWNC's business is to own and operate multi-disciplinary complementary health care centers known as Natural Health Care Centers. The Natural Health Care Centers will specialize in alternative and nontraditional medical therapies to promote human wellness, including homeopathy, environmental and internal medicine, allergy and Candida treatment, clinical nutrition, pain management, massage therapy and stress reduction. In January 1996 the Company purchased its first Natural Health Care Center by buying the assets of an existing company operating a multi-disciplinary, complementary health care clinic located in Boca Raton, Florida. The Company has signed an agreement to purchase

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another Natural Health Care Center. The Company plans to open additional Natural Health Care Centers. However, there can be no assurance that it will do so. See "Business - Expansion Strategy."

The Company was incorporated under the name Florida Institute of Massage Therapy, Inc. in Florida in December 1988 and changed its name to Natural Health Trends Corp. in June 1993. The Company's principal offices are located at 2001 West Sample Road, Pompano Beach, Florida 33064 and its telephone number is (305) 969-9771.

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## THE OFFERING

<TABLE>

<S>                      <C>  
Securities Offered ..... (a) 2,661,672 shares of Common Stock underlying the Class A Warrants exercisable at \$3.00 per share. See "DESCRIPTION OF SECURITIES."  
  
(b) 2,661,672 shares of Common Stock underlying the Class B Warrants exercisable at \$3.625 per share. See "DESCRIPTION OF SECURITIES."  
  
(c) 100,000 Underwriter Units underlying the Underwriters' Unit Purchase Option, each Underwriter Unit consisting of two shares of Common Stock, one Class A Warrant and one Class B Warrant exercisable at \$4.875 per Unit. See "DESCRIPTION OF SECURITIES."  
  
(d) 200,000 shares of Common Stock underlying each of the Class A Warrants and Class B Warrants contained in the Underwriters' Unit Purchase Option exercisable at \$3.00 and \$3.625 per share, respectively. See "DESCRIPTION OF SECURITIES."

Common Stock  
Outstanding Prior to the Offering..... 11,085,108 shares(1)  
  
Outstanding After the Offering..... 17,008,452 shares(1)(2)

Warrants  
Outstanding Prior to the Offering..... 1,330,836 Class A Warrants and 1,330,836 Class B Warrants  
  
Outstanding After the Offering..... 0 Class A Warrants and 0 Class B Warrants(2)

Exercise Terms..... The Class A Warrants and Class B Warrants each entitle the holder to purchase two shares of Common Stock at an exercise price of \$3.00 per share and \$3.625 per share, respectively, subject to adjustment in certain events, for a four year period commencing June 21, 1996 (or earlier with the consent of Maidstone). See "DESCRIPTION OF SECURITIES -- Warrants."

</TABLE>

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<TABLE>

<S>                      <C>  
Redemption..... The Warrants are redeemable by the Company, commencing June 21, 1996 (or earlier with the consent of Maidstone) at a price of \$.05 for each Warrant, provided that 30 days prior written notice is given to the Warrant holders and the closing bid price per share of the Common Stock as reported on NASDAQ (or the last sale price, if quoted on a national securities exchange) is at least \$4.50 with respect to the Class A Warrants and \$5.00 with respect to the Class B Warrants, for 20 consecutive trading days ending on the third day prior to the date of the notice of redemption. See "DESCRIPTION OF SECURITIES - Warrants."

Use of Proceeds..... The net proceeds of this Offering will be used for working capital and general corporate purposes. See "USE OF PROCEEDS."

Risk Factors..... The purchase of the securities offered hereby involves a high degree of risk. See "RISK FACTORS."

NASDAQ Trading Symbols..... Common Stock: NHTC; Class A Warrants: NHTCW; Class B Warrants: NHTCZ.

</TABLE>

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- (1) Does not include 656,666 shares of Common Stock issuable pursuant to the Company's 1994 Stock Option Plan. See "MANAGEMENT."  
  
(2) Assumes exercise of all of the Class A Warrants and Class B Warrants, the exercise of the Underwriters' Unit Purchase Option and the Class A Warrants and Class B Warrants included in the Underwriters' Unit Purchase Option.

SUMMARY FINANCIAL INFORMATION

The following summary financial information is derived from, and should be read in conjunction with, the financial statements and the related notes included elsewhere in this Prospectus. The interim financial statements for the three month periods ended March 31, 1996 and 1995 are unaudited, but include all adjustments which, in the opinion of management, are necessary for a fair presentation of the Company's financial position and results of operations for such periods. All such adjustments are of a normal and recurring nature. The results of operations for any interim period are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 1996. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" and "FINANCIAL STATEMENTS."

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Statement of Operations Data

<TABLE>  
<CAPTION>

	Three Months Ended March 31,		Year Ended December 31,		
	1996	1995	1995	1994	
<S>	<C>	<C>	<C>	<C>	
Revenues.....	\$1,537,632	\$776,879	\$3,138,203	\$2,254,299	
Cost of Sales.....	910,556	370,129	1,895,236	1,142,607	
Gross Profit.....	627,076	406,750	1,242,967	1,111,692	
Selling, General and Administrative Expenses.....		719,945	333,603	2,030,495	1,031,070
Non-Cash Imputed Compensation Expense		-	-	731,000	-
Operating Income (Loss).....	(92,869)	73,147	(1,518,528)	80,622	
Other Income (Expense).....	(47,955)	(49,414)	(447,635)	(58,576)	
Income (Loss) Before Income Taxes.....	(140,824)	23,733	(1,966,163)	22,046	
Provision for Income Taxes.....	-	5,000	(27,294)	4,000	
Net Income (Loss).....	\$ (140,824)	\$ 18,733	\$ (1,938,869)	\$ 18,046	
Net Income Per Common Share.....	\$(0.01)	\$0.00	(\$0.21)	\$0.00	
Weighted Average Shares of Common Stock Used In Calculation.....	10,965,775	7,952,802	9,204,816	7,790,658	

</TABLE>

Balance Sheet Data

<TABLE>  
<CAPTION>

	March 31, 1996
<S>	<C>
Current Assets.....	\$1,965,725
Working Capital (Deficit).....	\$843,198
Total Assets.....	\$6,614,207
Current Liabilities.....	\$1,122,527
Long Term Debt.....	\$1,936,987
Total Liabilities.....	\$3,070,817
Shareholders' Equity.....	\$3,163,390

</TABLE>

## RISK FACTORS

THIS OFFERING INVOLVES SUBSTANTIAL INVESTMENT RISKS AND SECURITIES SHOULD BE PURCHASED ONLY BY PERSONS WHO CAN AFFORD TO SUSTAIN THE LOSS OF THEIR ENTIRE INVESTMENT. IN EVALUATING AN INVESTMENT IN THE COMPANY AND ITS BUSINESS PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS AS WELL AS THE INFORMATION SET FORTH ELSEWHERE IN THIS PROSPECTUS.

### Historical Losses

The Company had a net loss of \$1,938,869 (on revenues of \$3,138,203) for the year ended December 31, 1995. For the year ended December 31, 1994, the Company had net income of approximately \$18,000 (on revenues of \$2,254,299). For the three months ended March 31, 1996 and 1995, the Company had a net loss of \$140,824 and net income of \$18,733, respectively. There is no assurance that the Company can generate net income, increase revenues or successfully expand its operations in the future. The Company is subject to all of the problems, expenses, delays and other risks inherent in a business with a relatively short history of operations and in a business seeking to expand its operations, including the Company's lack of experience in connection with operating a business offering services to the public and the establishment of new businesses in undeveloped and evolving industries. Therefore, the Company cannot predict with certainty the success or failure of its future operations. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," "BUSINESS" AND "FINANCIAL STATEMENTS."

### Dependence Upon Proposed Expansion Program

The Company has applied for a license to operate the Schools as a degree-granting junior college. The Company believes that completion of the application process will be completed in 1996. However, there can be no assurance as to if or when such application will be approved. The success of the Company's plans to operate the Schools as a degree-granting junior college will be dependent upon, among other things, the approval of the Company's application by the State of Florida, the ability of the Schools to enroll students, the development of additional programs of study and the transferability of credits from the Schools to four year colleges and universities.

The transferability of credits from one educational institution to another, absent an articulation agreement between the two schools, is generally at the discretion of the receiving institution. The factors that receiving institutions typically consider include, but are not limited to, the similarity of accrediting commissions, the licensing status of the two institutions and the similarity of program content, curriculum and textbooks. In addition, many institutions enter into articulation agreements which establish specific guidelines for the transfer of credits from one institution to another. However, these agreements are not required by law, and the content may vary dramatically depending on whether the institution is a public, private, academic or vocational/technical school. Absent articulation agreements between the two schools, consideration for the acceptance of transfer of credits is more subjective than the transfer of credits between otherwise similar public or private institutions. There can be no assurance that credits from the Schools' courses will be transferable. If the ability of the Schools' students to transfer credits to four year colleges and universities is limited, then the Schools' ability to recruit new students may be impaired.

In addition, the Company plans to open additional Natural Health Care Centers. The success of Natural Health Care Centers will be dependent upon, among other things, the Company's ability to attract patients, hire qualified personnel and maintain the necessary licenses. The success of the Company's Corporate Massage Service will be dependent upon, among other things, the Company's ability to establish a client base and hire qualified personnel. Many of the factors required for the various new operations to succeed will be beyond the Company's control. These include, but are not limited to, the effectiveness of the Company's marketing efforts in attracting students for the Schools, clients for the clinics and the Corporate Massage Service and the acceptance of the Schools' credits by other degree-granting institutions.

The Company's growth depends to a significant degree on its ability to carry out its proposed expansion program. There can be no assurance that the Company will be able to hire, train and integrate employees, and adapt its management, information and other operating systems, to the extent necessary to grow in a profitable manner. In addition, the costs associated with the



Company's planned expansion may be significantly greater than anticipated and may have a materially adverse impact upon the Company's results and prospects. In the event that the Company's plans for expansion are not successful, there could be a materially adverse effect on the Company's business. See "USE OF PROCEEDS" and "BUSINESS - Expansion Strategy."

#### Uncertainty of Market Acceptance

The Company's expansion plans are based on the practice of massage therapy and holistic forms of health care. The Company does not believe that the market for products and services related to massage therapy and holistic forms of health care, subject to certain limited exceptions, is either well-developed or has an established history. Management believes that, as is typical in an undeveloped industry, demand and market acceptance for the services and products that the Company intends to introduce will be subject to a high level of uncertainty. The Company does not intend to conduct any formal marketing or other concept feasibility studies to predict the commercial viability of its concepts. The Company has limited financial, personnel and other resources to undertake marketing activities. The Company's success will be dependent on, among other things, its ability: to achieve and maintain the necessary licenses and accreditation to operate as a degree-granting junior college; to achieve a sufficient level of enrollment in the Schools; to qualify for, receive and maintain any licenses necessary to operate, and to obtain a sufficient level of acceptance of the services of the Natural Health Care Centers; and to achieve a sufficient client base for the Corporate Massage Service. In light of the relatively undeveloped markets for the Company's services and products and the lack of significant funds for marketing, there can be no assurance that substantial markets will develop and, if so, whether the Company can exploit them profitably. See "USE OF PROCEEDS" and "BUSINESS - Expansion Strategy."

#### Dependence Upon Proceeds of the Offering and Possible Need for Additional Financing

The Company intends to use the proceeds of the Offering for working capital and general corporate purposes. The Company believes that the anticipated net proceeds of the Offering, together with anticipated cash flow, will be sufficient to meet the Company's projected cash requirements for its present plans for expansion for at least the next 12 months. However, there can be no assurance that this will be the case. If the Company's revenues do not continue to be sufficient to fund the current level of operations of the Company, or to enable the Company to implement its present plans for expansion, then the Company will have to seek additional financing. In addition, the Company intends to seek to open additional Natural Health Care Centers, of which there can be no assurance. As it is likely that revenues from the

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Company's operations at such time will not be sufficient, the Company will be required to raise additional capital to make such acquisitions and finance the operations of such new businesses. Such additional financing may be in the form of indebtedness from institutional lenders or other third parties or as equity financing. There can be no assurance that such financing will be available and, if so, on acceptable terms. Any such financing may result in significant dilution to investors in the Offering or cause the Company to become overly leveraged. See "USE OF PROCEEDS" and "FINANCIAL STATEMENTS."

#### Dependence on Accreditation and Student Financial Aid Programs

The Company and its Schools must comply with a variety of Federal and state regulations in order for eligible students to qualify for government financial aid for tuition and related expenses. These include requirements that the Schools offer a mandated minimum tuition refund to students who leave the Schools before completing their programs of study and that the percentage of students enrolled without a high school or general equivalency diploma be below specified levels. In addition, under USDOE regulations, educational institutions with annual student loan default rates in excess of 25% (30% prior to 1994) for three consecutive years may lose their eligibility for student loans. The Schools' student loan default rates for 1992 and 1993 were determined to be 17% and 10%, respectively. The default rates for 1994 and 1995 will not be available from the USDOE until the third quarters of 1996 and 1997, respectively. Moreover, under Federal regulations, a student drop-out rate in excess of 33% may impair an institution's ability to administer financial aid programs and is one factor in determining whether to deny an institution's certification to participate in Federal student aid programs. A student drop-out rate exceeding 33%, however, is not alone sufficient to disqualify an institution from such participation, but must be viewed in conjunction with other factors such as loss of state licensing, loss of accreditation, poor periodic reviews or high student loan default rates. The Schools' dropout rate in 1995 was approximately 10%. The Schools may also be deemed ineligible to participate in financial aid programs if the USDOE determines that 85% or more of the Schools' operating revenue is derived from Title IV financial aid programs (the "85-15 Rule"). According to the Company's preliminary calculations, the Schools derived approximately 66% of their revenues for 1995 from Title IV Federal financial aid programs. The

official determination of the Company's compliance for the year ended December 31, 1994 with the 85-15 Rule will likely be made by the end of 1996. There can be no assurance that the Schools will be able to meet the standards set by USDOE regulations or otherwise remain eligible to participate in Federal financial aid programs.

Federal regulations require the accreditation of a school by a private commission recognized by the USDOE. The accreditation commission, in turn, sets additional standards relating to curricula, teacher qualifications and other matters. When a school wishes to participate in student aid programs, the school applies for accreditation from an accrediting body and a designation from the USDOE that it is an approved educational institution where eligible students may participate in government-sponsored student financial aid programs. The Miami and Lauderhill Schools are accredited by the Accrediting Commission of the Career Schools and Colleges of Technology and the Schools' Therapeutic Massage Training Program is accredited by the Commission on Massage Training Approval/Accreditation of the American Massage Therapy Association. Moreover, the Company has applied for accreditation of the Oviedo School, as a branch campus of the Lauderhill School and there can be no assurance as to when or if such application will be approved. There can be no assurance that the Company's Schools will be able to maintain their accreditation.

The loss of accreditation would result in the loss of the Company's ability to offer Federal financial aid under Title IV of the Higher Education Act of 1965, as amended ("Title IV") (Federal Pell

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Grants and/or Federal Family Educational Loan Programs), and would severely restrict the Company's ability to attract substantial numbers of students. During the year ended December 31, 1995 the Company depended on government funding under Federal student financial aid programs and state assistance programs for approximately 66% and 5% of its revenues, respectively. Numerous Federal projects, including Title IV financial aid programs, that provide funds for student loans and grants, are currently under scrutiny by the U.S. Congress. There can be no assurance that these Federal programs, or other state programs, will not be reduced or eliminated. The loss of accreditation or a reduction of Federal student financial aid programs would have a material adverse effect on the Company. See "BUSINESS - Regulation."

Possible Loss of Student Financial Aid, License and Accreditation in the Event of a Change of Control of the Company

Under current USDOE regulations, a change in control of the Schools could result in a temporary or a permanent loss of Federal financial aid funds to the Schools' students. In addition, under the regulations of the State Board of Independent Postsecondary, Vocational, Technical, Trade and Business Schools of the Florida Department of Education (the "Florida State Board") a change of ownership resulting in a change of control may result in the termination of the Schools' licenses. The Schools will also require the approval of the Schools' accrediting commission upon a change of control. Pursuant to the USDOE regulations, a determination of a change of control would involve a review of which persons or entities have the power to direct or cause the direction of management and policies of the Schools. Under the Florida State Board's regulations, a change of control constitutes a change in the authority to establish or modify school policies, standards and procedures or the authority to make the effective decisions regarding the implementation or enforcement of school policies, standards and procedures. In such event, the prior approval of the Florida State Board is required. Under the rules of the Schools' accrediting commission, a change of control occurs when a person or a corporation obtains authority to control the actions of the institution, including a change of control which occurs as a result of a transfer in voting interest. The Company believes, although there can be no assurance, that as a result of the Company's completion of the Initial Public Offering and additional issuances of shares of Common Stock, including the issuance of shares of Common Stock upon the exercise of the Warrants that there has not been or would be a change of control that would result in a loss of its eligibility for Federal financial aid funds, a review of its licenses, or the requirement of prior approval by its accrediting commission. Should the percentage ownership of the Company's Common Stock by the Company's present shareholders, officers and directors decrease further through the issuance of additional shares of Common Stock, the issue of whether there was a change of control, if raised by the USDOE, the Florida State Board or the accrediting commission, would be determined pursuant to the standards set forth above, on the basis of the facts then existing, including the percentage ownership of the present shareholders, officers and directors, as compared with the holdings of others and other factors relating to the actual control of the Company. Should there be a determination that a change of control had occurred by the USDOE, the Florida State Board or the Schools' accrediting commission and there was disruption or termination of the availability of Federal financial aid to the Schools' students or a termination or interruption of the licenses or accreditation of the Schools, there would be a material adverse effect on the Company, its business and its prospects. See "BUSINESS - Regulation."

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## Dependence on State Licensing

The Company is dependent on state licensing from the Florida State Board to operate its Schools and to recruit students. Extensive and complex regulations govern these matters. Moreover, many other states require post-secondary educational institutions operated with private investment capital to post surety bonds as a precondition to licensing. Although the Company is not required to post surety bonds with state regulatory authorities at this time, there is no assurance that the Company will not be required to do so in the future. Moreover, if certain financial tests recently adopted by the California legislature and similar regulations adopted or proposed by other state regulators are adopted in Florida, or if the Company expands into jurisdictions in which such regulations are in effect, the Company may be unable to satisfy the applicable requirements. The Company might be unable to operate its Schools or otherwise be materially and adversely affected if it is unable to comply with current or future rules and regulations.

The present state licenses for the Miami School, the Lauderhill School and the Oviedo School expire on September 30, 1996, March 31, 1998 and November 30, 1996, respectively, and are subject to renewal at such times. The license for the Miami School must be renewed on an annual basis, while the licenses for the Lauderhill School and the Oviedo School, because they have been licensed and in good standing for more than five years, must be renewed on a biennial basis. There can be no assurance that the Florida State Board will renew the licenses of each of the Schools. The failure of the Florida State Board to renew each of the Schools' licenses would have a material adverse effect on the Company. See "BUSINESS - Regulation."

The physicians who work in the National Health Care Center are also licensed by state licensing boards. Any revocation of a license or institution of disciplinary procedures against a physician could have a material adverse effect on the Company's business.

## Regulation of Corporate Massage Service and the Natural Health Care Centers

The massage therapists employed in connection with the Corporate Massage Service are required to satisfy professional licensing requirements by the Division of Professions, Board of Massage, of the Department of Business and Professional Regulation, under the Florida Massage Practice Act. Moreover, the massage therapists and other specialists whose services are offered at the Natural Health Care Center and other proposed Natural Health Care Centers, such as acupuncturists, chiropractors, physicians, nutritionists, skin care professionals and estheticians, are subject to ongoing professional licensing requirements. The failure of such persons to practice in accordance with professional licensing requirements could have a material adverse effect on the Company. See "BUSINESS - Regulation."

## Potential Liability; Insurance

The operation of the Natural Health Care Center, the Corporate Massage Service and other Natural Health Care Centers exposes the Company to the possibility of personal injury or other liability claims. The Company maintains a general liability insurance policy which is subject to a \$1,000,000 per occurrence limit with a \$2,000,000 aggregate limit. The Company also maintains a professional liability insurance policy which is subject to a \$1,000,000 per occurrence limit with a \$3,000,000 aggregate limit. The Company carries \$1,000,000 of malpractice insurance with respect to the Natural Health Care Center. The Company anticipates procuring additional insurance in connection with the Company's proposed expansion plans. There can be no assurance, however, that the Company's insurance will be

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sufficient to cover potential claims or that an adequate level of coverage will be available in the future at reasonable cost, if at all. A successful claim against the Company which exceeds, or is not covered by, its insurance policies could have a material adverse effect on the Company. In addition, the Company may be required to expend significant resources and energy in defending against any claims. See "BUSINESS - Insurance."

## Competition

The Schools compete with (i) regional vocational schools and national vocational schools which offer occupational training programs in massage therapy, holistic skin care and in related and unrelated fields, (ii) two and four year universities and colleges, and (iii) on-the-job training offered by private and government employers. Many current and future competitors have greater financial, recruiting and job placement resources than the Company, have longer operating histories and are more established than the Company, and have more extensive facilities and more personnel than the Company has now or will

have in the foreseeable future. See "BUSINESS - Competition."

