SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-KSB

(Mark one)
X ANNUAL REPORT UNDER SECTION 13 OR 15(d)OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2000
OR
TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from ________ to ________.

Commission file number 0-011228

NATURAL HEALTH TRENDS CORP.
(Name of Small Business Issuer in Its Charter)

Florida	59-2705336
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

5605 N. MacArthur Boulevard, 11 Floor
Irving, Texas 75038
(Address of principal executive office)

(972) 819-2035
(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange On Which Registered
None	None

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, par value $.001
(Title of Class)

Class A Warrants
(Title of Class)

Class B Warrants
(Title of Class)

Units
(Title of Class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this Form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB or any amendment to this Form 10-KSB.

Issuer's revenues for its most recent fiscal year: $8,320,105.

The number of shares of Common Stock held by nonaffiliates of the registrant (as determined for the purpose of this Form 10-KSB only) as of April 17, 2001 was 73,080,946 with an approximate aggregate market value of $3,800,209, (based upon the closing price of such shares as of such date). The number of shares of the Common Stock of the issuer outstanding as of April 17, 2001 was 73,080,946.

Natural Health Trends Corp.
2000 Form 10-KSB Annual Report

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Part I

ITEM 1. DESCRIPTION OF BUSINESS

Corporate History

Natural Health Trends Corp. is a corporation which develops and operates businesses, in one business segment, to promote human wellness. Through ekaire.com, Inc., and Lexxus International, Inc., our subsidiaries, we utilize a network of independent associates to offer a line of approximately 35 products.

In February 1999, we acquired substantially all of the assets (the "Kaire Assets") of Kaire International, Inc. including, but not limited to, the names "Kaire," "Kaire International, Inc." and all variations and any other product name and all other registered or unregistered trademarks, tradenames, service marks, patents, logos, and copyrights of Kaire International, Inc., all accounts receivable, contractual rights and product formulations to any and all products of Kaire International, Inc., product inventory, "800" and other "toll-free" telephone numbers, product supply contracts (including, but not limited to, its Enzogenol product), independent associate lists, and shares of capital stock owned by Kaire International, Inc. in each of its wholly-owned and/or partially owned subsidiaries including, but not limited to, Kaire New Zealand Ltd., Kaire Australia Pty Ltd., Kaire Trinidad, Ltd. and Kaire Europe Ltd. (but excluding Kaire Korea Ltd.).

In exchange for the Kaire Assets, we issued (i) to creditors of Kaire International, Inc., $2,800,000 aggregate stated value of Series F preferred stock; (ii) to two creditors of Kaire International, Inc., $350,000 aggregate stated value of Series G preferred stock; and (iii) to Kaire International, Inc., five-year warrants to purchase 200,000 shares of our common stock exercisable at $4.06 per share. In addition, we agreed to make certain payments to Kaire International, Inc. each year for a period of five years (the "Kaire Net Income Payments") commencing with the year ending December 31, 1999.

The Kaire Net Income Payments shall be reduced on a dollar-for-dollar basis to the extent of (a) all indebtedness of Kaire International, Inc. assumed by us; (b) all other direct and/or indirect costs or expenses assumed and/or otherwise incurred by us, or resulting from, Kaire International, Inc. including, but not limited to, litigation costs, payments of sales or other taxes, expenses of officers of Kaire International, Inc., and other payments or expenses resulting directly and/or indirectly from the acquisition of the Kaire Assets; and (c) any reasonable inter-company obligations of ours resulting from third party payments made by us. In addition, all amounts set-off against Kaire Net Income Payments are cumulative and, if not set-off in the year they are paid (or incurred) because we did not have a sufficient amount of Net Income (or for any reason), such set-off amounts shall accrue and be used as a set-off in the earliest possible year or years.

In addition, we agreed to indemnify certain officers of Kaire International Inc. against all amounts paid following the acquisition of the Kaire Assets by such persons resulting from unpaid taxes accrued by Kaire International, Inc. prior to the closing date of the Kaire Acquisition.

In connection with the Kaire Acquisition,we retained BLH, Inc. as a consultant. In accordance with the terms of the consulting agreement, BLH, Inc. was to identify companies which we could effect a business combination. BLH, Inc. introduced Kaire International, Inc. to us. Pursuant to the terms of the consulting agreement, BLH, Inc. earned a fee of approximately $430,000 in connection with the Kaire Acquisition which was paid in February, 1999 by issuing 516 shares of Series I preferred stock. The Series I preferred stock was converted into 160,104 shares of common stock during July 1999.