The Company will face extensive competition in connection with its proposed expansion program in areas in which the Company lacks experience. The Natural Health Care Center and other Natural Health Care Centers compete and will compete with doctors, hospitals and medical clinics offering traditional forms of health care and other practicing therapists offering traditional forms of health care, as well as with other providers of holistic forms of health care and health maintenance. The Corporate Massage Service competes against individual massage therapists, health clubs and other massage providers. Many of these competitors will have established practices and greater financial resources than the Company. In addition, the services offered by the Company's competitors may be covered by medical insurance or other third party reimbursement.

#### Lack of Insurance Coverage

The Company anticipates that medical insurance coverage and other third party reimbursement will not be available for most of the services offered by the Natural Health Care Centers and to the extent that such services are covered, coverage may be limited. The lack of medical insurance coverage or other third party reimbursement for all of the services performed at the Natural Health Care Centers may affect the ability to attract and retain patients. See "BUSINESS - Competition."

#### Dependence on Key Personnel

The Company believes that its success depends to a significant extent on the efforts and abilities of Neal R. Heller, President and a director of the Company, and on Elizabeth S. Heller, Secretary, Treasurer and a director of the Company. Mr. and Mrs. Heller have each entered into employment agreements with the Company that expire in December 1997. The success of the Company's first Natural Health Care Center depends upon Samantha Haimes and Dr. Leonard Haimes. Samantha Haimes and Leonard Haimes have entered into three-year contracts expiring in 1999. The Company maintains key-employee insurance on the lives of all of such employees. The loss or curtailment of the services of any of such employees would have a materially adverse effect on the Company. The ability of the Company to realize its business strategy might be jeopardized if any of such individuals becomes incapable of fulfilling his or her obligations to the Company and a qualified successor is not found promptly. The Company's success also depends upon its ability to attract and retain qualified massage

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therapists, physicians and other qualified personnel, including both instructors and practitioners of other holistic health care services. While the Company believes there are numerous qualified massage therapists and other holistic health care practitioners currently available, competition for such personnel may increase. If HWNC acquires existing alternative medicine clinics to be operated as Natural Health Care Centers, the Company will be dependent on the key employees of such clinics. See "BUSINESS Employees" and "MANAGEMENT."

#### Benefits to Insiders

Neal R. Heller and Elizabeth S. Heller, executive officers and directors of the Company, have personally guaranteed certain obligations of the Company, including the mortgage loans relating to the Pompano Property and certain property adjacent to the Pompano Property (the "Adjacent Parcel"). The likelihood that Mr. and Mrs. Heller will have to perform their obligations pursuant to any of their guarantees will be reduced upon the Company's receipt of the net proceeds of the Offering. Mr. and Mrs. Heller own all of the outstanding capital stock of Justin Real Estate Corp. ("Justin Corp."), which owns the Adjacent Parcel. The Company has agreed with Justin Corp. to make all of the principal and interest payments on a second mortgage loan in the original principal amount of \$525,000 and a mortgage loan in the original principal amount of \$450,000 (the "Adjacent Parcel Mortgage Loan"), which loans encumber the Adjacent Parcel as well as the Pompano Property. Therefore, Mr. and Mrs. Heller will benefit from the payment of such loans by the Company. See "BUSINESS - Property" and "CERTAIN TRANSACTIONS."

#### Risk of Foreclosure of Mortgages on Pompano Property

The Pompano Property is encumbered by mortgages securing repayment of loans made to acquire the Adjacent Parcel which is owned by Justin Corp., which is wholly-owned by Mr. and Mrs. Heller. The Company is obligated to make the payments on two mortgages in the aggregate principal amount of \$1,875,000, and the Company is making payments on a mortgage loan on the Adjacent Parcel Mortgage Loan in the amount of \$450,000 for the benefit of Justin Corp. In the event that either the Company or Justin Corp. defaults on its obligations under such mortgage loans, the mortgagee could foreclose on the mortgages encumbering the Pompano Property. Although Mr. and Mrs. Heller have personally guaranteed the repayment of the mortgage loans relating to the Pompano Property and the

Adjacent Parcel, there is a risk of foreclosure of the mortgage loans on the Adjacent Parcel and the Pompano Property. A foreclosure of the mortgage loans on the Pompano Property would have a material adverse effect on the Company. See "BUSINESS - Pompano Property" and "CERTAIN TRANSACTIONS."

#### Indemnification of Officers and Directors

The Articles of Incorporation of the Company provide that the Company shall indemnify to the fullest extent permitted by Florida law any person whom it may indemnify thereunder, including directors, officers, employees and agents of the Company. Such indemnification (other than as ordered by a court) shall be made by the Company only upon a determination that indemnification is proper in the circumstances because the individual met the applicable standard of conduct. Advances for such indemnification may be made pending such determination. In addition, the Articles of Incorporation provide for the elimination, to the extent permitted by Florida law, of personal liability of directors to the Company and its shareholders for monetary damages for breach of fiduciary duty as directors. The

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foregoing may reduce the likelihood of derivative litigation against directors and officers of the Company and may discourage or deter shareholders or management from suing directors or officers for breaches of their duty of care, even though such an action, if successful, might otherwise benefit the Company and its shareholders. See "MANAGEMENT - Indemnification of Officers and Directors."

#### Control by Current Shareholders, Officers and Directors

The current officers and directors of the Company beneficially own an aggregate of approximately 57.5% of the Company's Common Stock and assuming exercise of all of the Warrants will own 30.9% and will be in a position to influence the election of the Company's directors and otherwise essentially control the outcome of all matters requiring shareholder approval including election of the Company's directors. See "MANAGEMENT" and "PRINCIPAL SHAREHOLDERS."

#### No Dividends

The Company has not paid any cash dividends on its Common Stock to date and does not anticipate declaring or paying any cash dividends in the foreseeable future. In addition, future financing arrangements, if any, may preclude or otherwise restrict the payment of dividends. See "DIVIDEND POLICY."

#### Relationship of Underwriters and Trading

Maidstone may act in a brokerage capacity with respect to the purchase or sale of Common Stock or Warrants in the over-the-counter market where each will trade. Maidstone also has the right to act as the Company's exclusive agent in connection with the solicitation of Warrant holders to exercise their Warrants. Unless granted an exemption by the Commission from Rule 10b-6 promulgated under the Exchange Act, Maidstone and any soliciting broker-dealers will be prohibited from engaging in any market-making activities or solicited brokerage activities with regard to the Company's securities during a period beginning nine business days prior to the commencement of any such solicitation and ending on the later of the termination of such solicitation activity or the termination (by waiver or otherwise) of any right that Maidstone and soliciting broker-dealers may have to receive a fee for soliciting the exercise of the Warrants. As a result, Maidstone and soliciting broker-dealers may be unable to continue to make a market for the Company's securities during certain periods while the Warrants are exercisable. Such a limitation, while in effect, could impair the liquidity and market price of the Company's securities. See "PLAN OF DISTRIBUTION."

#### Underwriters' Unit Purchase Option and Registration Rights

In connection with the Initial Public Offering the Company sold to the Underwriters, for \$10, the Underwriters' Unit Purchase Option which entitles the Underwriter to purchase 100,000 Underwriter Units. The Underwriter Units issuable upon the exercise of the Underwriters' Units Purchase Option are identical to the Units offered in the Initial Public Offering. The Underwriters' Unit Purchase Option is exercisable at \$4.875 per Underwriter Unit until June 21, 2000. The exercise of the Underwriters' Unit Purchase Option and the exercise of the Warrants contained in the Underwriter's Unit may dilute the value of the shares of Common Stock to be acquired by holders of the Warrants, may adversely affect the

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Company's ability to obtain equity capital, and, if the shares of Common Stock issuable upon the exercise of the Underwriters' Unit Purchase Option and the Underwriters' Warrants are sold in the public market, such sales may affect the market price of the Common Stock. The Underwriters have been granted certain "piggyback" and demand registration rights for periods of seven years and four years, respectively, commencing June 21, 1996 with respect to the registration under the Securities Act of the securities directly and indirectly issuable upon exercise of the Underwriters' Unit Purchase Option. The exercise of such rights could result in substantial expense to the Company. The securities contained in the Underwriters' Unit Purchase Option are being registered hereby.

#### Shares Eligible for Future Sale

Of the 11,085,108 shares of Common Stock currently outstanding, 6,036,802 are "restricted securities" as that term is defined in Rule 144 under the Securities Act and may only be sold pursuant to a registration statement filed under the Securities Act or in compliance with Rule 144 or another exemption from the registration requirements of the Securities Act. In general, under Rule 144, subject to the satisfaction of certain other conditions, a person, including an affiliate of the Company, who has beneficially owned restricted shares of Common Stock for at least two years is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of 1% of the total number of outstanding shares of the same class, or if the Common Stock is quoted on NASDAQ or a stock exchange, the average weekly trading volume during the four calendar weeks immediately preceding the sale. A person who presently is not and who has not been an affiliate of the Company for at least three months immediately preceding the sale and who has beneficially owned the shares of Common Stock for at least three years is entitled to sell such shares under Rule 144 without regard to any of the volume limitations described above. Of the shares of Common Stock outstanding, the holders of 5,656,802 shares of Common Stock have agreed not to sell any of their shares until June 21, 1997 without the consent of Maidstone. See "PRINCIPAL SHAREHOLDERS."

In addition, 656,666 shares of Common Stock are reserved for issuance upon the exercise of options which may be granted under the Company's 1994 Stock Option Plan. To the extent that options are exercised, dilution to the interests of the Company's shareholders may occur. Moreover, the terms upon which the Company will be able to obtain additional equity capital may be adversely affected, since the holders of the outstanding options or warrants can be expected to exercise them, to the extent they are able to, at a time when the Company would, in all likelihood, be able to obtain any needed capital on terms more favorable to the Company than those provided in the options or warrants. See "MANAGEMENT" and "DESCRIPTION OF SECURITIES."

#### Anti-Takeover Effect of Issuance of Preferred Stock

The Company's Articles of Incorporation authorizes the issuance of 1,500,000 shares of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by the Board of Directors. Accordingly, the Board of Directors is empowered, without shareholder approval, to issue preferred stock with dividends, liquidation, conversion, voting or other rights which could decrease the amount of earnings and assets available for distribution to holders of Common Stock and adversely affect the relative voting power or other rights of the holders of the Company's Common Stock. In the event of issuance, the preferred stock could be used, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company. Although the Company has no present intention to issue any shares of its preferred stock and has agreed

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not to issue any shares of preferred stock until June 21, 1997 without the consent of Maidstone, there can be no assurance that the Company will not do so in the future. See "DESCRIPTION OF SECURITIES."

#### Potential Adverse Effect of Redemption of Warrants

The Warrants are redeemable by the Company at a price of \$.05 per Warrant, commencing June 21, 1996 (or earlier with the consent of Maidstone) and prior to their expiration, provided that (i) 30 days prior written notice is given to the Warrantholders, and (ii) the closing bid price per share of the Common Stock as reported on NASDAQ (or the last sale price, if quoted on a national securities exchange) on each of the 20 consecutive trading days ending on the third day prior to the date of the notice of redemption has been at least \$4.50 with respect to the Class A Warrants and \$5.00 with respect to the Class B Warrants. The Class A Warrants and Class B Warrants may be subject to redemption at separate times, depending on the price of the Common Stock. The holders of the Warrants have exercise rights until the close of the business day preceding the date fixed for redemption. Notice of redemption of the Warrants could force the holders to exercise the Warrants and pay the respective exercise prices at a time when it may be disadvantageous for them to do so, to sell the Warrants at the market price when they might otherwise wish to hold the Warrants, or to accept the redemption price which is likely to be substantially less than the market value of the Warrants at the time of redemption. See "DESCRIPTION OF

## Current Prospectus and State Blue Sky Registration Required to Exercise Warrants

Warrant holders will have the right to exercise the Warrants and purchase shares of Common Stock only if a current prospectus relating to such shares is then in effect and only if the shares are qualified for sale under the securities laws of the applicable state or states, or there is an exemption from the applicable qualification requirements. The Company has undertaken and intends to file and keep effective and current a prospectus which will permit the purchase and sale of the Common Stock underlying the Warrants, but there can be no assurance that the Company will be able to do so. Although the Company intends to qualify for sale the shares of Common Stock underlying the Warrants in those states in which the securities are to be offered, no assurance can be given that such qualification will occur. The Warrants may be deprived of any value if a prospectus covering the shares issuable upon the exercise thereof is not kept effective and current or if such underlying shares are not, or cannot be, registered in the applicable states. Although the Company does not presently intend to do so, the Company reserves the right to call the Warrants for redemption whether or not a current prospectus is in effect or such underlying shares are not, or cannot be, registered in the applicable states. See "DESCRIPTION OF SECURITIES - Warrants."

## USE OF PROCEEDS

The net proceeds to the Company from the Offering, net of expenses of the Offering are estimated to be approximately \$18,061,768 assuming that all of the Warrants and the Underwriters' Unit Purchase Option and the Warrants contained therein are exercised. There can be no assurance as to the number, if any, of Warrants, including the Underwriter's Purchase Option, which will be exercised. Management anticipates that the proceeds, if any, will be allocated to working capital and for general corporate purposes.

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The proceeds allocated to working capital will be applied, to the extent necessary, to the Company's current operations. However, as it is an inherent part of the Company's strategic plan to achieve long-term growth through, in part, acquisitions, a portion of the proceeds allocated to working capital may be used in connection with one or more acquisitions.

Pending use of the net proceeds of the Offering, if any, the funds will be invested temporarily in certificates of deposit, short-term government securities or similar investments. Any income from these short-term investments will be used for working capital.

## DIVIDEND POLICY

The Company has never paid cash dividends on its capital stock and does not anticipate paying cash dividends in the foreseeable future, but instead intends to retain future earnings, if any, for reinvestment in its business. The Company is not presently a party to any agreement which limits its ability to pay cash dividends on its capital stock. However, the Company may in the future enter into agreements which limit its ability to pay cash dividends on its capital stock. Any future determination to pay cash dividends will be at the discretion of the Board of Directors and will be dependent upon the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors deems relevant.

## CAPITALIZATION

The following table sets forth the actual capitalization of the Company at March 31, 1996. This table should be read in conjunction with the Company's financial statements and the notes thereto included elsewhere in this registration statement.

<TABLE>  
<CAPTION>

	Actual	<C>
	-----	<C>
<S>		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.001 par value, 1,500,000 shares authorized; no shares issued and outstanding	\$ -	
Common stock, \$.001 par value; 20,000 shares authorized; 11,085,108 shares issued and outstanding at March 31, 1996	11,085	
Additional paid-in capital	5,347,034	
Retained earnings (accumulated deficit)	(1,814,729)	

Common stock subject to put	(380,000)
	-----
TOTAL STOCKHOLDERS' EQUITY	\$3,163,390
	=====

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three Months Ended March 31, 1996 and 1995

Total revenues were \$1,537,632 for the three months ended March 31, 1996 compared to \$776,879 for the three months ended March 31, 1995. This represents an increase of \$760,753 or 98%. The increase is primarily attributable to approximately \$432,000 in fee revenue provided by the Natural

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Health Care Center which was acquired by the Company in January 1996, approximately \$77,000 in rental income which did not commence until the Pompano Property was acquired in May 1995 and approximately \$165,000 from the Oviedo School which was acquired in November 1995. Additionally, tuition revenues from the Miami School and Lauderhill School increased by approximately \$60,000, due primarily to increased enrollment.

Cost of sales for the three months ended March 31, 1996 were \$910,556 compared to \$370,129 for the comparable period of the prior year. Gross profit as a percentage of revenues was 41% for the three months ended March 31, 1996, compared to 52% for the three months ended March 31, 1995. Management believes that the decrease in gross profit as a percentage of revenues in 1996 was primarily attributable the new services offered by the Company. Specifically, the Natural Health Care Center incurred higher costs for medical salaries and medical products and costs and the Corporate Massage Service incurred significant expenses, but is still in a start-up stage and has provided minimal revenues to date.

Selling, general and administrative expenses were \$719,945 for the three months ended March 31, 1996. This represents an increase of \$386,342 from the three months ended March 31, 1995. Management believes that the increase is primarily attributable to the higher level of operations. These costs as a percentage of revenues were 47% in the 1996 period as compared to 43% in the 1995 period. Management believes that the increase as a percentage of revenues is primarily attributable to general and administrative expenses connected with the Corporate Massage Service which provided minimal revenues, increased salaries and increased levels of advertising. Interest for the three months ended March 31, 1996 was \$47,955 compared to \$49,414 for the three months ended March 31, 1995.

For the three months ended March 31, 1996, the net loss was \$140,824 compared to a net income of \$18,733 for the three months ended March 31, 1995. Management believes that the increase in net loss is attributable to the impact of the individual elements discussed above.

Years Ended December 31, 1994 and 1995

Tuition revenues constituted approximately 88% of the Company's revenues in fiscal 1995 and approximately 97% of the Company's revenues in fiscal 1994. The bookstores accounted for approximately 6% of the Company's revenues in fiscal 1995 and approximately 3% in fiscal 1994. The Corporate Massage Service which commenced operations in September 1995 accounted for approximately .3% of the Company's revenues in fiscal 1995, while rental income which commenced in May 1995 accounted for approximately 6% of the Company's revenues in fiscal 1995. The Company's revenues in fiscal 1995 were \$3,138,203, a 39.2% increase over revenues of \$2,254,299 in fiscal 1994. Management believes that the increase resulted from an approximately \$110,000 increase in bookstore revenues, an aggregate of approximately \$190,000 of new sources of revenue from rental income and the Corporate Massage Service and a \$580,000 increase in tuition revenues. Management believes that the increase in tuition revenues is due to a general increase in the level of enrollment, particularly at the Miami School, which was fully operational for the entire twelve months in 1995, but operated at a limited level prior to April 1994, together with an increase in tuition rates of approximately 8%.

Cost of sales was \$1,895,236 in fiscal 1995, a 66% increase compared to cost of sales of \$1,142,607 in fiscal 1994. Gross profit as a percentage of revenues was 40% in fiscal 1995, compared to 49% in fiscal 1994. Management believes that the decrease in gross profit as a percentage of revenues

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is primarily attributable to the inclusion of costs associated with the Corporate Massage Service, which provided minimal revenues, together with higher salary levels and rent expense.

Selling, general and administrative expenses were \$2,030,495 in fiscal 1995 compared to \$1,031,070 in fiscal 1994, a 96.9% increase. Management believes that the increase in such expenses resulted primarily from an increased level of support services required to maintain the higher level of operations, increased activity related to exploring and developing new lines of business and increased consulting fees and expenses of being a public company aggregating approximately \$180,000.

The Company's net income in fiscal 1995 reflects non-cash expenses of approximately \$1,061,000. Such expenses were incurred as a result of expensing the remaining \$330,000 of finance costs attributable to the loans in the aggregate principal amount of \$350,000 (the "Bridge Loans") borrowed during the first half of 1995 and other loans in the aggregate original principal amount of \$130,000. Such expenses also include an expense of \$731,000, which was the assumed fair market value of 472,000 shares of Common Stock issued to the Company's officers and a director of the Company in the first half of 1995.

Interest expense was approximately \$118,000 in 1995, compared to \$59,000 in 1994, reflecting increased interest which is attributable to the mortgages on the Pompano Property.

The Company had net income of \$18,046 in fiscal 1994 compared to a net loss of \$1,938,869 in fiscal 1995. Management believes that the net loss in fiscal 1995 is primarily attributable to a combination of all of the factors discussed above.

#### Liquidity and Capital Resources

The Company has funded its working capital and capital expenditures requirements from cash provided through borrowings from individuals and institutions and from the sale of the Company's securities in private placements and the initial public offering of its securities. The Company's primary source of cash receipts is from payments for tuition, fees and books and revenues from the operation of the Natural Health Care Center. The payments related to fees, tuition and books were funded primarily from student and parent educational loans and financial aid under various Federal and state assistance programs and, to a significantly lesser extent, from student and parent resources.

During the first half of 1995, the Company issued an aggregate of 361,672 shares of Common Stock, 361,672 Class A Warrants and 361,672 Class B Warrants in connection with the Bridge Loans in the original principal amount \$350,000 which were repaid from the net proceeds of the Initial Public Offering. In April 1995, the Company sold an aggregate of 720,000 shares of Common Stock for an aggregate of \$126,000.

On June 29, 1995 the Company consummated the Initial Public Offering of 1,150,000 units at a price of \$3.25 per Unit. Each Unit consisted of two shares of Common Stock, one Class A Warrant and one Class B Warrant. See "DESCRIPTION OF SECURITIES - Warrants."

At December 31, 1995, the Company had working capital of \$1,087,726 as compared to working capital of \$168,996 at December 31, 1994, an increase of \$918,730. The increase was primarily attributable to the completion of the Initial Public Offering.

During fiscal 1995, net cash used in operations was \$873,112 as compared to net cash used in operations of \$208,454 during fiscal 1994. The primary use of cash during 1995 was the net loss of \$1,938,869, offset by charges not requiring the use of cash totalling \$1,157,040 and net changes in operating assets and liabilities aggregating approximately \$88,000. Cash provided by financing activities during 1995 was \$4,609,302. Approximately \$3,000,000 was provided by the Initial Public Offering and \$2,160,000 from debt borrowings, primarily from mortgages on the Pompano Property. Approximately \$528,000 was used to repay long-term debt. Cash used in operations in the period ended March 31, 1996 was approximately \$147,000, attributable primarily to the net loss of \$141,000. See "BUSINESS - Pompano Property".

At March 31, 1996 the ratio of current assets to current liabilities was 1.75 to 1.0 and working capital was approximately \$843,000.

Capital expenditures of approximately \$280,000 in the first three months of 1996 related primarily to construction for preparing the Pompano Property for the Company's use. The Company invested \$250,000 in an investment credit line account which secures a revolving credit account in the amount of \$300,000, of which approximately \$170,000 was outstanding during the first three months of 1996. The Company's capital expenditures totaled \$2,714,402 in 1995 and \$25,032 in 1994. Net cash paid for the acquisition of the Oviedo School was \$108,933. The Company anticipates that its most significant capital expenditures during the next twelve months will relate to renovating the Pompano Property to accommodate the Lauderhill School, equipping the Natural Health Centers.

The Company anticipates that the net proceeds received in the Offering, together with anticipated cash flow will be sufficient to finance the Company's operations for at least the next twelve months.

## BUSINESS

### Schools

The Company owns and operates three vocational schools in Oviedo, Lauderhill and Miami, Florida that offer training and preparation for licensing in therapeutic massage. The Company acquired the Oviedo School from Reese Institute, Inc. in November 1995. The Lauderhill School and the Miami School also offer training and preparation for registration in holistic skin care. The Company seeks to fulfill the educational needs of adults seeking augmented career skills or whose educational needs have not been met in traditional educational environments. These individuals are primarily high school graduates and underemployed adults seeking specific career skills and training. As of May 31, 1996, approximately 560 students were enrolled in the Schools. The Miami School and Lauderhill School are licensed under Florida law and approved by the USDOE to provide financial aid to qualified applicants. The Oviedo School is licensed under Florida's law and has applied to the USDOE for approval to provide financial aid to qualified applicants. For the year ended December 31, 1995, the Schools derived approximately 66% of their revenues from financial aid provided under Federal or state assistance programs.

Currently, 19 states, including Florida and New York, require individuals who practice massage therapy to be licensed. The Schools prepare students to take the examination offered by the NCBTMB for certification as a massage therapist. The NCBTMB's certification of massage therapists satisfies the requirements for licensing in 11 of the states requiring licenses, including Florida. The Company is currently seeking approval of the Schools' massage therapy training program from the State of New York, which would qualify the Schools' students to take the New York licensing examination.

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The State of Florida requires registration of skin care professionals. Upon completing the Miami and Lauderhill Schools' holistic skin care program and passing an examination administered by the Schools, the Schools' students satisfy the requirements for registration as skin care professionals in the State of Florida.

Through its wholly-owned subsidiary, F.I.M.T.E., the Company owns and operates bookstores at each of the Schools. The bookstores sell massage therapy equipment, skin care products and related educational materials, primarily to students, as well as to practicing therapists, skin care professionals and the public.

### Natural Health Care Centers

The Company's Natural Health Care Center is a multi-disciplinary complementary clinic specializing in alternative and traditional medicine therapies to promote human wellness, including homeopathy, environmental and internal medicine, allergy and Candida treatment, clinical nutrition, pain management, massage therapy, stress reduction, colon hydrotherapy and chelation therapy. The Natural Health Care Center promotes wellness as opposed to treating health crises. As such the Natural Health Care Center concentrates on treating illnesses which do not strike as a sudden crisis but develop gradually and refuse to go away. Such illnesses includes most of the diseases related to aging and lifestyle arthritis, osteoporosis, lower back pain, high blood pressure, coronary artery disease and ulcers. Many patients are individuals who have not done well under traditional medical treatment programs.

The Natural Health Care Center, founded as the Medicine and Lifestyle

Clinic, was established in light of a growing national interest in alternative medicine fueled by a dissatisfaction with traditional medicine. A 1994 survey indicated that thirty percent of people questioned had tried some form of unconventional therapy. The alternative medicine industry has been estimated to be a \$27 billion a year industry and is expected to grow as the "baby boomer" population ages.

#### Market Overview

#### Massage Therapy -- an Overview

Massage therapy is an ancient art dating back to ancient Greek and Roman cultures. The term massage, as used today, includes various therapeutic techniques including wellness massage, medical massage, rehabilitative massage, beautification massage, pain relief, relaxation massage, sports massage and neuromuscular massage. Massage therapy, as practiced by a professional, is a scientific technique. It can facilitate relaxation and the reduction of mental and physical tension, relieve muscle spasms, and improve body circulation. Other benefits include reduction of strain on the heart and of fluids in the legs and arms accomplished with lymphatic drainage.

In general, massages are offered at hospitals, spas, and health clubs. In addition, chiropractors and physical therapists may use massage as part of their treatment. Massages are administered to athletes as an aid to prevent injuries, to help in the recovery of injured muscles, and to help athletes perform at a higher level of competition. Massages are also used in the medical field to ease pain and spasms and to alleviate the sore necks and backs of accident victims. Most notably, massage is used for stress relief and relaxation. In the past five years, several Fortune 500 corporations have made massages available to certain employees as a stress reduction technique. Massage therapy is often combined with

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chiropractic treatment, and some doctors who work with massage therapists believe that patients who have therapeutic massages heal more quickly.

#### Alternative Medicine - an Overview

Alternative medicine utilizes a number of techniques to promote wellness. As practiced at the Natural Health Center, treatment routinely includes vitamins, minerals, enzymes, homeopathic preparations and related medications, diet counseling, behavior modification, psychological stress reduction and exercise programs. Treatment programs are customized for individual patients. A number of patients served by the Natural Health Care Center are patients who have not done well with traditional medical therapies. The Natural Health Center utilizes the following therapies:

**Chelation Therapy.** Chelation Therapy is an intravenous treatment using a solution containing minerals, vitamins and a special amino acid. This solution through a complex biochemical action has the effect of removing toxic heavy metals such as lead, mercury and arsenic. It also causes the mobilization of abnormal calcium;

**Homeopathy.** Homeopathy, which was developed in early 1800s, is based on the belief that physical symptoms signal an immune and defense system response to stress or infection. Homeopathic remedies are natural substances that -- if given to a healthy person in a large enough dose -- would cause symptoms similar to what the sick person experiences. Homeopathic remedies come in liquid or pill form and, according to practitioners, produce no side effects because they are extremely small, specifically-prepared doses. The natural substances are repeatedly diluted with distilled water and vigorously shaken -- sometimes thousands of times -- to increase the potency of their effects by changing the electron's structure. Homeopathy is widely used for chronic conditions, such as allergies, chronic fatigue syndrome, heart disease, back pain, sports injuries, arthritis, anxiety, addiction, PMS and menopause. It is also used for more acute health problems, such as sore throats, flu and childhood afflictions, including colic, teething and earaches. For instance, homeopathic doses of coffee (highly diluted) are commonly given to people suffering from insomnia or headaches because coffee is known to cause these symptoms in healthy people;

**Colon Hydrotherapy.** Colon Hydrotherapy is a colon cleansing system that involves the safe, gentle infusion of purified warm water into the colon, using no chemicals or drugs. Colon Hydrotherapy simply bathes the colon, removing impaction from colon walls, stimulating peristaltic action and enhancing the absorptive ability of the colon. This modality cleanses the colon from rectum to cecum. In some cases more than one treatment is necessary for total cleaning. A healthy colon is essential to a healthy body. Conventional diets of today, comprised of refined, processed foods, high in saturated fats and low in natural fiber, contribute to the magnitude of problems associated with the large intestine. The elimination of undigested food and other waste products is as

important as the proper digestion and assimilation of food-stuffs. Research has shown that regular use of refined carbohydrates and lack of natural fiber in the diet increase the transit time of bowel wastes and stimulates putrefaction in the colon. Both of these factors have been linked to constipation and diverticulosis, as well as bowel diseases such as colitis and colon cancer, which is the second leading killer cancer in the United States. Cholesterol and triglycerides may be reduced in many cases after treatments;

Hormone Replacement. Hormone Replacement Therapy was developed to help slow the aging process. Researchers are exploring the rejuvenating effects of several hormones that are known to undergo rather striking declines with age. A major focus of the new research is growth hormone, a product of the pituitary gland that gradually declines with age and until recently was not thought

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important to older people. The Natural Health Care Center is administering carefully supervised, customized programs of administering growth hormones to patients. Some researchers believe that growth hormone helps older people gain muscle, lose fat and develop thicker skins, and may contribute to reversal of degenerative changes in bones, muscles, nerves and cartilage; and

Nutritional Counseling and Dietary Advice. It is well known that a balanced diet promotes overall health. The Natural Health Care Center provides dietary counseling including planning diets for patients with certain health problems as well as prescribing various vitamins for patients, such as vitamin A, which is regarded as helping to prevent numerous degenerative diseases, vitamin B for preventing fatigue, vitamins B1, B2, B3, B5 and B6 for the nervous system, muscle tone, circulation, stress and utilization of proteins, respectively, vitamin C as an anti-oxidant, vitamin D for skin and bone health.

#### Expansion Strategy

##### General

The Company plans to expand its business operations by seeking to increase the enrollment of the Schools and developing programs to offer massage therapy and other alternative health care services to the public. In order to increase its ability to recruit students, the Company has applied for licensing by the State of Florida to operate as a degree-granting junior college. In addition, in May 1995 the Company acquired the Pompano Property, to which it intends to relocate the Lauderhill School. In September, 1995 the Company commenced the operation of the on-site Corporate Massage Service that offers massages at corporate offices. In January 1996, the Company purchased substantially all of the assets of Sam Lilly, Inc. which owns and operates the Natural Health Care Center in Boca Raton, Florida. The Natural Health Care Center specializes in alternative and traditional medical therapies to promote human wellness, including homeopathy, environmental and internal medicine, allergy and Candida treatment, clinical nutrition, pain management, massage therapy and stress reduction. The Company plans to open additional Natural Health Care Centers and has entered into an agreement to acquire a Natural Health Care Center in Pompano, Florida. However, there can be no assurance that it will do so.

##### Degree-Granting Junior College

The Company has filed an application with the State of Florida to obtain approval to operate as a degree-granting junior college. The Company believes, although there can be no assurance, that the application process will be completed during 1996. The Company anticipates that graduates of its programs would then receive an associates degree in holistic studies while majoring in the areas of massage therapy, paramedical esthetics, acupuncture, nutrition or homeopathy. The Company believes that the approval of its application to operate as a degree-granting junior college will enhance the Schools' ability to recruit students, although the Company has not obtained any studies to confirm such belief. There can be no assurance as to if or when the Company's application to operate as a degree-granting junior college will be granted, that the Company will be able to maintain or increase the Schools' enrollment or that the Company's marketing and expansion of the Schools will be successful or profitable.

##### Corporate Massage Service

In September, 1995 the Company commenced the operation of the Corporate Massage Service to offer on-site massages to businesses. The Company's initial marketing efforts have concentrated on Florida and, if successful, of which there can be no assurance, will be expanded elsewhere. The

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Corporate Massage Service has had minimal revenues while incurring significant

expenses. The Company directs its marketing at both employees and employers. The Company attempts to encourage employers to pay for the massages for its employees as a method of increasing employee morale and productivity. In addition, the Company advertises in local newspapers, business and trade publications. The Company's massage therapists are independent contractors. The massage therapists set up portable massage chairs at corporate offices and offer massages to employees for 10-15 minute sessions. The massages do not require the recipient to disrobe. The Company charges approximately \$60 per hour per therapist. The Company has two full-time employees to oversee the marketing and operating activities of the Corporate Massage Service. Massage therapists are used on a part-time, as needed basis.

#### Natural Health Care Centers

In January 1996, the Company through its wholly-owned subsidiary, Health Wellness Nationwide Corp. purchased the assets of Sam Lily, Inc. which owned and operated the Natural Health Care Center in Boca Raton, Florida. The purchase price for the assets was 380,000 shares of Common Stock. In addition, the Company, in connection with the acquisition of the assets of Sam Lily, Inc., entered into employment agreements with Samantha Haimes and Leonard Haimes, M.D. Each of the employment agreements were effective as of January 22, 1995 and provide for a three-year term. Mrs. Haimes and Dr. Haimes are to receive salaries of \$357,500 and \$192,500, respectively, for 1996. Thereafter, the salaries of Mrs. Haimes and Dr. Haimes are based upon a percentage of the gross revenues of Health Wellness Nationwide Corp. The Natural Health Care Center specializes in alternative and traditional medical therapies to promote human wellness, including homeopathy, environmental and internal medicine, allergy and Candida treatment, clinical nutrition, pain management, massage therapy and stress reduction.

In May 1996 the Company signed an agreement and plan of reorganization to acquire substantially all of the assets of Medical Sciences Consultants, Inc., Diagnostic Services, Inc., Managenet Inc. and KBM Consultants which companies operate an alternative medical clinic in Pompano Beach, Florida. The purchase price is \$550,000 payable in Common Stock of the Company, valued at the average of the high and low trading price on May 1, 1996, May 15, 1996 and May 31, 1996. The Agreement and Plan of Reorganization provides that the Company will enter into an employment agreement with Kaye Lenzi, who directs the Pompano facility.

The Company anticipates that a Natural Health Care Center will be opened at the site of the Lauderhill School upon the relocation of the Lauderhill School to the Pompano Property. The Company plans to open additional Natural Health Care Centers. However, there can be no assurance that the Company will open additional Natural Health Care Centers. The Company believes that holistic health care has been marketed to only a small segment of the population. The Company anticipates that it will direct its advertising and educational materials toward individuals who have not previously considered homeopathic health care remedies or maintenance techniques. The Company may need to seek additional financing to open additional Natural Health Care Centers.

#### Operation of the Schools

##### Curricula

The primary focus of the Company's Schools has been on massage therapy, which the Company believes has achieved increased public awareness and acceptance. Currently, 19 states, including Florida and New York, require individuals who practice massage therapy to be licensed. The Schools prepare

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students to take the examination offered by the NCBTMB for certification as a massage therapist. The NCBTMB's certification of massage therapists satisfies the requirements for licensing in 11 of the states requiring licenses, including Florida. The Miami School and Lauderhill School also offer training in holistic skin care. The State of Florida requires registration of skin care professionals. Upon completing the holistic skin care program and passing an exam administered by the School, the School's students satisfy the requirements for registration as a skin care professional by the State of Florida.

The Company has applied to the New York State Board of Regents for approval to allow students attending the Schools to take the New York State examination for licensing as massage therapists. There can be no assurance as to if or when the application will be granted. If the application is granted, the Company believes that its Schools will be the only schools in south Florida to have obtained such approval. The Company believes that if approval is obtained, the Schools will be able to attract New York students because the Company believes that tuition costs at the Schools are substantially lower than the tuition costs of the only three licensed massage therapy schools in New York known to the Company. However, the Company has not obtained any studies to confirm such belief.

The basic massage therapy program curriculum presently includes 624

hours of required classroom study (which exceeds the 500 hours required for licensing in the State of Florida), including 252 hours in anatomy and physiology, 236 hours in therapeutic massage, 20 hours in the theory and practice of hydrotherapy, 100 hours in allied modalities, 12 hours in Florida state law and business principles and development, and four hours in AIDS/HIV education. The Company also offers a 300 hour program in advanced sports massage. The curriculum includes clinical instruction, and students are required to perform periodic evaluations of patients and take a final clinical examination similar to the NCBTMB examination. The Schools also offer a two-day review course for students preparing to take NCBTMB's certification examination. The grading scale used at the Schools is the same as that used on the certification examination offered by NCBTMB. In addition, the Schools offer continuing education courses and provide seminars for graduates and other massage therapists. Some seminars offered by the Schools include neuromuscular therapy (St. John method), aromatherapy, shiatsu, sports massage, infant massage, craniosacral technique and trager.

The holistic skin care program offered by the Lauderhill School and Miami School was introduced in 1992. The holistic skin care program curriculum includes European facials, acne treatments, exfoliating peels, face and body waxing, make-up artistry, face and scalp massage, cellulite treatments, aromatherapy, sea weed therapy, pre-operative and post-operative care for facial surgery, body wraps, paraffin treatments, spa therapies, business management and career development. The program consists of a total of 300 classroom hours of study, approximately half of which are devoted to lectures and approximately half of which are devoted to clinical training. The program, conducted over a fifteen week period, presently includes hair removal (15 hours), applied clinical training (150 hours), understanding the skin and its functions/anatomy and physiology (88 hours), make-up artistry (10 hours), electricity, sterilization, sanitation, bacteriology, mask therapy, ethical business practice and marketing.

The Lauderhill School and Miami School also offer a combined massage therapy and holistic skin care program, requiring approximately 900 hours of study. The Company requires that the massage therapy portion of the curriculum be completed first, followed by 300 hours of holistic skin care.

The curriculum is taught in a modular system and there is rollover enrollment. Each portion of the curriculum is taught independently, so that a student can begin classes upon introduction to the next system of the body. Individual orientation takes place during the student's first week of classes, further acclimating the student to the School's system of education. The rollover enrollment system allows a

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student to start classes within 30 days of enrollment, thereby allowing the student to begin classes at the student's convenience. The Company believes that the rollover enrollment system has proven effective because it allows new students to learn from both the structured class as well as from more experienced students.

The Company has a 900 hour advanced level curriculum that includes externship programs in which students participate with the Touch Research Institute of the University of Miami School of Medicine (the "Touch Research Institute"), Renfrew, which is an eating disorder institute, Center One, an AIDS/HIV clinic, the University of Miami Athletic Department or other organizations. The advanced level program also includes a course relating to medical documentation and medical terminology. In the clinical program at the Touch Research Institute, students participate in medical studies, including studies on the effect of massage therapy on premature infants, "crack babies," AIDS/HIV positive patients and individuals suffering from general job stress.

The Company may, in the future, seek to expand its course offerings to include programs of study in paramedical esthetics, acupuncture, nutrition and homeopathy. There is no assurance that such additional programs will ever be offered or that, if offered that they will result in an increase in enrollment or revenues.

#### Student Recruitment

The Company believes that enrollment at the Company's Schools is influenced by a number of factors, including (i) a growing need for individuals to have technical and occupational training in order to obtain employment, (ii) the number of high school graduates and other demographic trends, and (iii) the availability of competing alternatives, including other educational opportunities, other vocational training alternatives, employment and service in the U.S. military. The Company believes that successful student recruitment depends upon a number of factors, including a school's educational reputation and accreditation, job placement record, frequency and schedule of classes and location, as well as the availability of Federal student financial aid. In order to attract potential students and increase recognition of its name and programs of study, the Company utilizes a variety of marketing methods including radio, newspapers, mailings, surveys, presentations, telemarketing and public relations.

The Company employs an admissions director, who is directly responsible

for all areas concerning the marketing and advertising for the Schools, recruitment of prospective students and training admissions personnel. The Company currently markets the Schools primarily in the south Florida area, and plans to expand its marketing to students in South and Central America, as well as the Caribbean area. The Schools have been approved by the United States Immigration and Naturalization Service to provide student visas to students from countries in these regions. As part of its international marketing efforts, the Company has obtained an 800 number in the Bahamian yellow pages and plans to advertise in Jamaica, the U.S. Virgin Islands and in selected South American and Central American cities and countries. The Schools have attracted students from the Bahamas, St. Thomas, Jamaica, Canada, Great Britain and Norway.

#### School Faculty and Administration

As of May 31, 1996 the Company had 24 full-time employees in the administration of the Schools and three part-time administrators, as well as 14 part-time faculty members and 15 full-time faculty members. Generally, the Company tries to provide one teacher for every 15 students in the clinical classroom and one teacher for every 35 students in the lecture classroom. Faculty members are required

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to meet certain state licensing requirements. The Company prefers teachers who have had some practical experience in the fields in which they are instructing students. The Company has experienced no difficulty in obtaining qualified faculty members and believes that qualified teachers can be readily employed. Each of the Schools is managed by a school director who has responsibility for all aspects of the School. The school director is assisted by an executive staff, which monitors teacher performance, and by administrative coordinators.

#### Graduate Job Placement

The Company believes that the placement of its graduates is essential to its ability to attract students. The Company's Office of Graduate Job Placement works with students and graduates by advising them about employment opportunities and offering other placement assistance. It provides career counseling, holds practice job interviews, helps students write resumes and maintains regular contact with and communicates with prospective employers. The Schools have registered chiropractors, orthopedic doctors, rehabilitation and sports medicine clinics, spas, hotels, resorts, salons, plastic surgeons and dermatologists as prospective employers. Based on the placement calculation mandated by the Accrediting Commission of the Career Schools and Colleges of Technology, approximately 85% of the Miami School's and Lauderhill School's 1995 graduates have found positions, including those who are self-employed and have entered private practice.