In January 2001, we were instrumental in starting Lexxus International, Inc., our majority owned subsidiary, to market women's products.

In March 2001, Global Health Alternatives, Inc., and Ellon, Inc. two of our wholly owned subsidiaries filed for Chapter 7 bankruptcy liquidation in U.S. Federal court, North Dallas. Neither Global Health Alternatives or Ellon had operations during the year 2000.

Industry Overview

Natural Health Products

We believe that the market for natural products and supplements is being driven by information in the mass media which continues to highlight problems with the American diet; the fact that American consumers are becoming increasingly disenchanted with and skeptical about many conventional medical approaches to disease treatment; growing consumer interest in and acceptance of natural and alternative therapies and products; and, finally, recent clarifications and changes of food and drug laws that have eased significantly the regulatory burdens associated with the introduction and sale of dietary supplements.

We believe that public awareness of the positive effects of nutritional supplements and natural remedies on health has been heightened by widely publicized reports and medical research findings indicating a correlation between the consumption and use of a wide variety of nutrients and natural remedies and the reduced incidence of certain diseases.

We believe, although there can be no assurance, that the aging of the United States population, together with an increased focus on preventative and alternative health care measures, will continue to fuel increased demand for certain nutritional supplement products and natural remedies. Management also believes that the continuing shift to managed healthcare delivery systems will place greater emphasis on disease prevention and health maintenance, areas with which natural health products are most identified.

With respect to the distribution of natural health products, while distribution through small to large sized natural and health food stores remains significant, the bulk of the growth is found in the mass merchandisers and health food chains such as General Nutrition Centers which now represent the majority of sales, and represent the fastest growing channels of distribution.

Direct Selling

According to The Direct Selling Association, network marketing is one of the fastest growing segments for the distribution of products. The Direct Selling Association reports that worldwide, over 17.5 million individuals are now involved in direct selling (of which network marketing is a major segment) and that those involved in direct selling generate $80 billion in annual sales around the world. Network marketing sales in the United States are estimated to be approximately $22 billion annually.

Currently, we have associates in all fifty states, the District of Columbia Puerto Rico, Guam, Canada, Australia, New Zealand, Trinidad and Tobago and Europe. We believe that significant market potential exists for our products in international markets.

Products

ekaire.com, Inc..

Energize

This line is primarily natural stimulants designed to enhance and increase energy levels and endurance both mentally and physically. Products in this category include Ginko Shield, which assists in mental alertness and the circulatory system, Momentum, and RF5, that helps increase and balance energy levels and gives one an overall sense of well-being.

Enhance

The Enhance product line is designed to support an individual's overall health and includes such products as Immunol, Colloidal SilverKaire, Colon Complex, Synerzyme, Kavatu, Arthrokaire, Osteo Formula, CPM9, Royal Hawaiian Noni, Slimkaire, and SinusKaire.

Immunol is a shark liver based capsule which we believe aids in the human immune system. This product is imported exclusively by us.

Colloidal Silverkaire, a solution of silver particles electro-magnetically suspended in deionized water provides dietary support for the immune system. It is used by individuals for a number of purposes including eye drops, a topical solution, nose drops and a drink.

A colon-cleansing product, Colon Complex, is for periodic use in cleaning the lower digestive system and Synerzyme, a combination of naturally occurring enzymes and trace minerals to enhance the efficacy of the enzymes, which may assist the body with the breakdown and assimilation of various foods and fats.

CPM9 includes cetyl-myristoleate, which has been cited as a critical nutrient for chronic pain due to connective tissue disorders. It assists the body in modulating inflammatory response and adding flexibility to affected tissues.

Noni is derived from a fruit grown only in the Central and South Pacific, and contains high levels of naturally occurring vitamins, minerals, trace elements, enzymes, and phytochemicals. The processing method of flash freezing the fruit and then processing it into capsules retains the high level of nutrients that may be lost through the pasteurization of liquid presentations of this product.

Slimkaire is a time-release, thermogenic weight management program with five herbal blends including a thyroid support blend, that is designed to work as a system to assist weight loss safely while giving the dieter a higher level of energy and maintaining a healthy body. This system concept is based upon a complete program including other products, walking or other sensible exercise available to virtually all individuals and sensible permanent eating habits. We believe that our proprietary formula, which has no synthetic stimulant, is superior to competitor blends for the health conscious individual.

In addition, we offer a second thermogenic weight management program, SK II, for individuals seeking a product without Ma huang, (ephedrine).