#### F.I.M.T.E. Supply, Inc.

F.I.M.T.E., the Company's wholly-owned subsidiary, operates a bookstore at each of the Schools' campuses and publishes a catalog that is available to the public. Inventory consists of such items as massage tables, headrests, other equipment related to the practice of and utilized to provide massage therapy services, educational materials, skin care products, and clothing, including uniforms and shirts. Customers include students, instructors, graduates of the Schools, practicing therapists and the public. F.I.M.T.E. intends to continue to offer these products and expand its inventory to include updated and related products.

#### Acquisition of Oviedo School

On November 17, 1995 the Company, pursuant to an asset purchase agreement with Reese Institute, Inc. ("Reese"), acquired all of Reese's corporate assets, which included the Oviedo School, for a purchase price of \$250,000. Of the \$250,000 purchase price, \$125,000 was paid at the closing and the balance is payable over four years pursuant to a secured promissory note. In addition, the Company entered into a five-year lease agreement with Jean Reese, the sole stockholder of Reese, to lease the 7,590 square foot property which is occupied by the Oviedo School. The Oviedo School has applied for accreditation with the Accrediting Commission of Career Schools and Technology as a branch campus of the Lauderhill School. There can be no assurance as to when or if such application will be approved. As of May 31, 1996, the Oviedo School had 79 students. See "- Leased Properties."

#### Regulation

##### General

Participation in Federal student financial aid programs subjects the Company to extensive regulation and to audit and compliance review by the USDOE and other administering agencies. Failure

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to comply with these regulations may have serious consequences and may result in

suspension, limitation, or termination hearings to determine if an institution's participation in these programs should be reduced or terminated. No such suspension, limitation or termination proceeding has been instituted against the Company. The Company would be materially affected adversely if one of these proceedings were instituted against the Company and it resulted in a curtailment of the Company's participation in government student financial aid programs. The Oviedo School has applied for approval to provide financial aid to qualified applicants. However, there can be no assurance, as to if or when, the application will be granted.

The Schools must hold a state license or be registered with the appropriate state authorities to operate as a school. The Schools are licensed by the State Board of Independent Postsecondary, Vocational, Technical, Trade and Business Schools of the Florida Department of Education (the "Florida State Board"). In addition, the Schools must generally comply with standards established by Florida state laws governing proprietary schools. Typically, these laws and the related regulations concern such matters as standards and methods of instruction, qualifications of teachers and management personnel, adequacy of school facilities and equipment, advertising, form and content of contracts between schools and their students and tuition collection methods. The Company holds all required Florida licenses and registrations, and believes that it is in substantial compliance with such laws and related regulations. As a result of these laws and regulations, the Company must obtain the approval of the appropriate state education departments before offering new programs or courses and before implementing any changes in existing programs or courses.

The Company and its Schools must comply with a variety of Federal and state regulations to qualify as institutions where eligible students can obtain government financial aid for tuition and related expenses. These regulations include rules which set minimum tuition refund levels for students who leave school before completing their programs of study. In addition, the Federal regulations require the accreditation of the school by private commissions recognized by the USDOE. The accreditation commissions establish additional standards with respect to such matters as curriculum and teacher qualifications.

Under current USDOE regulations, a change in control of the Schools could result in a temporary or a permanent loss of Federal financial aid funds to the Schools' students. In addition, under the regulations of the Florida State Board a change of ownership resulting in a change of control may result in the termination of the Schools' licenses. The Schools will also require the approval of the Schools' accrediting commission upon a change of control. Pursuant to the USDOE regulations, a determination of a change of control would involve a review of which persons or entities have the power to direct or cause the direction of management and policies of the Schools. Under the Florida State Board's regulations, a change of control constitutes a change in the authority to establish or modify school policies, standards and procedures or the authority to make the effective decisions regarding the implementation or enforcement of school policies, standards and procedures. In such event, the prior approval of the Florida State Board is required. Under the rules of the Schools' accrediting commission, a change of control occurs when a person or a corporation obtains authority to control the actions of the institution, including a change of control which occurs as a result of a transfer in voting interest. The Company believes, although there can be no assurance, that as a result of the Company's completion of the Initial Public Offering and additional issuances of shares of Common Stock, including the issuance of shares of Common Stock upon the exercise of the Warrants, that there has not been or would be a change of control that would result in a loss of its eligibility for Federal financial aid funds, a review of its licenses, or the requirement of prior approval by its accrediting commission. Should the percentage ownership of the Company's Common Stock by the Company's present shareholders, officers and

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directors decrease further through the issuance of additional shares of Common Stock, the issue of whether there was a change of control, if raised by the USDOE, the Florida State Board or the accrediting commission, would be determined pursuant to the standards set forth above, on the basis of the facts then existing, including the percentage ownership of the present shareholders, officers and directors, as compared with the holdings of others and other factors relating to the actual control of the Company. Should there be a determination that a change of control had occurred by the USDOE, the Florida State Board or the Schools' accrediting commission and there was a disruption or termination of the availability of Federal financial aid to the Schools' students or a termination or interruption of the licenses or accreditation of the Schools, there would be a material adverse effect on the Company, its business and its prospects. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION."

#### Accreditation and Licensing

Accreditation is a means of recognizing that learning institutions have met uniform standards of educational performance, primarily through impartial, non-governmental peer evaluations by national or regional professional associations. A school becomes accredited by formal action of the accrediting body, which bases its decision on information submitted by the school and the reports of a specially appointed inspection team which has visited the school and evaluated the programs and operations according to established standards. Accreditation by at least one accrediting body recognized by the USDOE is required to permit a school's students to participate in Federal student



financial aid programs. Accreditation is also an important factor in establishing an institution's reputation with potential students and employers of its graduates.

Accredited schools are subject to periodic review by accrediting bodies to ensure that the schools maintain the level of performance, integrity and quality required by the accrediting body. There can be no assurance that the existing accreditation of the Miami School and Lauderhill School will be renewed. Moreover, the Company has applied for accreditation of the Oviedo School, as a branch campus of the Lauderhill School and there can be no assurance as to when or if such application will be approved. In addition, a change in ownership of the Company would require notification of, and possible re-evaluation of, the Company's accreditation by the accrediting agencies in order for the Schools to retain their accreditation.

Although accreditation is a private, voluntary process designed to promote educational quality, the Company believes that accreditation is an important asset. Accreditation of a school provides significant competitive advantages over non-accredited, for-profit educational institutions. College and university administrators look to accreditation in deciding whether to accept transfers of credit. Employers rely on an institution's accredited status when evaluating a job applicant's credentials. Moreover, accreditation is required for participation in government financial aid programs.

Each School is licensed by the Florida State Board as an institution that provides instruction or training that leads to an occupational objective. Such institutions are subject to annual or, if they have been licensed and in good standing for five years or more, biennial licensing renewal. The present license for the Miami School is subject to annual review, while the licenses for the Oviedo School and the Lauderhill School are subject to biennial review, and expire on September 30, 1996, November 30, 1996 and March 31, 1998, respectively. Each institution must meet certain minimum standards established by the Florida State Board with respect to administrative organization, educational program and curricula, finances, financial stability, faculty requirements, library facilities, student personnel services, physical plant and facilities, and publications. In addition, the institution is required to disclose

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to the Florida State Board and its students the status of the institution with respect to professional certification and licensure. Failure to maintain compliance with the Florida State Board's minimum standards could result in revocation or suspension of a School's license, or other penalties imposed by the Florida State Board. The rules of the Florida State Board require prior approval of written contracts between the student and the institution, changes of location in certain events and significant changes to programs and methods of operation. Each institution is required to be incorporated and have adequate administrative staff and faculty to provide instruction in its licensed programs. In addition, each program to be offered by an institution must be described in detail in the institution's catalog, including a listing of required equipment and instructional materials. Moreover, institutions must submit financial statements at the time of application for renewal. If the institution has a ratio of current assets to current liabilities of less than 1 to 1, the Florida State Board is authorized to deny the renewal of the license or to require a demonstration to provide further justification for the renewal of the license. The Florida State Board may also require the institution to post a bond to assure the Florida State Board that the institution will be able to fulfill its obligations to its students. The institution must maintain a placement rate of its graduates of at least 60%, otherwise the institution will be required to submit reports implementing placement improvement measures. In addition, each institution must maintain a retention rate of 50% of its students. Presently, the Florida State Board rules require a minimum of 500 hours of training for massage practice, with a maximum of 625 hours of instruction. Agents employed by the institution to solicit students outside the institution are required to be licensed and are subject to annual licensure and payment of fees. The rules of the Florida State Board provide that the advertising of the institution must be in compliance with its requirements, which include limits on the use of superlatives or non-factual statements or illustrations. Any statement which is intended to mislead the public could result in revocation of licensure or other sanctions imposed by the Florida State Board.

The Miami School and Lauderhill School are accredited by the Accrediting Commission of Career Schools and Colleges of Technology. The Schools' Therapeutic Massage Training Program is accredited by the Commission on Massage Training Approval/Accreditation of the American Massage Therapy Association. The Oviedo School has applied for accreditation to the Accrediting Commission of Career Schools and Colleges of Technology. However, there can be no assurance as to if or when such accreditation will be granted.

The Company is also a member of the Career College Association, the Florida Association of Post Secondary Schools and Colleges and the Florida Association of Estheticians. The Miami School and Lauderhill School are approved by the Florida State Board of Massage as a provider of continuing education units and by the Immigration and Naturalization Service to provide student

visas. The Lauderhill School and Miami School, are also approved by the Veteran's Administration to accept veteran's benefits.

#### Application to Become Degree-Granting Junior College

The Schools are not presently degree-granting institutions. Degree-granting institutions can issue either bachelors, associates or graduate degrees. The Company has filed an application with the State of Florida to become a degree-granting institution. If the Company's application is approved, of which there can be no assurance, the Schools will be permitted to grant associate degrees. Initially, upon preliminary approval of the Company's application, the Schools will be provisionally approved as a junior college. However, final approval by the State of Florida is required to become a degree-granting institution. The Company anticipates that the application process will be completed in 1996. However, there can be no assurance as to if or when the Company's application will be approved. The Company was required to set forth its plans to establish a general education curriculum and minimum faculty

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qualification requirements in its application. The Company anticipates that it will be able to meet these criteria by entering into agreements with nearby existing institutions to make available general education courses to the Schools' students or by employing faculty on a part-time basis. There is no assurance that such arrangements will be available to the Company or that they will be acceptable to the State of Florida.

If the Schools obtain licensing to operate as a degree-granting junior college, the success of the Schools may be dependent, in part, upon the transferability of credits from the Schools to four year institutions. The transferability of credits from one educational institution to another, absent an articulation agreement between the two schools, is generally at the discretion of the receiving institution. The factors that receiving institutions typically consider include, but are not limited to, the similarity of accrediting commissions, the licensing status of the two institutions and the similarity of program content, curriculum and textbooks. In addition, many institutions enter into articulation agreements which establish specific guidelines for the transfer of credits from one institution to another. However, these agreements are not required by law, and the content may vary dramatically depending on whether the institution is a public, private, academic or vocational/technical school. In general, if the institutions are accredited by the same or a similar accreditation commission, then the transfer of credits between such institutions is more likely. The accreditation commission requirements may be identical or similar in terms of faculty to student ratios, equipment requirements, library facilities, curriculum development and other factors. Students may also attempt to transfer credits from one institution to another without regard to whether the institutions are licensed by the Florida State Board of Independent Colleges and Universities or the Florida Board of Regents (the head of the state university system). Absent articulation agreements between the two schools, consideration for the acceptance of transfer of credits is more subjective than the transfer of credits between otherwise similar public or private institutions. There can be no assurance that credits from the Schools' courses will be transferable.

#### Student Financial Aid

Students at the Schools finance their education through a variety of sources, including individual resources, earnings from part-time employment, family contributions and tuition payment from their employers. However, the principal source of tuition financing at the Miami School and Lauderhill School is government-sponsored financial aid programs. Students at the Miami School and Lauderhill School receive financial aid under the following primary programs: (i) Federal Pell Grant Program (formerly known as Basic Educational Opportunity Grants); (ii) Federal Family Educational Loan Programs, which includes the Stafford Loan Program (previously known as the Guaranteed Student Loan Program), the Parent Loans for Undergraduate Students ("PLUS") program, and the Supplemental Loans for Students ("SLS") program; (iii) Supplemental Educational Opportunity Grants; and (iv) the College Work Study program.

Federal Pell Grants are available to needy students studying at least 16 hours per week at an approved post-secondary educational institution. A Federal Pell Grant may be received during each July 1 through June 30 period, an "award year," and need not be repaid by the student. In 1992, Congress adopted legislation which provided for incremental increases until the 1997-98 academic year when Federal Pell Grants will reach \$4,500. The Federal Pell Grant Program, however, is not an entitlement, and, therefore, the maximum grant recommended in the legislation is not currently funded. There can be no assurance that Congress will continue to fund the Federal Pell Grant Program in the future. The size of the Federal Pell Grant received by a particular student depends upon a complex formula which takes into account a series of factors, including family income, assets and size, whether the student is

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financially dependent upon or independent of his or her family, and the number

of post-secondary students in the family, as well as the length of the program and the cost of education.

Stafford Loans are available to students studying at least 16 hours per week at an approved educational institution. A student pays no interest on a Stafford Loan while in school and for a six-month "grace period" thereafter, after which time the student is required to pay monthly installments of at least \$50, which includes interest at a rate prescribed by Federal law (8% per year for Stafford Loans made at the present time for the first four years and 10% thereafter). Stafford Loans may be obtained in amounts up to \$2,625 per award year. If family income exceeds \$30,000, the student must provide evidence of financial need. Stafford Loans are made by banks and other participating lending institutions, which receive interest subsidies during the life of the loan. During the student's grace period, the Federal government also pays all interest due on the Stafford Loan. In the event of default, Stafford Loans are fully guaranteed as to principal and interest by state guarantee agencies, which, in turn, are reimbursed by the Federal government.

Commencing in April 1995, the Miami School and Lauderhill School became participants in the National Direct Student Loan Program ("NDSL"). NDSL Loans are available to students studying at least 16 hours per week at an approved educational institution. NDSL Loans may be obtained in amounts up to \$2,625 per year. If a student's income or family income is below a specified level, a student pays no interest on an NDSL Loan while in school and for a six-month "grace period" thereafter, after which time the student is required to pay monthly installments of at least \$50, which includes interest at a rate prescribed by Federal law. If the student's income or family income is above a specified level, then interest accrues on the loan at a rate prescribed by Federal law. The interest rate on NDSL Loans ranges from 8.25% to 8.98% per annum. NDSL Loans are direct loans from the Federal government.

Under the provisions of the Reauthorization of Higher Education Act of 1965, as amended (the "Reauthorization Act"), educational institutions with annual student loan default rates in excess of 25% (30% prior to 1994) for three consecutive years may lose their eligibility for student loans. The Company's schools' student loan default rates for 1992 and 1993 were determined to be 17% and 10%, respectively. The default rates for 1994 and 1995 will not be available from the USDOE until the third quarters of 1996 and 1997, respectively, since a student is not deemed to be in default until eight months after a six-month grace period from the time that the student leaves school. Commencing in April 1995, the Company became a participant in the National Direct Student Loan Program. Management knows of no written regulations with respect to the requirements for determining and maintaining student loan default rates below specified levels for the National Direct Student Loan Program. In addition, the Certification Office of the USDOE monitors student drop-out rates. Under Federal regulations, a student drop-out rate in excess of 33% may impair an institution's ability to administer financial aid programs and is one factor in determining whether to deny an institution's certification to participate in Federal student aid programs. A student drop-out rate exceeding 33%, however, is not alone sufficient to disqualify an institution from such participation, but must be viewed in conjunction with other factors such as loss of state licensing, loss of accreditation, poor periodic reviews, or high student loan default rates. The Schools' dropout rate in 1995 was approximately 10%. There can be no assurance that the Company will be successful in continuing to maintain an acceptable student loan default rate, or dropout rate or otherwise remain eligible for Federal funding.

The Reauthorization Act prohibits an institution from enrolling more than 50% of its students on the basis of "Ability to Benefit." "Ability to Benefit" students are those without a high school or general equivalency degree. As of December 31, 1993, 1994 and 1995, approximately 12%, 15% and 12%,

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respectively, of the Company's students at the Lauderhill School and Miami School were classified as "Ability to Benefit" students.

Under USDOE regulations, the Schools are proprietary schools (a "for-profit" educational institution that provides job or career-related training). A proprietary school may be deemed ineligible to participate in financial aid programs if the USDOE determines that 85% or more of the institution's operating revenue is derived from Title IV financial aid programs. The application of the 85-15 Rule depends largely on the USDOE's interpretation of what constitutes "revenue" for such institutions. According to the Company's preliminary calculations, the Miami School and Lauderhill School derived approximately 66% of their revenues for the calendar year ending December 31, 1995 from the Title IV financial aid programs. The official determination of the Company's compliance for the year ended December 31, 1995 with the 85-15 Rule will likely be made by the end of 1997. Accordingly, if it is determined that the Company did or does not comply with these regulations, some or all of the student financial aid received by the students at the Schools could be curtailed or eliminated. The reduction or termination of Federal student financial aid would have a material adverse effect on the Company.

The USDOE has considered, and the U.S. Congress is presently considering, changes in the administration of certain student financial aid programs. There is no assurance that government funding of the financial aid

programs in which the Company's students participate will be maintained at current levels. A reduction in funding levels could result in lower enrollments. Extensive and complex regulations govern all of the government grant and loan programs in which the Company participates. As such, the Company is subject to periodic reviews and audits by the USDOE and Federal and State Guaranty Agencies to determine compliance with applicable regulations. Because financial assistance programs are required to be administered in accordance with the standard of care and diligence of a fiduciary, any regulatory violation could be the basis for the initiation of a suspension, limitation or termination proceeding against the Company. If such a proceeding were initiated against the Company and resulted in a substantial reduction or termination of the Company's participation in government grant or loan programs the Company would be materially and adversely affected.

The Company's Schools also offer a payment plan which enables students to pay for their tuition in monthly installments. The Company charges students participating in this payment program a finance charge of \$25 and interest at the annual rate of 12%. Students participating in this program are required to pay the remaining balance of their tuition accounts prior to graduation.

#### Natural Health Care Center and Corporate Massage Service

The massage therapists employed in connection with the Corporate Massage Service are required to satisfy professional licensing requirements. In Florida, the Company's massage therapists and the Natural Health Care Center, and other Natural Health Care Centers which the Company may open as establishments offering massage therapy, are subject to regulation by the Division of Professions, Board of Massage of the Department of Business and Professional Regulation under the Florida Massage Practice Act. Moreover, the massage therapists and other specialists whose services are offered at the Natural Health Care Center are also subject to ongoing professional licensing requirements. All physicians employed at Natural Health Care Centers must be licensed and are also subject to ongoing professional licensing requirements. The failure of such persons to practice in accordance with professional licensing requirements could have a material adverse effect on the Company.

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#### Competition

##### The Schools

The Schools compete with (i) regional vocational schools and national vocational schools which offer occupational training programs in massage therapy, holistic skin care and in related and unrelated fields, (ii) two and four year universities and colleges, and (iii) on-the-job training offered by private and government employers. The Company believes that there are approximately five schools in the Schools geographic area that offer programs of study in massage therapy and approximately five schools that offer programs of study in holistic skin care. The Company believes that the massage therapy and holistic skin care programs of study offered by its Schools offer a broader range of courses than other schools in its geographic area. In addition, the ability of two of the Schools' students to receive financial aid under Federal programs provides a competitive advantage over those schools which do not have such ability. Many competitors have greater financial, recruiting and job placement resources than the Company, have longer operating histories and are more established than the Company, and have more extensive facilities and more personnel than the Company has now or will have in the foreseeable future.

#### Natural Health Care Centers and Corporate Massage Service

The Company's Natural Health Care Center competes with doctors, hospitals and medical clinics offering traditional forms of health care and other practicing therapists offering traditional forms of health care, as well as with other providers of alternative forms of health care and health maintenance. The Corporate Massage Service competes against individual massage therapists, health clubs and other massage providers. Many of these competitors have established practices and greater financial resources than the Company. In addition, the services offered by the Company's competitors may be covered by medical insurance or other third party reimbursement. Medical insurance coverage and other third party reimbursement is not available for most of the services offered by the Natural Health Care Center and to the extent that such services are covered, coverage is limited. The lack of medical insurance coverage or other third party reimbursement for all of the services performed at the Natural Health Care Center or other Natural Health Care Centers may affect their ability to attract and retain patients.

#### Employees

As of May 31, 1996 the Company had 60 full time employees and 17 part time employees including 24 full time administration employees and three part-time administration employees. The Schools have 15 full time and 14 part time faculty members. The Corporate Massage Service has two full time employees, and the Natural Health Care Center has 12 full time employees.

Insurance

The Company presently maintains workers' compensation coverage and liability insurance relating to hazards on the Company's premises. The Company carries a general liability policy which provides for coverage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate. The Company's professional liability policy provides for coverage of \$1,000,000 per occurrence and \$3,000,000 in the aggregate. The Company is and will be engaged in a business which could expose it to personal injury and other liability claims. The Company carries \$1,000,000 of malpractice insurance in connection with the Natural Health Care Center. There can be no assurance, however, that the Company's insurance will be sufficient to

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cover potential claims or that an adequate level of coverage will be available in the future at a reasonable cost, if at all. A successful claim could have a material adverse effect on the Company.

Leased Properties

The Company leases approximately 11,500 square feet for the Lauderhill School at 5453 North University Drive, Lauderhill, Florida. The current annual rent is approximately \$116,000 and the lease expires on July 31, 1997 as to 9,940 feet. The balance of the space is leased on a monthly basis. The Company intends to relocate the Lauderhill School to the Pompano Property and intends to open a Natural Health Care Center at such site. However, there can be no assurance that it will do so. In the event that the Company does not utilize such space, the Company believes that its maximum liability would be approximately \$135,000. The Company leases approximately 12,000 square feet for the Miami School at 7925 Northwest 12th Street, Miami, Florida. The current annual rent is \$155,520 and the lease expires on October 31, 1998. The Company leases approximately 7,590 square feet in Oviedo, Florida which is occupied by the Oviedo School. The lease expires in November, 2000 and the annual rent payable under the lease is \$79,087. The Company also has the option to purchase the leased property for \$550,000. The Company also leases approximately 5,000 square feet for the National Health Care Center. The lease expires in January 2001 and the annual rent ranges from \$72,000 in the first year of the lease to \$87,600 in the fifth year.

Pompano Property

In May 1995, the Company purchased the Pompano Property from Merrick Venture Capital, Inc. (the "Seller") for \$2,350,000 and Justin Corp. concurrently acquired the Adjacent Parcel from the Seller for \$450,000. All of the outstanding capital stock of Justin Corp. is owned by Neal R. Heller and Elizabeth S. Heller. The Pompano Property is located on approximately three acres at 2001 West Sample Road, Pompano Beach, Broward County, Florida, which contains a four story building consisting of 50,438 square feet which is known as the Tricom Office Center. Neal R. Heller, President of the Company, made an advance to the Company in the amount of \$570,000 to cover the down payment and certain closing costs. The advance was repaid to Mr. Heller from the proceeds of the Initial Public Offering. The Company financed the purchase of the Pompano Property with two mortgage loans, secured by both the Pompano Property and the Adjacent Parcel, in the aggregate principal amount of \$1,875,000. The Company obtained a first mortgage loan from TransFlorida Bank in the original principal amount of \$1,350,000 (the "First Mortgage Loan"), which bears interest at two percent above the prime rate of Sun Banks, Inc. (initially 11%), and provides for repayment of principal based on a 25 year amortization schedule. The First Mortgage Loan matures in May 2002 and is guaranteed by Neal R. Heller and Elizabeth S. Heller. The Company obtained a second mortgage loan in the original principal amount of \$525,000 from the Seller (the "Second Mortgage Loan"). The Second Mortgage Loan matures in May 2000, bears interest at the same rate as the First Mortgage Loan, and provides for repayment of principal based on a 25 year amortization schedule. The Second Mortgage Loan is also guaranteed by Neal R. Heller and Elizabeth S. Heller. The Pompano Property and the Adjacent Parcel are also encumbered by a \$450,000 mortgage loan from TransFlorida Bank to Justin Corp. (the "Adjacent Parcel Mortgage Loan"). The Company has agreed to make the payments on the Adjacent Parcel Mortgage Loan. The mortgages on the Pompano Property and the Adjacent Parcel are summarized below:

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<TABLE>  
<CAPTION>

	Amount	Property Encumbered	Mortgage	Entity Making Mortgagor	Payments
<S>	<C>	<C>	<C>	<C>	<C>
First Mortgage	\$1,350,000	Pompano Property	TransFlorida	Company	Company

Loan	Bank				
Second Mortgage Loan	\$525,000	Pompano Property and Adjacent Parcel	Seller and Justin Corp.	Company and Justin	Company
Adjacent Parcel Mortgage Loan	\$450,000	Pompano Property and Adjacent Parcel	TransFlorida Bank Corp.	Company and Justin	Company

</TABLE>

Approximately 41% of the building will be occupied by the Company's corporate offices, and the Lauderhill School and the balance will be occupied by non-affiliated tenants. Approximately 30,000 square feet of the Pompano Property is presently leased to 10 tenants at an aggregate rental of approximately \$300,000 per annum. The current leases expire at various times between 1996 through 1998 and require annual rentals that range from \$5,000 to \$63,000 per annum. The three largest tenants account for approximately 50% of the Pompano Property's rental income, and none of the other tenants accounts for more than 12% thereof. Three of the largest tenant leases expire in May 1998, October 1998 and September 1998 and such leases provide for current annual rentals of approximately \$50,500, \$63,000 and \$40,000, respectively. In the event that leases representing a significant percentage of rental income expire and the space is not promptly rented on advantageous terms, there may be a material adverse effect on the Company's earnings.

The Company has engaged Justin Corp. to act as the managing agent for the Pompano Property. Justin Corp. will receive a management fee equal to 5% of the gross rents collected from the Pompano Property, including an amount equal to the fair rental value of the portion of the Pompano Property occupied by the Company.

Justin Corp. has granted to the Company a perpetual non-exclusive right-of-way for ingress and egress on the Adjacent Parcel. In addition, Justin Corp. has granted to the Company the perpetual right to use a portion of the Adjacent Parcel to park up to 25 vehicles. If the Adjacent Parcel is subsequently developed, Justin Corp. has agreed to provide a comparable alternative for the Company's parking rights. The Company believes that there is sufficient parking to meet the anticipated short-term needs of operating the Pompano Property. However, the Company believes that the additional parking rights afforded by the Adjacent Parcel will be useful in the event of increased use as a result of the Company's anticipated expansion. Moreover, although there is separate access to the Pompano Property, the Company believes that the additional access rights provided by the right-of-way over the Adjacent Parcel will be beneficial to the use of the Pompano Property by the Company and third parties.

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#### Adjacent Parcel

The Adjacent Parcel consists of approximately four acres of undeveloped land that is adjacent to the Pompano Property. The Adjacent Parcel, as well as the Pompano Property, are encumbered by the Adjacent Parcel Mortgage Loan, which is on the same terms as the First Mortgage Loan, including the guarantees by Mr. and Mrs. Heller. The Company is jointly and severally liable with Justin Corp. on the Adjacent Parcel Mortgage Loan and the Company has agreed to make all of the payments thereon.

Although Justin Corp. is jointly and severally liable with the Company on the Second Mortgage Loan and the Adjacent Parcel is encumbered by the Second Mortgage Loan, the Company has also agreed to make all of the payments thereon in consideration for Justin Corp's grant of ingress, egress and parking rights to the Company and Justin Corp's payment for excavating a portion of the Adjacent Parcel which contained elevated volatile organic compounds in the soil. Although the volatile soil may or may not be deemed contaminated under current environmental regulations, TransFlorida Bank required its removal as a condition to making the First Mortgage Loan and the Adjacent Parcel Mortgage Loan. Nonetheless, the Company does not believe that such elevated volatile organic compounds are contained in the soil at the Pompano Property.

In the event of the sale of the Adjacent Parcel, the Seller has agreed to release the Adjacent Parcel from the Second Mortgage Loan upon the payment of \$200,000 and the accrued interest thereon. The Company is responsible for such payment, which will be a reduction of the principal balance of the Second Mortgage Loan, as part of the Company's obligation to make all of the payments on the Second Mortgage Loan. If Justin Corp. makes such payment, then the Company will repay such amount to Justin Corp., based upon the terms of the Second Mortgage Loan. See "CERTAIN TRANSACTIONS."

#### Legal Proceedings

The Company is not a party to any material litigation.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

From inception the Units, Common Stock, Class A Warrants and Class B Warrants have been quoted on the NASDAQ SmallCap Market under the symbols "NHTCU," "NHTC," "NHTCW," and "NHTCZ," respectively. The Units are no longer quoted. The following table sets forth the range of high and low bid quotations as reported by the National Quotation Bureau, Inc. for the Common Stock, Class A Warrants and Class B Warrants for the quarters indicated. The quotations are the actual quotations for the periods. The quotations after October 31, 1995 reflect the Company's two for one stock split which occurred on October 31, 1995.

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<TABLE>  
<CAPTION>

	Common Stock	
	High	Low
<S>	<C>	<C>
1995		
Third Quarter.....	8 1/8	6 1/8
Fourth Quarter		
10/2/95 through 10/31/95.....	8 1/8	7 1/4
11/1/95 through 12/29/95.....	6 1/2	4
1996		
First Quarter .....	6	4 1/4
Second Quarter (through 6/6/96).....	5 3/4	5

<TABLE>  
<CAPTION>

	Class A Warrants		Class B Warrant	
	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
1995				
Second Quarter.....	2	7/8	1	1/2
Third Quarter.....	4	1 7/8	2 3/4	9/16
1996				
First Quarter.....	3 3/4	2 1/2	2 1/2	2
Second Quarter (through 6/6/96).....	4	3	2 1/2	2

Holders

As of March 31, 1996, the Company had approximately 800 beneficial holders of its Common Stock.

Dividends

The Company has not paid any dividends since its inception. The Company has no intention of paying any cash dividends on its Common Stock in the foreseeable future, as it intends to use any earnings to generate increased growth. The payment by the Company of cash dividends, if any, in the future rests within the discretion of its Board of Directors and, among other things, will depend upon the Company's earnings, capital requirements and financial condition, as well as other relevant factors.

MANAGEMENT

The following table sets forth certain information concerning the directors and executive officers of the Company.

Directors and Executive Officers

<TABLE>  
<CAPTION>

Name	Age	Position
<S>	<C>	<C>
Neal R. Heller	35	Chairman of the Board, President, Chief Executive Officer, Chief Financial and Accounting Officer and Director

Elizabeth S. Heller	34	Secretary, Treasurer and Director
Martin C. Licht	54	Director
Arthur Keiser	41	Director

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The following is a brief summary of the background of each executive officer and director of the Company:

Neal R. Heller has been the Chairman of the Board, President, Chief Executive and a director of the Company since its inception in 1988. Mr. Heller is an attorney and has been admitted to practice in the State of Florida since 1985. Mr. Heller earned a Bachelor of Arts degree from the University of Miami in 1982 and a Juris Doctor degree from Nova University in 1985. On December 18, 1990, Mr. Heller filed a voluntary petition under Chapter 7, Title 11 of the United States Code, in the United States Bankruptcy Court for the Southern District of Florida. The Bankruptcy Court entered an Order of Discharge of Debtor on April 5, 1991. Mr. Heller currently serves as President of the Broward Association of Career Schools and is the president-elect and a member of the Board of Directors of the Florida Association of Post-Secondary Schools and Colleges. Mr. Heller is the husband of Elizabeth S. Heller. Mr. and Mrs. Heller are the sole shareholders of Justin Corp. See "CERTAIN TRANSACTIONS."

Elizabeth S. Heller has been Secretary, Treasurer, and a director of the Company since its inception in 1988. Mrs. Heller earned a Bachelor of Arts degree from the University of Miami in 1983. Mrs. Heller is the wife of Neal R. Heller. Mr. and Mrs. Heller are the sole shareholders of Justin Corp. See "CERTAIN TRANSACTIONS."

Arthur Keiser has been the President of Keiser College since 1977. Mr. Keiser became a director of the Company in July 1995. Keiser College is a regionally accredited independent privately-owned junior college which has facilities in five Florida locations, namely, Ft. Lauderdale, Melbourne, Sarasota, Daytona Beach and Tallahassee. Mr. Keiser is a member of the board of directors of the Career College Association and is the President of the Florida Association of Post-Secondary Schools and Colleges. Mr. Keiser received a B.A. from Tulane University in 1975.

Martin C. Licht has been a practicing attorney since 1967 and has been a partner of the law firm of Gallet Dreyer & Berkey, LLP since October 1993. Mr. Licht became a director of the Company in July 1995. From April 1993 until that time, he was a partner of Solomon, Weiss & Moskowitz, P.C. For one year prior thereto, he was a partner of the law firm of Summit, Solomon & Feldesman. Prior to such time, Mr. Licht was a member of the law firm of Herzfeld & Rubin, P.C. for twelve years. All of such firms are located in New York City. Mr. Licht is also a director of Gaylord Companies, Inc., which is traded on The NASDAQ SmallCap Market and operates retail bookstores and retail stores selling cookware and serving equipment.

#### Compliance with Section 16(a) of the Exchange Act

Based solely upon a review of (i) Forms 3 and 4 and amendments thereto furnished to the Company pursuant to Rule 16a-3(e), promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), during the Company's fiscal year ended December 31, 1995, and (ii) Forms 5 and amendments thereto and/or written representations furnished to the Company by any director, officer or ten percent security holder of the Company (collectively "Reporting Persons") stating that he or she was not required to file a Form 5 during the Company's fiscal year ended December 31, 1995, it has been determined that no Reporting Person is delinquent with respect to his or her reporting obligations set forth in Section 16(a) of the Exchange Act, except that it appears that a former principal stockholder, Richard Schuman, has not filed Forms 4 or Forms 5 for the fiscal year ended December 31, 1995 (to the

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Company's knowledge, Mr. Schuman is no longer a principal stockholder of the Company) and Arthur Keiser, a director of the Company, has not filed a Form 5 for the fiscal year ended December 31, 1995.

#### Executive Compensation

##### Summary Compensation Table

The following table provides a summary of cash and non-cash compensation for each of the last three fiscal years ended December 31, 1993, 1994 and 1995 with respect to the following officers of the Company:



<TABLE>  
<CAPTION>

Name and Principal Position	Year	Annual Compensation		Long Term Compensation				
		Salary(\$)	Bonus(\$)	Awards		Payouts		
				Other Annual Compensation (\$)(1)	Restricted Stock Award(s) (\$)(1)	Underlying LTIP Options SARs(#)	All Other Payouts (\$)	Compensa- tion(\$)
Neal R. Heller, Chairman of the Board, President, Chief Financial and Accounting Officer and Chief Executive Officer	1995	150,000	-	-	247,000	-	-	-
	1994	144,400	-	-	-	-	-	-
	1993	131,900	-	-	-	-	-	-
Elizabeth S. Heller Secretary and Treasurer	1995	150,000	-	-	247,000	-	-	-
	1994	137,000	-	-	-	-	-	-
	1993	131,900	-	-	-	-	-	-

</TABLE>

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(1) Excludes perquisites and other personal benefits that in the aggregate do not exceed 10% of each of such individual's total annual salary and bonus.

#### Employment Agreements

The Company has entered into employment agreements with Neal R. Heller and Elizabeth S. Heller, which will expire in December 1997, under which they are full-time employees and each receives annual salaries of \$150,000. Each agreement provides that the executive is eligible to receive short-term incentive bonus compensation if the Company is profitable, the amount of which, if any, will be determined by the Board of Directors based on the executive's performance, contributions to the Company's success and on the Company's ability to pay such incentive compensation. The employment agreements also provide for termination based on death, disability, voluntary resignation or material failure in performance and for severance payments upon termination under certain circumstances. The agreements contain non-competition provisions that preclude each executive from competing with the Company for a period of two years from the date of termination of employment.

In addition, the Company, in connection with the acquisition of the assets of Sam Lily, Inc., entered into employment agreements with Samantha Haines and Leonard Haines, M.D. Each of the employment agreements were effective as of January 22, 1995 and provide for a three-year term. Mrs. Haines and Dr. Haines are to receive salaries of \$357,500 and \$192,500, respectively, for 1996. In connection with the acquisition of a Pompano Natural Health Care Center, the Company has agreed to pay Kaye Lenzi a salary of \$100,000 per year subject to adjustment based on revenues of the facility.

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#### Directors' Compensation

Directors of the Company do not receive any fixed compensation for their services as directors. The Company grants each non-employee director options to purchase 1,000 shares of Common Stock under the 1994 Stock Option Plan, at an exercise price equal to the fair market value of the Common Stock on the date of grant, and pays non-employee directors \$500 for each meeting of the Board of Directors they attend. Directors are reimbursed for their reasonable out-of-pocket expenses incurred in connection with performance of their duties to the Company. Except for 2,000 options granted to each of Mr. Licht and Mr. Keiser, for the fiscal year ended December 31, 1995, the Company did not pay its directors any cash or other form of compensation for acting in such capacity, although directors who were also executive officers of the Company received cash compensation for service as a director for acting in the capacity of executive officers. See "Executive Compensation." No director received any other form of compensation for service as a director for the fiscal year ended December 31, 1995.

#### Indemnification of Officers and Directors

The Articles of Incorporation of the Company provide that the Company shall indemnify to the fullest extent permitted by Florida law any person whom it may indemnify thereunder, including directors, officers, employees and agents of the Company. Such indemnification (other than as ordered by a court) shall be made by the Company only upon a determination that indemnification is proper in the circumstances because the individual met the applicable standard of conduct. Advances for such indemnification may be made pending such determination. In addition, the Articles of Incorporation provide for the elimination, to the extent permitted by Florida law, of personal liability of directors to the

Company and its shareholders for monetary damages for breach of fiduciary duty as directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company, will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

#### Stock Options

The Company has adopted the 1994 Stock Option Plan (the "Plan") under which up to 666,666 options to purchase shares of Common Stock may be granted to key employees, officers, consultants and members of the Board of Directors of the Company. As of the date hereof, 10,000 options to purchase shares of Common Stock were granted under the Plan. Options granted under the Plan may be either (i) options intended to qualify as "incentive stock options" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), or (ii) non-qualified stock options. Incentive stock options may be granted under the Plan to employees, including officers and directors who are employees. Non-qualified options may be granted to employees, officers, directors and consultants of the Company.

The Plan is administered by the Board of Directors. Under the Plan, the Board of Directors has the authority to determine the persons to whom options will be granted, the number of shares to be covered by each option, whether the options granted are intended to be incentive stock options, the manner of exercise, and the time, manner and form of payment upon exercise of an option.

Incentive stock options granted under the Plan may not be granted at a price less than the fair market value of the Common Stock on the date of grant (or less than 110% of fair market value in the case of employees holding 10% or more of the voting stock of the Company). Non-qualified stock options may be granted at an exercise price established by the Stock Option Committee selected by the Board of Directors, but may not be less than 85% of fair market value of the shares on the date of grant. Incentive stock options granted under the Plan must expire not more than ten years from the date of grant, and not more than five years from the date of grant in the case of incentive stock options granted to an employee holding 10% or more of the voting stock of the Company.

#### PRINCIPAL SHAREHOLDERS

The following table sets forth certain information as to the Common Stock ownership of each of the Company's directors, executive officers, all executive officers and directors as a group, and all persons known by the Company to be the beneficial owners of more than five percent of the Company's Common Stock.

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<TABLE>  
<CAPTION>

<S>	Name and Address of Beneficial Owner(1)	<C>	Approximate Percentage of Common Stock		
			Number of Shares	Before Offering	After Offering(2)
	Neal R. Heller and Elizabeth S. Heller 2397 N.W. 64th Street Boca Raton, Florida 33496		5,182,000(3)	47.2%	30.5%
	Martin C. Licht Selden Lane Greenwich, Connecticut 06831		55,000(4)	*	*
	Arthur Keiser 6324 NW 79th Way Parkland, Florida 33067		25,000(4)	*	*
	All Officers and Directors as a Group (4 persons)		5,262,000	47.5%*	30.9%

</TABLE>

(1) Unless otherwise noted, all persons named in the table have sole voting and dispositive power with respect to all shares of Common Stock beneficially owned by them.

- (2) Assumes exercise of all of the Class A Warrants and Class B Warrants, the exercise of the Underwriters' Unit Purchase Option and the Class A Warrants and Class B Warrants included in the Underwriters' Unit Purchase Option.
- (3) Mr. Heller owns 2,522,000 shares of Common Stock, and Mrs. Heller owns 2,660,000 shares of Common Stock. Each has sole voting and dispositive power with respect to such shares. As they are husband and wife, each may be deemed the beneficial owner of the shares owned by the other.
- (4) Includes options to purchase up to 5,000 shares of Common Stock held by each of Mr. Licht and Mr. Keiser.
- \* Represents less than 1% of applicable shares of Common Stock outstanding.

#### CERTAIN TRANSACTIONS

As of April 28, 1993, Mr. Heller and Mrs. Heller transferred to the Company as an additional capital contribution all of the issued and outstanding Common Stock of F.I.M.T.E. which had a value of approximately \$25,000. As of March 31, 1996, Neal R. Heller, the Company's President, owed the Company \$58,818, which is evidenced by an unsecured non-interest bearing promissory note which is payable over 24 months commencing on July 1, 1995. In addition, as of March 31, 1996 Mr. and Mrs. Heller owed the Company an additional \$75,790, which is also unsecured and non-interest bearing and is payable upon demand. In addition, Mr. and Mrs. Heller are jointly and severally liable with the Company and F.I.M.T.E. for a \$56,000 line of credit extended to the Company by an institutional lender, of which \$11,303 was outstanding as of March 31, 1996. All of such funds have been utilized by the Company. The line of credit is secured by Mr. and Mrs. Heller's residence. In April 1995, the Company issued 190,000 shares of Common Stock to each of Mr. and Mrs. Heller as additional compensation to which the Company attributed an aggregate value of \$494,000. In May 1995, Mr. Heller advanced \$570,000 to the Company in connection with the purchase of the Pompano Property which was repaid from the proceeds of the Initial Public Offering. Mr. and Mrs. Heller have also guaranteed the financing in the aggregate principal amount of \$1,875,000 in connection with the Company's acquisition of the Pompano Property. Mr. and Mrs. Heller may be deemed parents of the Company as a result of

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their executive positions, service as directors and ownership of approximately 65% of the Common Stock of the Company prior to the Initial Public Offering.