Developed exclusively for the Canadian market, Sinuskaire, is a similar formulation to the United States product Slimkaire that also aids in a healthy sinus function.

Optimize

This category provides for many of the basic vitamins and nutrients, which are missing in the typical adult or child's diet such as Vita/Minkaire and MSM Complex.

In addition, we acquired the right to distribute Bio10, an organic live source of all 12 lactobacillus bacteria designed to supplement and maintain optimum health.

In August 2000, we introduced Celltonic Plus (TM), an organic mineral solution containing over 72 minerals and trace elements, within an electrolyte drink.

Renew

Renew is a line of moisturizing and topical analgesic's designed to assist in maintaning a youthful and healthy appearance. Our products include, Aloe Gel, Kobi, Dermakaire with Pycnogenol(R), and Dermunol.

Kobi combines Australian Aboriginal healing traditions and scientific research with a patented Emu oil to provide temporary relief of minor aches and pains associated with simple strains, sprains and arthritis.

DermaKaire with Pycnogenol(R) is a mosturizing, whole-leaf Aloe product combined with a powerful antioxidant to maintain healthy-looking skin.

In 2000,we discontinued our line of skin and hair care products due to market conditions.

Restore

Products in this category serve two primary purposes. The first is to provide adaptogens in an efficient medium and the second is to provide a natural relaxant for rest and sleep. Arctic Root is an adaptogen, an herb which works with the body to allow energy to be used by the body as needed as opposed to stimulants and depressants which affect the body's energy as a whole, over a certain period of time. Kavatu combines the extract from the Pacific KavaKava plant with other nutrients to form a product allowing for a more complete rest and sleep without the "hangover" effects of many artificial relaxants and sleep aids. We also market St. John's Wort.

In addition, Aloe has been studied for a number of years as everything from a topical for skin irritations and sunburn to a supplement for improving the general health of the body. Fruit-N-Aloe is a more palatable form of the Aloe juice as it is mixed with fruit juices to get the Aloe benefits without the strong taste of AloElite, a more concentrated form of the Aloe juice.

Revive

This line is primarily nutritional supplements based on antioxidants including Maritime Prime and EnzoKaire Complete. Most of the products are based on exclusive formulations in several combinations containing natural products including Pycnogenol, Enzogenol(TM) and Arctic Root(TM). Products containing Pycnogenol have not been approved for direct importation into Australia. Maritime Plus is not available in Canada due to Canadian regulations on the ascorbate that is contained in this product.

Pycnogenol, is believed to be highly bioavailable and retained in the body for several days. Antioxidants have been shown to be effective in fighting the effects of oxidation on the body. Oxidation is the same process that causes metals to rust and apples to turn brown. Free radicals, which are molecules damaged by oxidation, are being studied as the causes of various infirmities in humans. A free radical is an unstable oxygen molecule seeking, at the molecular level, to pair up with an electron. Free radicals can be created in the atmosphere by the exposure of oxygen to sunlight and pollution. Free radicals

can also be created by natural metabolic processes. Antioxidants are molecules which can combine with and, as a result, neutralize free radicals.

DHEA is a hormonal product, which replaces the same hormone in the body. Research shows that as a person matures their body generates diminishing amounts of DHEA. According to a number of research studies, DHEA is the hormone which allows the body to know its energy level.

New Product Development

Additional products being considered in these areas are additional antioxidants, anti-aging, weight management, and energy products. In addition to the introduction of single products, we are also focusing on promoting groups of products to be taken in conjunction with each other to address specific needs (such as weight loss, stress, daily wellness, etc.) that an individual may have.

We intend to seek to identify, develop and introduce innovative, effective and safe products. Management believes that its ability to introduce new products increases its associates' visibility and competitiveness in the marketplace.

We maintain our own product review and evaluation staff but rely upon independent research, vendor research departments, research consultants and others for product research, development and formulation services.

We did not expend any money on research and development in the year 2000.

Product Warranties and Returns

Our product warranties and policy regarding returns of products are similar to those of other companies in our industry. If a consumer who enrolled with us subsequent to July 1, 1999, for any of our products is not satisfied with the product, she/he may return it to the associate from whom the purchase was made, within 90 days of enrollment. The associate is required to refund the purchase price to the consumer. The associate may then return the unused portion of the product to us for an exchange of equal value. If an associate requests a refund in lieu of an exchange, a check or credit is issued. All associates enrolled with us prior to July 1, 1999 may return products for exchange or refund within 30 days from the date of purchase. All products are warranted against defect by the manufacturer of those products. Most products returned to us, however, are not found to be defective in manufacture.