In May 1995, Justin Corp. purchased the Adjacent Parcel for \$450,000 from the Seller concurrently with the closing of the Pompano Property. All of the common stock of Justin Corp. is owned by Neal R. Heller and Elizabeth S. Heller. Upon the acquisition of the Adjacent Parcel, Justin Corp. delivered the Adjacent Parcel First Mortgage Loan in the original principal amount of \$450,000 to TransFlorida Bank, which has been guaranteed by Mr. and Mrs. Heller. The Pompano Property is also encumbered by the Adjacent Parcel Mortgage Loan, on which the Company has agreed to make the payments.

The \$525,000 Second Mortgage Loan delivered to the Seller in connection with the purchase of the Pompano Property also encumbers the Adjacent Parcel. Although Justin Corp. is jointly and severally liable with the Company thereon, the Company has agreed to make all of the payments on the Second Mortgage Loan, which will provide a benefit to Mr. and Mrs. Heller, in consideration for Justin Corp.'s grant of ingress, egress and parking rights to the Company and Justin Corp.'s payment for excavating a portion of the Adjacent Parcel which contained elevated volatile organic compounds in the soil. Although the volatile soil may or may not be deemed contaminated under current environmental regulations, TransFlorida Bank required its removal as a condition to making the First Mortgage Loan and the Adjacent Parcel Mortgage Loan. Nonetheless, the Company does not believe that such elevated volatile organic compounds are contained in the soil at the Pompano Property. Justin Corp. has granted to the Company a perpetual non-exclusive right-of-way for ingress and egress on the Adjacent Parcel. In addition, Justin Corp. has granted to the Company the perpetual right to use a portion of the Adjacent Parcel to park up to 25 vehicles. If the Adjacent Parcel is subsequently developed, Justin Corp. has agreed to provide a comparable alternative for the Company's parking rights. The Company believes that the Pompano Property has sufficient parking to meet the anticipated short-term needs of operating the Pompano Property. However, the Company believes that the additional parking rights afforded by the Adjacent Parcel will be useful in the event of increased use as a result of the Company's anticipated expansion. Moreover, although there is separate access to the Pompano Property, the Company believes that the additional access rights provided by the right-of-way over the Adjacent Parcel will be beneficial to the use of the Pompano Property by the Company and third parties.

In the event of the sale of the Adjacent Parcel, the Seller has agreed

to release the Adjacent Parcel from the Second Mortgage Loan upon the payment of \$200,000 and the accrued interest thereon. The Company is responsible for such payment, which will be a reduction of the principal balance of the Second Mortgage Loan, as part of the Company's obligation to make all of the payments on the Second Mortgage Loan. If Justin Corp. makes such payment, then the Company will repay such amount to Justin Corp. based upon the terms of the Second Mortgage Loan. The Company does not have any options or any rights of first refusal to purchase the Adjacent Parcel. The Company has also agreed to make the payments on the \$450,000 Adjacent Parcel Mortgage Loan.

In addition, the Company has engaged Justin Corp. to act as the managing agent for the Pompano Property. Justin Corp. will receive a management fee equal to 5% of the gross rents collected from the Pompano Property, including an amount equal to the fair rental value of the portion of the Pompano Property to be occupied by the Company. See "BUSINESS - Pompano Property."

Martin C. Licht was issued 50,000 shares of Common Stock in April 1995 in consideration of his agreement to serve as a director of the Company. The Company paid Gallet Dreyer & Berkey, LLP legal fees of \$268,812 in 1995 and owed such firm \$16,811 as of December 31, 1995. In addition, in

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December, 1995, Neal R. Heller, the Company's President transferred 20,000 shares of his Common Stock to Arthur Keiser, a director of the Company.

In January 1994, the Company issued 832,500 shares of Common Stock and options to purchase 500,000 shares of Common Stock at an exercise price of \$1.625 per share for a term of 10 years to Richard Schuman for consulting services relating to business development, potential new business development, potential business acquisitions and site location. In addition, pursuant to an agreement dated December 27, 1993 between the Company and Mr. Schuman, Mr. Schuman was paid \$122,000. In February 1996, the Company entered into an agreement with Richard Schuman, pursuant to which Mr. Schuman exchanged options to purchase up to 500,000 shares of Common Stock at an exercise price of \$1.625 per share for 100,000 shares of Common Stock. In addition, Mr. Schuman entered into a two-year consulting agreement with the Company pursuant to which Mr. Schuman received consulting fees of \$165,000.

All future transactions and/or loans to officers, directors or 5% shareholders will be on terms no less favorable than could be obtained from independent third parties and will be approved by a majority of the independent disinterested directors of the Company.

## DESCRIPTION OF SECURITIES

### General

The total authorized capital stock of the Company is 20,000,000 shares of Common Stock, \$.001 par value per share, and 1,500,000 shares of Preferred Stock, \$.001 par value per share. As of May 31, 1996, the Company had 11,085,108 shares of Common Stock issued and outstanding, which were held by approximately 800 shareholders, and an aggregate of 5,943,344 shares of Common Stock issuable upon exercise of outstanding options, warrants and conversion rights. After the completion of the Offering, 17,088,452 shares of Common Stock will be issued and outstanding, assuming the exercise of all of the Warrants, the Underwriter's Unit Purchase Option and the Warrants contained therein, and an aggregate of 10,000 shares of Common Stock will be issuable upon exercise of outstanding options, warrants and conversion rights. After completion of the Offering, no shares of Preferred Stock will be issued and outstanding.

### Common Stock

Each share of Common Stock entitles the holder thereof to one vote on all matters submitted to a vote of the shareholders. Since the holders of Common Stock do not have cumulative voting rights, holders of more than 50% of the outstanding shares can elect all of the directors of the Company then being elected and holders of the remaining shares by themselves cannot elect any directors. The holders of Common Stock do not have preemptive rights or rights to convert their Common Stock into other securities. Holders of Common Stock are entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available therefor. In the event of a liquidation, dissolution or winding up of the Company, holders of the Common Stock have the right to a ratable portion of the assets remaining after payment of liabilities subject to any superior claims of any shares of Preferred Stock hereafter issued. See "-Preferred Stock." All shares of Common Stock outstanding and to be outstanding upon completion of the Offering are and will be fully paid and nonassessable.

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## Warrants

Each Warrant is issued pursuant to a Warrant Agreement between the Company and Continental Stock Transfer & Trust Company, as warrant agent. The following description is subject to the detailed provisions of and are qualified in their entirety by reference to the Warrant Agreement, which is included as an exhibit to the Registration Statement of which this Prospectus is a part.

Commencing June 21, 1996 (or earlier with the consent of Maidstone), and terminating June 21, 2000, each Class A Warrant and each Class B Warrant will entitle the registered holder to purchase two shares of Common Stock for \$3.00 and \$3.625, respectively. The exercise prices of the Warrants and the number of shares issuable upon exercise of such Warrants will be subject to adjustment to protect against dilution in the event of stock dividends, stock splits, combinations, subdivisions, or reclassifications or the sale of any shares of Common Stock below the market price thereof. Warrants may be exercised by surrendering to the warrant agent the Warrants and the payment of the exercise price in United States funds by cash or certified or bank check. No fractional shares of Common Stock will be issued in connection with the exercise of the Warrants. The Warrants may not be exercised unless a registration statement pursuant to the Securities Act covering the underlying shares of Common Stock is current and such shares have been qualified, or there is an exemption from registration and qualification requirements, under the Securities Act and securities laws of the state of residence of the holder of the Warrants.

Commencing June 21, 1996 (or earlier with consent of Maidstone), the Company may redeem the Warrants at a price of \$.05 per Warrant, provided that (i) 30 days prior written notice is given to the Warranholders and (ii) the closing bid price per share of the Common Stock as reported on NASDAQ (or the last sale price, if quoted on a national securities exchange) has been at least \$4.50 with respect to the Class A Warrants and \$5.00 with respect to the Class B Warrants, for the 20 consecutive trading days ending on the third day prior to the date of the notice of redemption. In the event the Company notifies the Warranholders of its intention to redeem Warrants, the Warranholders may exercise same at any time prior to the close of business on the day immediately preceding the date fixed for redemption.

Unless extended by the Company in its discretion, the Warrants will expire at 3:00 p.m., New York time, on the June 21, 2000. In the event a holder of Warrants fails to exercise the Warrants prior to their expiration, the Warrants will expire and the holder thereof will have no further rights thereunder.

## Preferred Stock

The Company is authorized by its Articles of Incorporation to issue a maximum of 1,500,000 shares of Preferred Stock, in one or more series and containing such rights, privileges and limitations, including voting rights, dividend rates, conversion privileges, redemption rights and terms, redemption prices and liquidation preferences, as the Board of Directors of the Company may, from time to time, determine. No shares of Preferred Stock have ever been issued. The Company has agreed not to issue any shares of Preferred Stock prior to June 21, 1997 without the consent of the Underwriters.

The issuance of shares of Preferred Stock pursuant to the Board's authority could decrease the amount of earnings and assets available for distribution to holders of Common Stock, and otherwise adversely affect the rights and powers, including voting rights, of such holders and may have the effect of delaying, deferring or preventing a change in control of the Company. The Company is not required by current Florida Law to seek shareholder approval prior to any issuance of authorized but unissued

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stock and the Board of Directors does not currently intend to seek shareholder approval prior to any issuance of authorized but unissued shares of Preferred Stock or Common Stock, unless otherwise required by law.

## SHARES ELIGIBLE FOR FUTURE SALE

The Company has 6,036,802 shares of the Company's Common Stock currently outstanding which are "restricted securities" as that term is defined in Rule 144 under the Securities Act. Such shares may be sold only pursuant to a registration under the Securities Act or in compliance with Rule 144 or pursuant to another exemption therefrom. In general, under Rule 144, subject to the satisfaction of certain other conditions, a person, including an affiliate of the Company, who has beneficially owned restricted shares of Common Stock for at least two years is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of 1% of the total number of outstanding shares of the same class, or if the Common Stock is quoted on NASDAQ or a stock

exchange, the average weekly trading volume during the four calendar weeks immediately preceding the sale. A person who presently is not and who has not been an affiliate of the Company for at least three months immediately preceding the sale and who has beneficially owned the shares of Common Stock for at least three years is entitled to sell such shares under Rule 144 without regard to any of the volume limitations described above. Of the shares of Common Stock outstanding, the holders of 5,656,802 shares of Common Stock have agreed not to sell any of their securities until June 21, 1997 without the prior written consent of Maidstone. Sales of the Company's Common Stock by existing shareholders may have a depressive effect on the price of the Company's Common Stock in any market which may develop.

#### PLAN OF DISTRIBUTION

This Offering is made by the Company in connection with the exercise of outstanding Class A Warrants and Class B Warrants to purchase shares of the Company's Common Stock which Warrants were previously sold to the public as part of Units in the Initial Public Offering by the prospectus dated June 21, 1995. There are currently issued and outstanding 1,330,836 Class A Warrants and 1,330,836 (plus an additional 100,000 Class A Warrants and 100,000 Class B Warrants that are contained in the Underwriters' Unit Purchase Option which Underwriters' Unit Purchase Option to date has not been exercised), all of which may be exercised to purchase the Company's Common Stock pursuant to this Offering. There is no minimum number of shares which must be purchased upon the exercise of the Warrants except that one Warrant is required to purchase two shares of Common Stock and no fractional shares will be issued. There are no arrangements to escrow any of the funds to be paid in connection with the exercise of the Warrants. All the payments made pursuant to the exercise of the Warrants will be made directly to the Company and may be used by the Company immediately upon receipt.

A registered holder may exercise his or her Warrants by surrendering the certificate representing the Warrants together with a Warrant exercise form on the Warrant certificate properly completed and signed with full payment of the exercise price payable by cash or certified or bank check to the Company. Warrants may be exercised in whole or in part. If Warrants are exercised in part, a new Warrant certificate will be issued for the remaining number of shares. No fractional shares will be issued upon the exercise of Warrants. Rather, they will be settled for cash. All payments must be received by the Company prior to the expiration date or the redemption date established by the Company and Warrants not exercised prior to the expiration date or redemption date shall expire.

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Upon the exercise of the Warrants at any time commencing June 21, 1996, the Company will pay Maidstone a commission of 7% of the aggregate exercise price if (i) the market price of the Company's shares of Common Stock on the date the Warrant is exercised is greater than the then current exercise price of the Warrants; (ii) the exercise of the Warrant was solicited by a member of the National Association of Securities Dealers, Inc.; (iii) the Warrant is not held in a discretionary account; (iv) disclosure of compensation arrangements was made both at the time of the Offering and at the time of exercise of the Warrant; (v) the holder of the Warrant has stated in writing that the exercise was solicited and designated in writing the soliciting broker-dealer; and (vi) the solicitation of exercise of the Warrant was not in violation of Rule 10b-6, promulgated under the Exchange Act. No fee will be paid to Maidstone on Warrants exercised prior to June 21, 1996 or on Warrants voluntarily exercised at any time without solicitation by the Underwriters.

In connection with the solicitation of Warrant exercises, unless granted an exemption by the Commission from Rule 10b-6, the Underwriters and any other soliciting broker-dealer will be prohibited from engaging in any market-making activities with respect to the Company's securities for the period commencing either two or nine business days (depending on the market price of the Company's shares of Common Stock) prior to any solicitation activity of the exercise of Warrants until the later of (i) the termination of such solicitation activity or (ii) the termination (by waiver or otherwise) of any right which the Underwriters or any other soliciting broker-dealer may have to receive a fee for the exercise of Warrants following such solicitation. As a result, the Underwriters or other soliciting broker-dealer may be unable to provide a market for the Company's securities, should it desire to do so, during certain periods while the Warrants are exercisable. In accordance with the Underwriting Agreement, Maidstone has been granted the right of designating one individual to serve as an advisor to, or a member of, the Company's Board of Directors. Maidstone has not advised the Company whether it will exercise such right or, if it does so, whom it will designate. Maidstone's designee will receive the same compensation, if any, for such service as other members of the Board.

The exercise prices of \$3.00 per share for each Class A Warrant and \$3.625 for each Class B Warrant were arbitrarily determined by the Company in negotiation with the Underwriters in the Initial Public Offering and the price bears no relationship to the Company's assets, earnings, book value or to any other established criteria of value. Thus, the exercise prices of the Warrants should not be considered an indication of the actual value of the Company.

Therefore, holders of Warrants are subject to an increased risk that the prices of the Company's securities have been arrived at arbitrarily.

#### LEGAL MATTERS

Certain legal matters with respect to the issuance of the securities offered hereby will be passed upon for the Company by Martin C. Licht, Esq., 845 Third Avenue, New York. Mr. Licht owns 50,000 shares of Common Stock and is a member of the Board of Directors of the Company.

#### EXPERTS

The financial statements of the Company at December 31, 1995 and for the two years then ended appearing in this Prospectus and the Registration Statement have been audited by Feldman Radin & Co., P.C., independent auditors, as set forth in their report thereon appearing elsewhere herein and in the Registration Statement. The financial statements referred to above are included in reliance upon such reports given upon the authority of such firms as experts in accounting and auditing.

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#### GLOSSARY OF TERMS

The "GLOSSARY OF TERMS" was derived from Taber's Cyclopedic Medical Dictionary, 17th Edition (1993), F.A. Davis Company and Mylady's Theory and Practice of Therapeutic Massage, Mark F. Beck, 2nd Edition (1994), Mylady Publishing Company.

Acupuncture -- Technique for treating certain painful conditions and for producing regional anaesthesia by passing long thin needles through the skin to specific points.

Allied Modalities -- Methods of massage related to, but not confined to Swedish Massage, namely lymphatic drainage, polarity therapy and neuromuscular therapy.

Aromatherapy -- The use of essential oils to produce specific physiological and psychological effects.

Bacteriology -- Study of bacteria and its effect on health and disease, as well as the study of sanitation and sterilization.

Chiropractic -- System of health care based on the principle that the normal transmission and expression of nerve energy are essential to the restoration and maintenance of health. Incorporates manual spinal manipulation to achieve this goal.

Craniosacral Technique -- A massage modality which focuses on balancing the energy flow between the brain and the spinal column.

Esthetics -- The science and study of skin care.

Holistic -- The philosophy which holds that, in nature, entities such as individuals, function as complete units that cannot be reduced to the sum of their parts.

Holistic Healthcare Services -- Comprehensive care of a patient. The overall needs of the patient, the "whole," are considered when formulating treatment and/or intervention.

Holistic Skin Care -- A comprehensive approach to the care of the skin. Incorporates physical, nutritional and spiritual principles in an effort to treat the "whole" person, not simply symptoms or specific imbalances.

Homeopathic Counseling -- Counseling based on the theory that large doses of drugs that produce symptoms of a disease in healthy people will cure the same symptoms when given in small amounts.

Homeopathy -- School of medicine, founded in the late 18th century, based on the theory that large doses of substances that produce symptoms of a disease in healthy people will cure the same symptoms when administered in small amounts.

Hydrotherapy -- The use of water in any of its three natural states (namely, ice, heat and vapor) in the treatment and prevention of disease.

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Neuromuscular Massage -- A comprehensive program of soft tissue manipulation techniques that attempts to balance the central nervous system with the structure and form of the neuromuscular system.

Neuromuscular Therapy -- The identification of soft tissue abnormalities and the manipulation of soft tissue to restore function and well being.

Paramedical Esthetics -- The incorporation of medical paradigms into the study and science of skin care.

Physician -- A person licensed to practice medicine, osteopathic medicine or chiropractic.

Rehabilitative Massage -- The process of treatment and education that seeks to assist the disabled individual to attain improved function, well-being and independence.

Sea Weed Therapy -- A spa-oriented application of "natural" algae which is used to cleanse and detoxify the skin.

Shiatsu - Japanese "finger pressure" massage -- The philosophy is based on 12 energy meridians which must be free of obstruction to maintain optimum health.

St. John Method -- A systematic approach to neuromuscular therapy.

Swedish Massage -- A foundation for all forms of massage therapy incorporating five basic strokes and joint movement.

Therapeutic Massage -- The systematic and scientific manipulation of superficial tissues of the human body.

Trager -- A therapeutic modality which incorporates gentle, rhythmical rocking and shaking techniques as well as specific "mind" exercises referred to as "Mentastics."

Wellness Massage -- Swedish massage applied with the intent to prevent disease, promote stress management, and result in optimum physical, spiritual and emotional well being.

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#### NATURAL HEALTH TRENDS CORP. AND SUBSIDIARY

d/b/a/ FLORIDA INSTITUTE OF MASSAGE THERAPY AND ESTHETICS

#### INDEX TO FINANCIAL STATEMENTS

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#### UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 1996:

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#### INDEPENDENT AUDITORS' REPORT

Board of Directors  
Natural Health Trends Corp. and Subsidiaries  
Pompano Beach, Florida

We have audited the accompanying consolidated balance sheets of Natural Health Trends Corp. and Subsidiaries as of December 31, 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 1995 and 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting



the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, the financial position of Natural Health Trends Corp. and Subsidiaries as of December 31, 1995, and the results of its operations and its cash flows for the years ended December 31, 1995 and 1994, in conformity with generally accepted accounting principles.

Feldman Radin & Co., P.C.  
Certified Public Accountants

New York, New York  
March 8, 1996

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

D/B/A FLORIDA INSTITUTE OF MASSAGE THERAPY AND ESTHETICS

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1995

<TABLE>  
<CAPTION>

ASSETS

<S> <C>

CURRENT ASSETS:

Cash	\$	914,618	
Accounts receivable		705,974	
Inventories		124,887	
Due from officers		134,608	
Due from affiliate		22,524	
Prepaid expenses and other current assets			54,962

TOTAL CURRENT ASSETS			1,957,573
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PROPERTY AND EQUIPMENT			2,779,831
------------------------	--	--	-----------

OTHER ASSETS			259,075
--------------	--	--	---------

	\$	4,996,479	
--	----	-----------	--

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$	219,225	
Accrued expenses		60,978	
Deposits		61,075	
Current portion of long-term debt			43,325
Deferred revenue		485,244	

TOTAL CURRENT LIABILITIES			869,847
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LONG-TERM DEBT			1,948,115
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DUE TO BANK			27,303
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STOCKHOLDERS' EQUITY:

Preferred stock, \$.001 par value, 1,500,000 shares authorized; no shares issued and outstanding			-
Common stock, \$.001 par value; 20,000,000 shares authorized; 10,599,108 shares issued and outstanding			10,599
Additional paid-in capital		3,946,520	
Accumulated deficit		(1,805,905)	

TOTAL STOCKHOLDERS' EQUITY			2,151,214
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	\$	4,996,479	
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</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

D/B/A FLORIDA INSTITUTE OF MASSAGE THERAPY AND ESTHETICS

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>  
<CAPTION>

	Year Ended December 31,	
	1995	1994
REVENUES	\$ 3,138,203	\$ 2,254,299
COST OF SALES	1,895,236	1,142,607
GROSS PROFIT	1,242,967	1,111,692
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,030,495	1,031,070
NON-CASH IMPUTED COMPENSATION EXPENSE		731,000
OPERATING INCOME (LOSS)	(1,518,528)	80,622
WRITE-OFF OF DEFERRED FINANCE COSTS		(329,974)
INTEREST EXPENSE, net	(117,661)	(58,576)
INCOME (LOSS) BEFORE INCOME TAXES	(1,966,163)	22,046
PROVISION FOR INCOME TAXES	(27,294)	4,000
NET INCOME (LOSS)	\$ (1,938,869)	\$ 18,046
EARNINGS (LOSS) PER COMMON SHARE	\$ (0.21)	\$ 0.00
WEIGHTED AVERAGE COMMON SHARES USED	9,204,816	7,790,658

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

D/B/A FLORIDA INSTITUTE OF MASSAGE THERAPY AND ESTHETICS

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

<TABLE>  
<CAPTION>

	Common					Total
	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Subject to Put	
BALANCE - DECEMBER 31, 1993		4,940,000	\$ 4,940	\$ 15,398	\$ 114,918	\$ - \$ 135,256
Net income	-	-	-	18,046	-	18,046
Issuance of common stock	833,300	833	18,167	-	-	19,000
Conversion of note to common stock	111,110	110	95,890	-	-	96,000
Issuance of common stock	733,334	734	109,266	-	-	110,000
Common stock subject to put	-	-	-	-	(110,000)	(110,000)
BALANCE - DECEMBER 31, 1994		6,617,744	\$ 6,617	\$ 238,721	\$ 132,964	\$(110,000) \$ 268,302
Net loss	-	-	-	(1,938,869)	-	(1,938,869)
Shares issued in bridge financing	361,672	362	62,931	-	-	63,293
Shares issued to employees and director	472,000	472	598,528	-	-	599,000
Shares issued in bridge financing	720,000	720	125,280	-	-	126,000
Shares issued to various lenders	127,692	128	165,872	-	-	166,000
Shares transferred by principal shareholder for services	-	-	132,000	-	-	132,000
Initial public offering	2,300,000	2,300	2,623,188	-	-	2,625,488
Cancellation of put on common stock	-	-	-	-	110,000	110,000
BALANCE - DECEMBER 31, 1995		10,599,108	\$ 10,599	\$ 3,946,520	\$(1,805,905)	\$ - \$ 2,151,214

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

## NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

D/B/A FLORIDA INSTITUTE OF MASSAGE THERAPY AND ESTHETICS

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>  
<CAPTION>

	Year Ended December 31,	
	1995	1994
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (1,938,869)	\$ 18,046
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	96,066	26,630
Non-cash imputed compensation expense	731,000	-
Write-off of deferred finance costs	329,974	-
Changes in assets and liabilities (net of effects of acquisition):		
Decrease (increase) in accounts receivable	48,356	(51,317)
Decrease (Increase) in inventories	(55,616)	15,659
Decrease (Increase) in prepaid expenses and other current assets	-	(22,413)
Decrease (increase) in deferred registration costs	-	(108,950)
Decrease (increase) in due from affiliate	(22,524)	-
Decrease (increase) in other assets	13,055	(13,100)
Payments for deferred finance costs	(120,681)	-
Increase (decrease) in accounts payable	44,502	(28,578)
Increase (decrease) in accrued expenses	58,087	(105,226)
Increase (decrease) in deposits	61,075	-
Increase (decrease) in deferred revenue	(67,830)	61,875
Increase (decrease) in deferred taxes	(27,294)	4,000
<b>TOTAL ADJUSTMENTS</b>	<b>1,065,757</b>	<b>(226,500)</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(873,112)</b>	<b>(208,454)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash paid for acquisition, net of cash acquired	(108,933)	-
Capital expenditures	(2,714,402)	(25,032)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(2,823,335)</b>	<b>(25,032)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase in due from officer	(6,800)	(80,955)
Increase (decrease) in due to bank	(24,715)	52,018
Proceeds from notes payable and long-term debt	2,158,077	164,000
Payments of notes payable and long-term debt	(503,560)	(15,000)
Proceeds from issuance of common stock, net of expenses	2,986,300	110,000
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>4,609,302</b>	<b>230,063</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>912,855</b>	<b>(3,423)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>1,763</b>	<b>5,186</b>
<b>CASH, END OF YEAR</b>	<b>\$ 914,618</b>	<b>\$ 1,763</b>

&lt;/TABLE&gt;

The accompanying notes are an integral part of the consolidated financial statements.

## NATURAL HEALTH TRENDS CORP. AND SUBSIDIARY

D/B/A FLORIDA INSTITUTE OF MASSAGE THERAPY AND ESTHETICS

## CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

<TABLE>  
<CAPTION>

Year Ended December 31,

	1995	1994
--	------	------

<S> <C>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 130,552	\$ 23,501
Income taxes	\$ -	\$ -

</TABLE>

DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:

In January 1994, the Company issued 833,300 shares of common stock to an individual for consulting services rendered of \$19,000.

In October 1994, an individual converted \$80,000 in debt plus accrued interest into 111,110 shares of common stock.

In July 1995, an individual converted \$10,000 in debt for 7,692 shares of common stock.

In November 1995, the Company incurred a note payable in the amount of \$125,000 to the seller in a business acquisition.

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

D/B/A FLORIDA INSTITUTE OF MASSAGE THERAPY AND ESTHETICS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1995

1. ORGANIZATION

Natural Health Trends Corp. (formerly known as Florida Institute of Massage Therapy, Inc.) (the "Company") was incorporated under the laws of the State of Florida in December 1988.

The Company's primary business is the operation of schools which develop, market and offer curricula in therapeutic massage training and holistic skin care therapy. The Company presently has a total of three schools, located in the Miami, Fort Lauderdale and Orlando areas. F.I.M.T.E. Supply, Inc. is a wholly owned subsidiary which owns and operates on-site book stores servicing the school's students, practicing therapists and the public. During 1995, the Company formed Corporate Body Corp., a wholly-owned subsidiary which is engaged in the business of providing on-site corporate massage primarily at business establishments. Additionally, during 1995, the Company purchased a building in Pompano Beach, Florida, part of which will be used to house the school presently located in Fort Lauderdale, and the rest of which is rented out to unrelated commercial tenants, providing incidental rental income to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Natural Health Trends Corp. and its subsidiaries. All material intercompany transactions have been eliminated in consolidation.

B. Accounts Receivable - Accounts receivable consists of tuition due from students and federal and state governmental agencies. Management has determined all accounts receivable to be collectible.

C. Inventories - Inventories consisting of books and supplies are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

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D. Property and Equipment - Property and equipment is carried at cost. Depreciation is computed using the straight-line method and accelerated methods over the useful lives of the various assets, which is generally five to seven years for equipment, and furniture and fixtures, and thirty-nine years for the building.

E. Deferred Revenue - Deferred revenue represents tuition revenues which will be recognized into income as earned. Tuition revenue is recognized as earned over the enrollment period.

F. Earnings (Loss) Per Common Share - Earnings (loss) per common share are computed on the basis of weighted average number of common shares and dilutive common share equivalents outstanding during the respective periods. In accordance with Securities and Exchange Commission accounting rules, shares issued within one year of the Company's initial public offering are included in all reported periods for purposes of this calculation.

3. DUE FROM OFFICERS

As of December 31, 1995, the Company is due \$134,608 from officers representing temporary non-interest bearing advances.

4. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following at December 31, 1995:

Equipment, furniture and fixtures	\$ 228,057
Building and improvements	2,254,600
	<u>                    </u>
Land	470,000
	<u>                    </u>
	2,952,657
	<u>                    </u>
Less: Accumulated depreciation	(172,826)
	<u>                    </u>
	<u>\$2,779,831</u>

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5. OTHER ASSETS

Other assets consisted of the following at December 31, 1995:

Deposits	\$ 34,974
Covenant not to compete, net of accumulated amortization of \$1,042	48,958
Goodwill, net of accumulated amortization of \$797	175,143
	<u>                    </u>
	<u>\$ 259,075</u>

The goodwill and the covenant not to compete arise in connection with the December 1995, acquisition of the Reese Institute. The goodwill will be amortized over its estimated use full life of 20 years, and the covenant will be amortized over its contractual term of four years.

6. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable consisted of the following at December 31, 1995:

Note payable for purchase of school, bearing interest at 8.75%, principal and interest payments due quarterly commencing February 1996 through November 1999 \$ 125,000

First Mortgage Note payable to a bank, bearing interest at prime +2%. Monthly payments consisting of principal and interest are approximately \$13,232 and are payable through May 1, 2002, at which time the balance of principal is due in a balloon payment on May 1, 2002 1,343,837

Second Mortgage Note payable to a bank, bearing interest at prime +2%. Monthly payments consisting of principal and interest are approximately \$5,145 through May 1, 2002, at which time the balance of principal is due in a balloon payment on May 1, 2000 522,603

                      
1,991,440

Less: Current portion (43,325)

                      
\$ 1,948,115

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Long-term debt maturities for the next five years are as follows:

1996	\$ 43,325
1997	47,646
1998	52,408
1999	57,650
2000	523,307

7. STOCKHOLDERS' EQUITY

A. The Company is authorized to issue 20,000,000 shares of common stock, \$.001 par value per share.

B. In January 1994, the Company issued 832,500 shares of its common stock and 500,000 options to purchase common stock for \$1.63 per share, expiring in January 2004, to an individual for consulting services

rendered. Such stock and options have been valued at \$19,000, or \$.025 per share, representing the book value at the time of issuance. The Company believes that such amount reflected the fair market value of the common stock since the Miami school had not yet become fully operational.

C. In October 1994, the Company declared a 1.56 to 1 stock split. Accordingly, the effect of the stock split has been retroactively applied to all periods presented.

D. In October and November 1994, the Company sold 733,334 shares of common stock for \$.15 per share in a private placement. Such shares are subject to a put. Since such sales were made to unrelated third parties at \$.15 per share, such price represents the fair market value of the Company's common stock at that time.

E. In October 1994, an individual converted an \$80,000 note payable plus \$14,667 of accrued interest into 111,110 shares of the Company's common stock.

F. In April 1995, the Company effected a 1 2/3 to one stock split which has been retroactively applied to all common share data.

G. In January and February, 1995, the Company sold 361,672 shares of its common stock and warrants to purchase up to 723,334 shares of common stock as part of a private placement of 14 Units. Each Unit consisted of (i) a \$25,000 promissory note payable, bearing interest at 10% per annum, due upon the earlier of December 31, 1995 or the receipt of \$3,000,000 from the sale of the Company's debt and/or equity securities in a

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public or private financing, (ii) 25,834 shares of common stock, \$.001 par value, (iii) a warrant to purchase up to 25,834 shares of common stock at \$3.00 per share (the "Class A Warrant"), and (iv) a warrant to purchase up to 25,834 shares of common stock at \$3.63 per share (the "Class B Warrant"). The common stock issued in January and February 1995 was valued at \$.175 per share which equaled the fair market value per share as determined by the price per share paid by unrelated third parties in the 1995 Equity Financing in April 1995. The aggregate value of such shares was \$63,293. Such amount was recorded as deferred finance costs. An additional \$120,681, which represents direct expenses associated with the financing was also recorded as deferred finance costs. The unamortized balance of the deferred finance costs was written off upon the early repayment of the notes upon completion of the initial public offering.

H. In April 1995, the Company sold 720,000 shares of common stock for \$.175 per share, realizing gross proceeds of \$126,000. Since such sales were made to unrelated third parties at \$.175 per share such price represents the fair market value of the Company's common stock at that time. Also in April 1995, the Company issued a total 380,000 shares to Company officers and 50,000 shares to an individual who agreed to serve as a director, all such shares being issued as compensation. Such shares of common stock were valued at the assumed fair market value of \$1.30 (based on the initial public offering price of \$1.63 per share less a 20% discount for restrictions on the resale of such shares). This resulted in an aggregate charge upon the issuance of such shares of common stock of \$559,000.

I. In July 1995, the Company issued 32,000 shares to employees for past services.

J. In October 1995, the Company issued 10,000 shares to an employee, recording compensation expense aggregating \$40,000 in connection with this issuance.

K. In October 1995, the Company declared a 2 for 1 stock split. All common shares data is retroactively stated to reflect this transaction.

## 8. INCOME TAXES

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). SFAS No. 109 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax loss and tax credit carryforwards. SFAS No. 109 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. At December 31, 1995, the Company had deferred tax assets, related to net operating loss carryforwards of approximately \$399,000. The Company has established a valuation

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allowance for the full amount of such deferred tax assets.

The provision for income taxes (benefits) differs from the amount computed by applying the statutory federal income tax rate to income (loss) before income taxes as follows:

	December 31,	
	1995	1994
Income tax computed at statutory rate	\$ (614,000)	\$ 7,000
Effect of graduated rates	-	(3,000)
Effect of permanent differences	275,000	-
Tax benefit not recognized	311,706	-
Provision for income taxes (benefit)	\$ (27,294)	\$ 4,000

Net operating loss carryforward at December 31, 1995 was approximately \$988,000 and expires in the year 2010.

#### 9. COMMITMENTS AND CONTINGENCIES

A. The Company leases its school facilities under non-cancellable operating leases. The lease terms are five years and expire variously from July 1997 through November 2000.

Rent expense for the years ended December 31, 1995 and 1994 was \$365,068 and \$267,468, respectively. Minimum rental commitments over the next five years are as follows:

1996	\$ 394,487
1997	306,559
1998	161,883
1999	156,025
2000	72,496

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B. The Company has entered into employment agreements with its two executive officers providing for annual salaries of \$150,000 each. The agreements expire in December 1997.

#### 10. PURCHASE OF BUILDING

The Company purchased a building located in Pompano Beach, Florida (the "Pompano Property") to which it intends to relocate the Lauderhill school. The purchase price for the property was \$2,350,000, of which \$1,875,000 was financed through a first and second mortgage. The Pompano Property is encumbered by mortgages securing repayment of loans made to acquire an adjacent parcel which is owned by Justin Real Estate Corp. ("Justin Corp."). All of the common stock of Justin Corp. is owned by principal shareholders of the Company. In the event that Justin Corp. defaults on its obligations under such mortgage loans, the mortgagee could foreclose on the mortgages encumbering the Pompano Property.

#### 11. INITIAL PUBLIC OFFERING

In June 1995, the Company completed an initial public offering, selling a total of 2,300,000 units for \$1.63 per unit. Each unit consisted of one share of common stock, one Class A Warrant to acquire one share of common stock at \$3.00 and one Class B Warrant to acquire one share at \$3.63. Commencing one year from the effective date of the Company's Registration Statement, the warrants will be exercisable for a period of four years. The underwriters received an option to purchase 200,000 units at 150% of the offering price for a period of four years commencing one year from the date of the offering. Additionally, the Company entered into a consulting agreement with the underwriters for a term of 24 months at \$2,000 per month, which was paid in advance at the closing of the offering.

#### 12. REVENUES

The Company obtains a large proportion of its revenue from Federal and State student financial aid programs. For the year ended December 31, 1995, the Company derived approximately 66% of its revenue from students with financial aid and approximately 34% from students without financial aid. The Company's ability to obtain such funding is dependent on a number of factors, including meeting various educational accreditation and licensing standards and also certain financial standards such as maintaining at least a 15% ratio of non-financial aid

students and not experiencing a student loan default rate of in excess of 25% for three consecutive years. The Company's student loan default rate for 1992 and 1993 was 17% and 10%, respectively. The

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definitive default rates for 1994 and 1995 will not be available until the third quarters of 1996 and 1997, respectively. The Company believes it has complied with all other factors necessary to obtain funding.

The duties of disbursing Federal aid funds is handled by an independent service company through separate federal trust accounts. All requests and payments for Federal funds are done by the outside service company. Federal aid funds are wired into a separate U.S. Federal Pell Trust Account and the money can only be transferred to the Company's operating accounts with check registers issued by the outside service company. The Company believes that it is in compliance with Federal requirements with respect to the administration of Federal aid programs.

#### 13. COMMON STOCK SUBJECT TO PUT

Under the subscription agreements in connection with the sale of 733,334 common shares to investors in October and November 1994, if the Company was unable to complete an initial public offering of its securities by September 1995, the Company had the right to require the investors to sell and the investors had the right to require the Company to buy such shares. In accordance with generally accepted accounting principles, the Company's potential repurchase obligation was excluded from stockholders' equity. Such amounts were reclassified to permanent equity upon consummation of the initial public offering, which terminated the repurchase obligation.

#### 14. PREFERRED STOCK

The Company is authorized by its articles of incorporation to issue a maximum of 1,500,000 shares of \$.001 par preferred stock, in one or more series and containing such rights, privileges and limitations, including voting rights, dividend rates, conversion privileges, redemption rights and terms, redemption prices and liquidation preferences, as the Company's board of directors may, from time to time, determine. No shares of preferred stock have been issued to date.

#### 15. STOCK OPTION PLAN

Under the Company's 1994 Stock Option Plan, up to 666,666 shares of common stock are reserved for issuance. The exercise price of the options will be determined by the Stock Option Committee selected by the board of directors, but the exercise price will not be less than 85% of the fair market value on the date of grant.

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#### 16. DUE TO BANK

The officers of the Company, together with the Company and a subsidiary, established a \$56,000 line of credit with a bank in March 1994. The line of credit bears interest at the annual rate of prime plus 2% on the outstanding principal balance. As of December 31, 1995 the Company's borrowings against this line of credit were \$27,303. Any principal due under this line matures in March 1999. The line of credit is secured by the officers' jointly owned personal residence.

#### 17. ACQUISITION

In November 1995, the Company made a business acquisition through the acquisition of substantially all the operating assets and liabilities of the Reese Institute, located in Oviedo, Florida. The following table summarizes this acquisition:

Purchase Price, including acquisition costs	\$ 267,550
Liabilities assumed	130,727
Assets purchased	(222,337)
	-----
Goodwill	\$ 175,940
	=====

Goodwill is being amortized over a period of 20 years. The purchase price was settled through the payment of \$125,000 at closing and a note payable to the seller of \$125,000.

#### 18. SUBSEQUENT EVENTS

A. In January 1996, Health Wellness Nationwide Corp., a newly-formed wholly-owned subsidiary of the Company, acquired substantially all of



the assets of Sam Lilly Inc. ("SLI"), a clinic located in Boca Raton, Florida specializing in alternative medical therapies, in exchange for 380,000 shares of Company common stock.

In connection with this acquisition, the Company entered into employment agreements with two former principals of SLI providing for aggregate annual salaries of no less than \$550,000 for a term of three years.

B. In February 1996, an individual who owned 500,000 options to purchase common stock at \$1.63 per share, exchanged such options for 100,000 shares of the Company

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common stock. This individual also entered into a two year consulting agreement with the Company providing for a total fee of \$165,000, which was paid in advance at the signing of the agreement.

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NATURAL HEALTH TRENDS CORP.

CONSOLIDATED BALANCE SHEET

MARCH 31, 1996

(UNAUDITED)

ASSETS

CURRENT ASSETS:

Cash	\$	374,538	
Marketable securities		250,000	
Accounts receivable		849,492	
Inventories		124,030	
Due from officers		134,608	
Due from affiliate		22,524	
Prepaid expenses and other current assets		210,533	
		-----	
TOTAL CURRENT ASSETS			1,965,725

PROPERTY, PLANT AND EQUIPMENT			3,020,997
GOODWILL		1,536,236	
DEPOSITS AND OTHER ASSETS			91,249
		-----	
	\$	6,614,207	
		=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$	247,899	
Accrued expenses		70,479	
Revolving credit line		170,000	
Current portion of long term debt		44,005	
Deferred revenue		529,069	
Other current liabilities		61,075	
		-----	
TOTAL CURRENT LIABILITIES			1,122,527

LONG-TERM DEBT		1,936,987	
DUE TO BANK		11,303	
COMMON STOCK SUBJECT TO PUT			380,000

STOCKHOLDERS' EQUITY:

Preferred stock, \$.001 par value, 1,500,000 shares authorized; no shares issued and outstanding		-	
Common stock, \$.001 par value; 20,000,000 shares authorized; 11,085,108 shares issued and outstanding at March 31, 1996		11,085	
Additional paid-in capital		5,347,034	
Retained earnings (accumulated deficit)		(1,814,729)	
Common stock subject to put		(380,000)	
		-----	
TOTAL STOCKHOLDERS' EQUITY			3,163,390

\$ 6,614,207

See notes to consolidated financial statements.