Manufacturing

We do not intend to develop our own manufacturing capabilities since management believes that the availability of manufacturing services from third parties on a contract basis is adequate to meet our needs. We have utilized a number of manufacturers who have sufficient manufacturing capacity to meet our anticipated production needs.

We currently purchase all of our vitamins, nutritional supplements and all other products and ingredients from parties that manufacture such products to our specifications and standards. All nutritional supplements, raw materials and finished products are subject to sample testing, weight testing and purity testing by independent laboratories.

We have no existing contractual commitments or other arrangements for the future manufacture of our products. Rather, we place orders for component or finished goods manufacturing services as required based upon price quotations and other terms obtained from selected manufacturers.

Marketing and Distribution

Our products are distributed by our subsidiaries through our network of associates. Associates are independent contractors who purchase products directly from the respective subsidiary for resale to retail consumers or for personal consumption. Associates may elect to work on a full-time or a part-time basis. Management believes that network marketing is well suited to marketing our nutritional supplements and other products because sales of such products are strengthened by ongoing personal contact between retail consumers and associates, many of whom use our products.

Our goal is to offer distributors a business opportunity that allows the part-time and full-time network marketers to achieve income levels relative to their business practices and sales levels. Distributors have the opportunity to earn immediate and residual incomes. We pay bonuses to qualified distributors based on sales for their respective commission period.

To become an associate, a person must simply sign an agreement to comply with the policies and procedures of the respective subsidiary We consider approximately 40,000 of our associates to be "active," that is, an individual associate who has ordered at least $50 of products during the preceding 12 month period from any one subsidiary.

We sponsor opportunity meetings in various key cities and participate in motivational and training events in our market areas designed to inform prospective and existing associates about our product line and selling techniques. Associates give presentations relating to their experiences with our products and the methods by which they have developed their own organization of associates. Specific selling techniques are explained, and emphasis is placed on the need for consistency in using such techniques. Participants are encouraged to ask questions regarding selling techniques and product developments, to share information with other associates and to develop confidence in selling and goal-setting techniques. Motivation is offered to participants in the form of recognition, gifts, excursions and tours, which are intended to foster an atmosphere of excitement throughout the associate organization. Prospective associates are educated about the structure, dynamics and benefits of our network marketing system.

We continue to develop marketing strategies and programs to motivate associates. These programs are designed to increase associates' monthly product sales and the recruiting of new associates. An example of one of these programs is our AutoShip Program.

Under the AutoShip Program, an associate may enroll in a minimum ordering program to maintain eligibility for performance bonuses. Minimum orders ranging from $50 to $500 per month are automatically placed by credit card or electronic bank draft. The associate also gets preferred pricing, no minimum purchase requirement (once they have a qualifying select order set up), exclusive access to some product introductions, and discounts on sponsored events.

As part of our maintenance of constant communication with our associate network, we offer the following support programs to our associates:

Touchtalk and Faxback

An automated telephone system that associates can call 24 hours a day to receive reports on the sales activity of their organization and listen to selected messages on special offers, marketing program updates, product information, and similar information. Certain information is also available via facsimile to the associate.

24 Hour Teleconference

A weekly teleconference on various subjects such as technical product discussions, associate organization building and management techniques. An associate can listen to any of the last four weekly teleconferences.

Internet

We maintain a web-site at www.kaire.com, www.ekaire.com and www.lexxusinternational.com. There, the user can read news, letters, learn more about products, place an order or sign up to be an associate. This allows associates to potentially be able to sponsor associates and order products 24 hours a day.

Product Literature

We produce for our associates, color catalogs and brochures displaying and describing each subsidiaries products.

Toll Free Access

A toll free number is available to place orders, sponsor new associates, and for consumer support for ekaire.com.

Broadcast Fax/Broadcast E-mail

Our announcements and product specials are automatically sent via facsimile and/or e-mail to associates who have requested this service.

Markets

We have operations in the United States, Canada, Australia, New Zealand, and Trinidad and Tobago.

Management Information Systems

We outsource our computer system for processing associate orders and calculating associate commission and bonus payments enabling us to promptly remit payments to associates. Our system provides each associate a detailed monthly accounting of all sales and recruiting activity in his or her organization. These convenient statements eliminate the need for substantial record keeping on behalf of the associate.

Competition

We compete with many companies which market and sell products similar to our own products. We also compete intensely with other network marketing companies in the recruitment of associates.