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NATURAL HEALTH TRENDS CORP.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

<TABLE>  
<CAPTION>

	Three months ended March 31,	
	1996	1995
<S> <C> REVENUES	\$ 1,537,632	\$ 776,879
COST OF SALES	910,556	370,129
GROSS PROFIT	627,076	406,750
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	719,945	333,603
OPERATING INCOME (LOSS)	(92,869)	73,147
OTHER INCOME (EXPENSE):		
Interest (net)	(47,955)	(49,414)
TOTAL OTHER INCOME (EXPENSE)	(47,955)	(49,414)
INCOME (LOSS) BEFORE INCOME TAXES	(140,824)	23,733
PROVISION FOR INCOME TAXES	-	5,000
NET INCOME (LOSS)	\$ (140,824)	\$ 18,733
EARNINGS (LOSS) PER COMMON SHARE	\$ (0.01)	\$ 0.00
WEIGHTED AVERAGE COMMON SHARES USED	10,965,775	7,952,802

</TABLE>

See notes to consolidated financial statements.

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NATURAL HEALTH TRENDS CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

<TABLE>  
<CAPTION>

	Three months ended March 31,	
	1996	1995
<S> <C> CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (140,824)	\$ 18,733
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	53,346	37,140
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(143,518)	(61,446)
(Increase) decrease in inventories	857	-
(Increase) decrease in prepaid expenses	9,429	(11,415)
(Increase) decrease in deferred registration costs	-	(80,779)
(Increase) decrease in deposits and other assets	(8,114)	(129,757)
Increase (decrease) in accounts payable	28,674	(16,729)
Increase (decrease) in accrued expenses	9,501	8,004
Increase (decrease) in deferred revenue	43,825	(18,236)

Increase (decrease) in deferred taxes	-	5,000	
Increase (decrease) in other current liabilities	-	-	
TOTAL ADJUSTMENTS	(6,000)	(268,218)	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(146,824)	(249,485)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(266,808)	(6,641)	
Acquisition expenses	(20,000)	-	
Purchase of marketable securities	(250,000)	-	
NET CASH USED IN INVESTING ACTIVITIES		(536,808)	(6,641)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in due from officer	-	(6,800)	
Increase (decrease) in due to bank	(16,000)	(31,269)	
Proceeds from notes payable and long-term debt	170,000	350,000	
Payments of notes payable and long-term debt	(10,448)	(32,000)	
NET CASH PROVIDED BY FINANCING ACTIVITIES		143,552	279,931
NET INCREASE (DECREASE) IN CASH		(540,080)	23,805
CASH, BEGINNING OF PERIOD		914,618	1,763
CASH, END OF PERIOD	\$	374,538	\$ 25,568

</TABLE>

See notes to consolidated financial statements.

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NATURAL HEALTH TRENDS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 1996

(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying financial statements are unaudited, but reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of financial position and the results of operations for the interim periods presented. All such adjustments are of a normal and recurring nature. The results of operations for any interim period are not necessarily indicative of the results attainable for a full fiscal year.

2. EARNINGS (LOSS) PER SHARE

Per share information is computed based on the weighted average number of shares outstanding during the period.

3. REVOLVING CREDIT LINE

The Company entered into a revolving credit line with Merrill Lynch as of October 4, 1995 in the amount of \$300,000. This revolving credit line was activated by the Company on February 29, 1996. The revolving credit line expires on October 31, 1996, at which time the Company is required to pay back any and all amounts borrowed under the revolving credit line. Interest accrues at the rate of prime plus 1%. As of March 31, 1996, the Company borrowed \$170,000 under this revolving credit line. A \$250,000 investment that the Company has with Merrill Lynch is restricted as security for any loans under this revolving credit line.

4. ACQUISITION

On January 22, 1996, the Company acquired all of the assets of Sam Lilly, Inc. in exchange for 380,000 shares of the Company's common stock. The acquisition was accounted for as a purchase. The net assets acquired totaled approximately \$9,000. As a result of this acquisition, the Company recorded goodwill of \$1,380,000.

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The following table presents certain unaudited pro forma financial information as if the acquisition occurred as of January 1, 1995:

	Three months ended March 31,	
	1996	1995
Revenues	\$ 1,667,235	\$ 1,070,934
Net Loss	\$ (146,574)	\$ (1,483)
Net Loss Per Share	\$ (0.01)	\$ -

5. LETTER OF INTENT

In May 1996, the Company entered into a letter of intent to acquire an alternative health care clinic. The proposed purchase price is \$550,000, payable in common stock of the Company.

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No dealer, salesperson or any other person is authorized to give any information or to make any representations in connection with this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Underwriter. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any security other than the securities offered by this Prospectus, or an offer to sell or a solicitation of an offer to buy any securities by anyone in any jurisdiction in which such offer or solicitation is not authorized or is unlawful. The delivery of this Prospectus shall not, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date of the Prospectus.

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5,923,344 SHARES OF COMMON  
STOCK, INCLUDING 100,000  
UNDERWRITER UNITS

NATURAL HEALTH TRENDS CORP.

Each Underwriter Unit Consists of Two  
Shares of Common Stock, One Class A  
Redeemable Common Stock Purchase  
Warrant and One Class B Redeemable  
Common Stock Purchase Warrant

PROSPECTUS

MAIDSTONE FINANCIAL INC.

, 1996

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 24. INDEMNIFICATION OF OFFICERS AND DIRECTORS.

Section 607.0850 of the Florida Business Corporation Act (the "FBCA") permits, in general, a Florida corporation to indemnify any person who was or is a party to an action or proceeding by reason of the fact that he or she was a director or officer of the corporation, or served another entity in any capacity at the request of the corporation, against liability incurred in connection with such proceeding including the estimated expenses of litigating the proceeding to conclusion and the expenses, actually and reasonably incurred in connection with the defense or settlement of such proceeding, including any appeal thereof, if such person acted in good faith, for a purpose he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, in criminal actions or proceedings, in addition had no reasonable cause to believe that his or her conduct was unlawful. Section 607.0850(6) of the FBCA permits the corporation to pay in advance of a final disposition of such action or proceeding the expenses incurred in defending such action or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount as, and to the extent, required by statute. Section 607.0850 of the FBCA provides that the indemnification and advancement of expense provisions contained in the FBCA shall not be deemed exclusive of any rights to which a director or officer seeking indemnification or advancement of expenses may be entitled.

The Company's Certificate of Incorporation provides, in general, that the Company shall indemnify, to the fullest extent permitted by Section 607.0850 of the FBCA, any and all persons whom it shall have power to indemnify under said section from and against any and all of the expenses, liabilities or other matters referred to in, or covered by, said section. The Certificate of Incorporation also provides that the indemnification provided for therein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-Law, agreement, vote of stockholders or disinterested directors or otherwise, both as to actions taken in his or her official capacity and as to acts in another capacity while holding such office.

In accordance with that provision of the Certificate of Incorporation, the Company shall indemnify any officer or director (including officers and directors serving another corporation, partnership, joint venture, trust, or other enterprise in any capacity at the Company's request) made, or threatened to be made, a party to an action or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that he or she was serving in any of those capacities against judgments, fines, amounts paid in settlement and reasonable expenses (including attorney's fees) incurred as a result of such action or proceeding. Indemnification would not be available if a judgment or other final adjudication adverse to such director or officer establishes that (i) his or her acts were committed in bad faith or were the result of active and deliberate dishonesty or (ii) he or she personally gained in fact a financial profit or other advantage to which he or she was not legally entitled.

The Underwriting Agreement contains, among other things, provisions whereby the Underwriters agree to indemnify the Company, each officer and director of the Company who has signed the Registration Statement, and each person who controls the Company within the meaning of Section 15 of the Securities Act, against any losses, liabilities, claims or damages arising out of alleged untrue statements or alleged omissions of material facts with respect to information furnished to the Company

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by the Underwriter for use in the Registration Statement or Prospectus. See Item 28, "UNDERTAKINGS."

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the various expenses (other than selling, commissions and other fees paid or payable to the Underwriters) which will be paid by the Company in connection with the issuance and distribution of the securities being registered. With the exception of the registration fee, all amounts shown are estimates.

<TABLE>  
<S> <C>

Registration fee .....	\$ 9,725
Printing expenses.....	\$ 10,275
Legal fees and expenses (other than Blue Sky).....	\$ 80,000
Accounting fees and expenses.....	\$ 45,000
Transfer agent fees and expenses.....	\$ 5,000

Miscellaneous expenses.....	\$ 5,000
	-----
Total .....	\$ 150,000

</TABLE>

ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES.

In the past three years, the Company has made the sales of unregistered securities set forth below, all of which sales were intended to be exempt from the registration requirements of the Securities Act pursuant to Section 4(2) of the Securities Act or pursuant to Rules 506 of Regulation D promulgated thereunder.

I. General.

The issuances of the following securities were intended to be exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof.

A. On January 12, 1994, the Company issued 833,300 shares of Common Stock and options to purchase 500,000 shares of Common Stock to Richard Schuman for services, pursuant to an agreement dated December 27, 1993.

B. On October 3, 1994, the Company issued 111,110 shares of Common Stock to Daniel Stubbs upon the conversion of a note in the original principal amount of \$80,000. Mr. Stubbs is also the holder of a note dated March 23, 1994 in the original principal amount of \$100,000 and was issued 33,334 additional shares of Common Stock upon the closing of the Initial Public Offering as additional interest thereunder.

C. Pursuant to a note dated July 26, 1994 in the original principal amount of \$25,000 from the Company to Jonathan E. Felix, Mr. Felix was issued 15,384 shares of Common Stock as additional interest upon the closing of the Initial Public Offering.

D. Pursuant to a note dated July 26, 1994 from the Company to Michael Dennis in the original principal amount of \$25,000, Mr. Dennis was issued 66,666 shares of Common Stock as additional interest upon the closing of the Initial Public Offering.

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E. Pursuant to a note dated August 1, 1994 in the original principal amount of \$15,000 from the Company to Martin E. Blackman, Mr. Blackman converted the outstanding balance of the note into shares of Common Stock at a conversion price equal to 50% of the initial public offering price to purchase 12,308 shares of Common Stock.

F. On April 3, 1995, Neal R. Heller was issued 190,000 shares of Common Stock as additional compensation for services rendered.

G. On April 3, 1995, Elizabeth S. Heller was issued 190,000 shares of Common Stock as additional compensation for services rendered.

H. On April 3, 1995, Martin C. Licht was issued 50,000 shares of Common Stock in consideration for his agreement to serve as a director of the Company. See "MANAGEMENT."

I. On August 10, 1995, Company employees Melissa Ryan, Nadine Hankin and Kristi Mollis were issued 12,000, 10,000 and 10,000 shares of Common Stock, respectively, as additional compensation for services rendered.

J. On November 10, 1995, Russell Newman was issued 10,000 shares of Common Stock as additional compensation for services rendered.

K. On January 27, 1996, the Company issued a total of 380,000 shares of Common Stock to Sam Lilly Corp. in connection with the Agreement and Plan of Reorganization whereby the Company acquired through its wholly owned subsidiary, Health Wellness Nationwide Corp. ("HWNC"), all of the assets of Sam Lilly Corp.

L. On February 23, 1996, the following employees were issued an aggregate of 6,000 shares of Common Stock as additional compensation for services rendered:

Employee	Number of Shares of Common Stock
----------	-------------------------------------

Cheri Barbell	100
Dennis Cohen	750
Davina Cook	100
Michael Cukierman	250
Nadine Forbes	150
Candy Francis	100
Claudio Gelerof	100
Marta Gonzales-Lopez	150
Diane Ippolito	400
Antoinette Mancuso	400
Barbara Marzulli	400
Marjory Meshew	400
Sonia Negron	400
Theresa Owens	100
Sherry Parker	200
Ilida Pena	150

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Cindy B. Richmond	500
Donna Rivera	100
Jill Romagnolo	100
Joy Sidebottom	200
Nancy Sims	100
Claudia Singkornrat	150
Megheen Sullivan	300
Ryan Varga	100
Christiana Villard	200
Jorge Villasante	100

II. 1994 Bridge Financing.

During the second half of 1994, the Company sold 733,334 shares of Common Stock to the six investors named below at a purchase price of \$.15 per share in the 1994 Bridge Financing. These sales were intended to be exempt from the registration requirements of the Securities Act pursuant to Rule 506 promulgated thereunder. Maidstone received a non-accountable expense allowance and commissions aggregating \$14,300 in connection with such sales. See "DESCRIPTION OF SECURITIES."

Date	Name of Purchaser	Number of Shares of Common Stock
12/01/94	Alan Adler	100,000
12/01/94	Bruce Adler c/f Kenneth Adler	100,000
12/01/94	Gary Brustein	133,334
12/01/94	Gary Hanna	150,000
12/01/94	Joel Paschow	116,666
12/01/94	Steven Schwartz	133,334

III. 1995 Bridge Financing.

During the first quarter of 1995, the Company consummated the 1995 Bridge Financing, to the 12 Bridge Lenders set forth below, of an aggregate of \$350,000 of its 10% Bridge Notes which were repaid from the net proceeds of the Initial Public Offering. In connection with the sale of the Bridge Notes, the Company issued an aggregate of 361,672 shares of Common Stock 180,836, Class A Warrants and 180,836 Class B Warrants as set forth below. These sales were intended to be exempt from the registration requirements of the Securities Act pursuant to Rule 506 promulgated thereunder. Maidstone received a non-accountable expense allowance and commissions aggregating \$35,000 in connection with such sales. See "DESCRIPTION OF SECURITIES."

<TABLE>  
<CAPTION>

Date	Name of Purchaser	Number of Shares of Common Stock	Number of Class A Common Stock	Number of Class B Warrants	Principal Amount of Warrants	Note
<S>	<C>	<C>	<C>	<C>	<C>	
1/23/95	David Cymrot - IRA	25,834	12,917	12,917	\$25,000	
2/13/95	Artie Gabay	25,834	12,917	12,917	\$25,000	
2/02/95	Matthew Gissen	25,834	12,917	12,917	\$25,000	

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2/07/95	Allen S. Kaplan	25,834	12,917	12,917	\$25,000
1/25/95	Phyllis Kramer	25,834	12,917	12,917	\$25,000
2/07/95	Lawrence E. Putterman	25,834	12,917	12,917	\$25,000
2/07/95	Anthony C. Recchia	25,834	12,917	12,917	\$25,000
1/25/95	Martin Rosenman	25,834	12,917	12,917	\$25,000
2/02/95	Robert L. Rosenthal	25,834	12,917	12,917	\$25,000
1/25/95	Richard M. Schlanger	25,834	12,917	12,917	\$25,000
2/16/95	Gilda Shapiro	51,666	25,833	25,833	\$50,000
2/07/95	Ron Suster	51,666	25,833	25,833	\$50,000

</TABLE>

#### IV. 1995 Equity Financing.

In April 1995, the Company consummated the 1995 Equity Financing to seven investors, as set forth below, of an aggregate of 720,000 shares of Common Stock at a purchase price of \$.175 per share. These sales were intended to be exempt from the registration requirements of the Securities Act pursuant to Rule 506 promulgated thereunder. Maidstone received a non-accountable expense allowance and commissions aggregating \$16,380 in connection with such sales. See "DESCRIPTION OF SECURITIES - Prior Financings."

Date	Name of Purchaser	Number of Shares of Common Stock
4/12/95	Lynne Hersch	60,000
4/12/95	Martin Roseman	120,000
4/12/95	Phyllis Kramer	120,000
4/12/95	Bruce Adler	100,000
4/12/95	Alan Adler	100,000
4/12/95	Gary Brustein	80,000
4/12/95	Richard D. Siegel	140,000

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#### ITEM 27. EXHIBITS.

<TABLE>

<CAPTION>

Number DESCRIPTION OF EXHIBIT

<S> <C>

- 1.1 Form of Underwriting Agreement between the Company and the Underwriters.\*
- 3.1 Amended and Restated Certificate of Incorporation of the Company.\*
- 3.2 Amended and Restated By-Laws of the Company.\*
- 4.1 Specimen Certificate of the Company's Common Stock.\*
- 4.2 Form of Class A Warrant.\*
- 4.3 Form of Class B Warrant.\*
- 4.4 Form of Warrant Agreement between the Company and Continental Stock Transfer & Trust Company.\*
- 4.5 Form of Underwriter's Warrants.\*
- 4.6 Form of Class A Warrants issued in the 1995 Bridge Financing.\*
- 4.7 Form of Class B Warrants issued in the 1995 Bridge Financing.\*
- 4.8 Form of Bridge Notes issued in the 1995 Bridge Financing.\*
- 4.9 1994 Stock Option Plan.\*
- 5.1 Opinion of Gallet Dreyer & Berkey, LLP, counsel to the Company.\*
- 10.1 Form of Employment Agreement between the Company and Neal R. Heller.\*
- 10.2 Form of Employment Agreement between the Company and Elizabeth S. Heller.\*
- 10.3 Letter Agreement, dated December 27, 1993, between the Company and Richard Schuman.\*
- 10.4 Lease, dated April 29, 1993, between Florida Institute of Massage Therapy, Inc., as tenant, and MICC Venture, as landlord, as amended.\*
- 10.5 Lease, dated April 10, 1991, between Florida Institute of Massage Therapy, Inc., as tenant, and Superior Investment & Development Corporation, as agent, for SIDCOR 50/50 Associates.\*
- 10.6 Department of Education, Office of Postsecondary Education, Office of Student Financial



Assistance Program Participation Agreement, dated March 28, 1994, between the Company and the USDOE.\*

- 10.7 Purchase and Sale Agreement between Merrick Venture Capital, Inc., as seller, and the Company, as buyer.\*
- 10.8 First Mortgage Loan Documents between the Company and Trans Florida Bank in connection with the purchase of the Pompano Property.\*
- 10.9 Equity Credit Plan and Note, dated March , 1994, among the Company, F.I.M.T.E., Neal R. Heller, Elizabeth S. Heller and American Bank of Hollywood.\*

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- 10.10 Form of Financial Consulting Agreement between the Company and Maidstone.\*
- 10.12 Agreement dated June 7, 1995 between Natural Health Trends Corp. and Justin Real Estate Corp.\*
- 10.13 Property Management Agreement dated June 7, 1995 between Natural Health Trends Corp. and Justin Real Estate Corp.\*
- 10.14 Agreement and Plan of Reorganization by and among the Company, HWNC and Sam Lilly Corp., dated as of January 22, 1996.\*\*
- 10.15 Employment Agreement between HWNC and Samantha Haimes dated January 22, 1996.\*\*
- 10.16 Employment Agreement between HWNC and Leonard Haimes, M.D. dated January 27, 1996.\*\*
- 10.17 Agreement by and among the Company, HWNC, Medical Service Consultants, Inc., Diagnostic Services, Inc., Managenet, Inc. and KBM Consultants.\*\*
- 16.1 Letter from Soule & Associates, P.A. on change in certifying accountant.\*
- 21.1 List of Subsidiaries.+
- 23.1 Consent of Feldman Radin & Co., P.C.+
- 23.3 Consent of Gallet Dreyer & Berkey, LLP (contained in Exhibit 5.1).\*\*
- 23.4 Consent of Akerman, Senterfitt & Eidson, P.A.\*
- 23.5 Consent of Martin C. Licht to serve as a director.\*
- 24.1 Power of Attorney (included on the signature page of this Registration Statement).  
</TABLE>

+ FILED WITH THIS AMENDMENT  
\* PREVIOUSLY FILED  
\*\* TO BE FILED BY AMENDMENT

#### ITEM 28. UNDERTAKINGS.

1. The undersigned, Company, hereby undertakes:
  - (a) To file, during any period in which the Company offers or sells securities, a post-effective amendment(s) to this registration statement:
    - (1) To include any prospectus required by Section 10(a)(3) of the Securities Act;
    - (2) To reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and
  - (3) To include any additional or changed material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;
- (b) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and

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- (c) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

2. Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission (the "Commission") such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing this Amendment to Form SB-2 and has authorized this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the County of Broward, State of Florida, on June , 1996.

NATURAL HEALTH TRENDS CORP.

By: /s/ NEAL R. HELLER  
 Neal R. Heller, President  
 and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints NEAL R. HELLER and/or ELIZABETH S. HELLER his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or either of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

In accordance with the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<TABLE>  
 <CAPTION>

SIGNATURE	TITLE	DATE
<S> /s/ NEAL R. HELLER ----- Neal R. Heller	<C> Chairman of the Board, Chief Financial and Accounting Officer, Chief Executive Officer and Director	<C> June 10, 1996
/s/ ELIZABETH S. HELLER ----- Elizabeth S. Heller	Secretary, Treasurer and Director	June 10, 1996
/s/ ARTHUR KEISER ----- Arthur Keiser	Director	June 10, 1996
/s/ MARTIN C. LICHT ----- Martin C. Licht	Director	June 10, 1996

</TABLE>

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EXHIBIT 21.1

LIST OF SUBSIDIARIES

F.I.M.T.E. Supply, Inc. a Florida corporation

Health Wellness Nationwide Corp. a Florida corporation

The Corporate Body, Inc. a Florida corporation

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the use in this Registration Statement on Form SB-2 of our report dated March 8, 1996, relating to the consolidated financial statements of Natural Health Trends Corp. for the periods indicated therein, and to the reference to our firm under the caption "EXPERTS" in this Registration Statement.

Feldman Radin & Co., P.C.  
Certified Public Accountants

June 7, 1996  
New York, New York