There are many network marketing companies with which we compete for associates. Some of the largest of these are Nutrition for Life International, Inc., Nature's Sunshine, Inc., Herbalife International, Inc., Amway and Rexall Sundown, Inc. Each of these companies is substantially larger than we are and have significantly greater financial and personnel resources than us. We compete for associates by means of our products, marketing program that includes our commission structure, training and support services, and other benefits.

Not all competitors market all types of products marketed by us, and some competitors market products and services in addition to those marketed by us. For example, some competitors are known for and are identified with sales of herbal formulations, some are known for and are identified with sales of household cleaning and personal care products, and others are known for and are identified with sales of nutritional and dietary supplements. Our principal methods of competition for the sale of products are its responsiveness to changes in consumer preferences and its commitment to quality, purity, and safety.

Seasonality

We do not believe that our other nutritional supplements are affected by seasonality.

Government Regulation

We believe that all of our existing products are homeopathic medicines which do not require governmental approvals prior to marketing in the United States. The processing, formulation, packaging, labeling and advertising of such products, however, are subject to regulation by one or more federal agencies including the FDA, the Federal Trade Commission, the Consumer Products Safety Commission, the Department of Agriculture, the Department of Alcohol, Tobacco and Firearms and the Environmental Protection Agency. Our activities are also subject to regulation by various agencies of the states and localities in which its products are sold. In addition, the sale of our products by distributors in foreign markets are subject to regulation and oversight by various federal, state and local agencies in those markets.

The FDA traditionally has been the main agency regulating the types of products sold by homeopathic and natural over-the-counter pharmaceutical firms. Official legal recognition of homeopathic drugs in the United States dates to the Federal Food, Drug and Cosmetic Act of 1938. The Food Drug and Cosmetic Act provides that the term "drug" includes articles recognized in the official Homeopathic Pharmacopoeia of the United States. The Food Drug and Cosmetic Act further recognizes the separate nature of homeopathic drugs from traditional, allopathic drugs by providing that whenever a drug is recognized in both the U.S. Pharmacopoeia and the Homeopathic Pharmacopoeia, it shall be subject to the requirements of the U.S. Pharmacopoeia unless it is labeled and offered for sale as a homeopathic drug, in which case it shall be subject to the provisions of the Homeopathic Pharmacopoeia and not to those of the U.S. Pharmacopoeia.

In 1988, the FDA issued a Compliance Policy Guide that formally established the manner in which homeopathic drugs are regulated. The Compliance Policy Guide provides that homeopathic drugs may only contain ingredients that are generally recognized as homeopathic. Such recognition is most often obtained via the publication of a monograph in the Homeopathic Pharmacopoeia. The FDA has also noted that a product's compliance with a Homeopathic Pharmacopoeia monograph system does not necessarily mean that it has been shown to be safe and effective. According to the Compliance Policy Guide, and consistent with established FDA principles regarding allopathic drugs, a homeopathic drug may only be marketed without a prescription if it is intended solely for self-limiting disease conditions amenable to self-diagnosis and treatment. Other homeopathic drugs must be marketed as prescription products. In addition, if a Homeopathic Pharmacopoeia monograph states that a drug should only be available on a prescription basis, this criteria will apply even if the drug is intended for a self limiting condition. The Compliance Policy Guide provides that the FDA's general allopathic drug labeling requirements are also applicable to homeopathic drugs. All firms that manufacture, prepare, compound, or otherwise process homeopathic drugs must register their drug establishments with the FDA and must also "list" their drugs with the agency. Homeopathic drugs must also be manufactured in conformance with "current good manufacturing practices." In addition, homeopathic drugs are exempt from FDA's requirements for expiration date labeling.

The Homeopathic Pharmacopoeia is updated regularly. The Homeopathic Pharmacopoeia was initially published by the Committee on Pharmacy of the American Institute of Homeopathy and is currently published by the Homeopathic Pharmacopoeia Convention of the United States, a private, non-profit entity organized exclusively for charitable, educational, and scientific activities. The Homeopathic Pharmacopoeia is an official publication that is cited in the Federal Food and Drug Laws and Compliance Policy Guide. The Homeopathic Pharmacopoeia contains hundreds of monographs for homeopathic ingredients that have been found by the Homeopathic Pharmacopoeia Convention to be both safe and effective. The Homeopathic Pharmacopoeia also contains general standards for the preparation of homeopathic drugs.

In January 2000, the FDA issued a final ruling, effective February 7, 2000, related to structure/function statements that may be claimed on dietary supplement product labels. The rule provides for clarification of when a

structure/function claim may be made without prior FDA approval and when a claim constitutes disease related claims. The final rule provides for the adoption of previously issued language by the Nutrition Labeling and Education Act ("NLEA") for `disease or health related conditions' and among other things allows for express and implied disease claims to be made through the name of a product, through a statement about the formulation of a product, or through the use of pictures, vignettes, or symbols. The finalized rule now interprets DSHEA to permit structure/function claims for the effects of "natural states" or common conditions associated with natural states and may include such phrases as "maintains a healthy circulatory system". In addition, the FDA acknowledged permissible statements for minor pain, calming, upset stomach, etc., but not tied to any particular condition or symptom.

We believe that the above finalized rule loosens the restrictions on its labeling of products regarding dietary supplements and structure/function claims provided that any such statements by us does not suggest that the supplement is intended to augment or replace a specific prescription drug or therapy for a disease.

We are unaware of any legal actions pending or threatened by the FDA or any other governmental authority against any of our subsidiaries.

Certain ingredients utilized in our weight management products, primarily ephedrine, are increasingly subject to regulations being promulgated by various state agencies. These regulations generally limit the amount of the ingredient or require a conspicuous warning label be affixed to each product. In addition, certain states have prohibited the sale of ephedrine-based products to minors or at all. The can be no assurances that we will not be subject to additional regulation on its weight management product line.

Direct selling activities are regulated by various governmental agencies. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as "pyramid" or "chain sales" schemes, that promise quick rewards for little or no effort, require high entry costs, use high pressure recruiting methods and/or do not involve legitimate products.

Based on research conducted in opening its existing markets the nature and scope of inquiries from government regulatory authorities and our history of operations in such markets to date, we believe that our methods of distribution are in compliance in all material respects with the laws and regulations relating to direct selling activities of the countries in which we currently operate. Even though we believe that laws governing direct selling are generally becoming more permissive, many countries currently have laws in place that would prohibit us from conducting business in such markets. There can be no assurance that we will be allowed to continue to conduct business in each of its existing markets that it currently services or any new market it may enter in the future.

We believe that we are in material compliance with all regulations applicable to it. Despite this belief, we may be found not to be in material compliance with existing regulations as a result of, among other things, the considerable interpretative and enforcement discretion given to regulators or misconduct by associates. There can be no assurances that we will not be subject to inquiries and regulatory investigations or disputes and the effects of any adverse publicity resulting therefrom. Any assertion or determination that we or any of our associates are not in compliance with existing laws or regulations could have a material adverse effect on our business and results of operations. In addition, in any country or jurisdiction, the adoption of new laws or regulations or changes in the interpretation of existing laws or regulations could generate negative publicity and/or have a material adverse effect on our business and results of operations. We cannot determine the effect, if any, that future governmental regulations or administrative orders may have on our business and results of operations. Moreover, governmental regulations in countries where we may commence or expand its operations may prevent, delay or limit market entry of certain products or require the reformulation of such products. Regulatory action, whether or not it results in a final determination adverse to us, has the potential to create negative publicity, with detrimental effects on the motivation and recruitment of associates and consequently, on our sales and earnings.

Patents and Trademarks

Most of our products are packaged under our "private label." We have registered trademarks with the United States Patent and Trademark Office for our name, logo and various products names. We have applied for trademark registration in several countries outside of those we are currently operating in for our name, logo and various product names.

Additional trademark registration applications which may be filed by us with the United States Patent and Trademark Office and in other countries may or may not be granted and the breadth or degree of protection of our existing or future trademarks may not be adequate. Moreover, we may not be able to defend successfully any of its legal rights with respect to our present or future trademarks. Our failure to protect our legal rights to its trademarks from improper appropriation or otherwise may have a material adverse effect on us.

Employees

As of December 31, 2000, we had 16 full time employees and no part time employee, of which 3 were involved in sales and marketing, 6 in administration and finance and 7 in operations. None of our employees are represented by a union, and we believe that our employee relations are good.

Insurance

We carry general liability insurance in the amount of $1,000,000 per occurrence and $1,000,000 in the aggregate. There can be no assurance, however, that our insurance will be sufficient to 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 us.

ITEM 2. DESCRIPTION OF PROPERTY.

We lease an aggregate of approximately 4,380 square feet of office and warehouse space in an office complex in Carrollton, Texas. The lease term is month to month and the current rate is approximately $60,000 per year. Our Australian and New Zealand subsidiaries also lease their office and warehouse facilities of approximately 8,000 square feet for a period of four years at an annual rental of $30,000 and $24,000, respectively. The Trinidad and Tobago office is approximately 1,100 square feet in downtown Port-of-Spain, Trinidad, which lease is for one year with two one-year renewals. We believe that such properties are suitable and adequate for our current operating needs.

ITEM 3. LEGAL PROCEEDINGS.

On August 4, 1997 Samantha Haimes brought an action in the Fifteenth Judicial Circuit of Palm Beach County, Florida, against us and National Health Care Centers of America, Inc., our wholly-owned subsidiary. We asserted counterclaims against Samantha Haimes and Leonard Haimes. The complaint arises out of the defendant's alleged breach of contract in connection with our natural health care center which was located in Boca Raton, Florida. The plaintiff is seeking damages in the amount of approximately $535,000. We agreed to settle such actions for shares of common stock with a fair market value of $325,000, but not less than 125,000 shares of common stock and agreed to register the shares of our common stock. On October 11, 2000, due to our noncompliance with the settlement, a judgement was taken against us in the amount of $325,000 plus interest.

In Global Health and Ellon, Inc. v. Leslie Kaslof, Ralph Kaslof, and Ellon USA, Inc., pending in the United States District Court for the District of Maine (the "Maine Kaslof Case") claims have been made arising out of the sale of Ellon USA's ("Old Ellon") assets to Global Health's wholly-owned subsidiary, Ellon, Inc. ("New Ellon"). In connection with that sale, Leslie Kaslof and Ralph Kaslof, former shareholders and officers of Old Ellon, entered into employment and consulting agreements with Global Health. Global Health's potential obligation to the Kaslofs under the employment and consulting agreements was approximately $525,000. The complaint in the Maine Kaslof Case seeks a determination that the Kaslofs materially breached their respective obligations under the agreements and that Global Health and New Ellon are excused from further performance thereunder. The complaint includes a breach of fiduciary claim against Ralph Kaslof, as well as a claim to recover approximately $142,000. In a related civil action brought by the Kaslofs and Old Ellon in the United States District Court for the Eastern District of New York (the "New York Kaslof Action") the Kaslofs have alleged breaches of the purchase and sale agreement, the employment and consulting agreements, and other agreements executed in connection with the sale of Old Ellon's assets. The complaint seeks to recover damages in an unspecified amount, but not less than $1,300,000, costs of court, reasonable attorney fees, and interest. We believe that with the Chapter 7 bankruptcy filing of Global Health this case will be dismissed.

In September 1999 Command Financial Press Corp. commenced an action in the Supreme Court of the State of New York in New York City against us for unpaid invoices for printing services in the amount of approximately $65,000. We are defending this action.

On July 10, 2000, The State of Texas obtained judgment against us in the amount of $109,170 for unpaid sales taxes, penalties, interest, and attorney fees. We have entered into a voluntary payment arrangement and have recorded a liability of $114,278 which is included in our financial statements for the year ended December 31, 2000.

On December 29, 2000, Merrill Corporation obtained judgment against us in the amount of $145,497, plus interest. We have recorded a liability of $145,497 which is included in our financial statements for the year ended December 31, 2000.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

During the last quarter of 2000, we did not submit any matter to the vote of our shareholders.

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

PRICE RANGE OF COMMON STOCK

Our common stock is quoted on the OTC Bulletin Board under the symbol "NHTC". Our common stock was delisted from the Nasdaq Small Cap Market in July 2000 for failure to meet the Nasdaq requirements for continued listing. The following table sets forth the range of high and low closing sale prices as reported by The Nasdaq SmallCap Market through June 2000 and the OTC Bulletin Board for the third and fourth quarters 2000.

	High	Low
	Common Stock	
1999		
First Quarter	5.63	3.56
Second Quarter	4.34	3.31
Third Quarter	4.25	2.47
Fourth Quarter	2.93	1.75
2000		
First Quarter	2.00	1.22
Second Quarter	1.31	0.28
Third Quarter	0.44	0.03
Fourth Quarter	0.08	0.02

Holders

As of January 26, 2001, we had approximately 160 record holders of our common stock and approximately 1,200 beneficial holders of our common stock.

Dividends

We have not paid any cash dividends on our common stock to date and do 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.

Recent Sales of Unregistered Securities

In March 2000, we issued 1,000 shares of our Series J preferred stock with a face value of $1,000 per share.

In October 2000, we issued 50 shares of our Series H preferred stock with a face value of $1,000 per share.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Background

Prior to August 1997, our operations consisted of the operation of natural health care centers and vocational schools. Upon the acquisition of Global Health Alternatives, Inc. ("Global Health") on July 23, 1997, we commenced marketing and distributing a line of natural, over-the-counter homeopathic pharmaceutical products. In February 1999, we acquired substantially all of the assets of Kaire International, Inc. and commenced marketing and distributing a line of natural, herbal based dietary supplements and personal care products through an established network marketing system. We discontinued the operations of Global Health during the fourth quarter of 1999 and filed for Chapter 7 bankruptcy protection in March 2001 on behalf of Global Health Alternatives and Ellon, Inc.

RESULTS OF OPERATIONS

Year Ended December 31, 2000 Compared to the Year Ended December 31, 1999

Revenues

Revenues for the year ended December 31, 2000 were approximately $8,320,000 as compared to revenues for the year ended December 31, 1999 of approximately $15,270,000, a decrease of approximately $6,950,000 or 45.5%. Sales for the year ended December 31, 2000 were primarily from ekaire.com, Inc. as Global was closed at the end of 1999. The decrease in sales related to Global is approximately $828,000.

Cost of Sales

Cost of sales for the year ended December 31, 2000 was approximately $2,410,000 or 29.0% of revenues. Cost of sales for the year ended December 31, 1999 was $4,267,000 or 27.9% of revenues. The total cost of sales decreased by approximately $1,857,000 or 43.5% most of which was attributable to ekaire and its related operations. The increase in the cost of sales as a percentage of revenues is attributable to inventory issues that resulted in excessive shipping costs.

Gross Profit

Gross profit decreased from approximately $11,003,000 in the year ended December 31, 1999 to approximately $5,910,000 in the year ended December 31, 2000. The decrease was approximately $5,093,000 or 46.3%. The decrease was attributable to the decline in gross sales.

Commissions

Distributor commissions were approximately $3,682,000 or 44.3% of revenues in the year ended December 31, 2000 compared with $7,230,000 or 47.3% of revenues for the year ended December 31, 1999. The decrease in dollars is directly related to the decrease in gross sales.

Selling, General and Administrative Expenses

Selling, general and administrative costs decreased from approximately $7,633,000 or 50.0% of revenues in the year ended December 31, 1999 to approximately $5,777,000 or 69.4% of revenues in the year ended December 31, 2000, a decrease of approximately $1,856,000 or 24.3% which is attributable to the downsizing of operations in response to the decrease in gross sales, the cessation of Global's operations, offset by start up costs associated with the launch of a new marketing plan.

Loss from Operations

Operating losses increased from $7,027,000 in the year ended December 31, 1999 to approximately $12,552,000 in the year ended December 31, 2000 representing a 78.6% increase in the loss or approximately $5,525,000 between comparable periods. This increase is due primarily to a one time charge of approximately $9,339,000 to write down certain intangible assets related to the Kaire acquisition offset by reduction in commissions. We believe the value of the customer list and goodwill to be significantly impaired based upon the decline in gross revenues.

Interest Expense

Interest expense was approximately $260,000 or 3.1% of revenues in the year ended December 31, 2000 compared with approximately $663,000 or 4.3% of revenues in the year ended December 31, 1999, a decrease of approximately $403,000. This decrease is primarily due to the beneficial conversion feature of certain debt instruments and a decrease in interest bearing liabilities .

Income Taxes

Income tax benefits were not reflected in either period. The anticipated benefits of utilizing net operating losses against future profits was not recognized in the years ended December 31, 2000 or 1999 under the provisions of Financial Standards Board Statement of Financial Accounting Standards No. 109 (Accounting for Income Taxes), utilizing loss carry forwards as a component of income tax expense. A valuation allowance equal to the net deferred tax asset has been recorded, as management has not been able to determine that it is more likely than not that the deferred tax assets will be realized.

Net Loss from Continuing Operations

Net loss from continuing operations was approximately $12,803,000 in the year ended December 31, 2000 or 153.9% of revenues as compared to approximately $7,758,000 or 50.8% of revenues in the year ended December 31, 1999.

Discontinued Operations

We closed our wholly owned subsidiary in the United Kingdom in February 2000. We recognized a gain of $200,000 on the anticipated liquidation of this asset for the year ended December 31, 1999. For the year ended December 31, 2000 we have reduced this gain by $15,000 in recognition of actual proceeds received.

Gain on Forgiveness of Debt

During the year ended December 31, 2000, we realized a $2,148,000 gain on the various debt and payables of Global Health due to the filing of a Chapter 7 bankruptcy in early 2001.

Liquidity and Capital Resources

We have funded our working capital and capital expenditure requirements primarily from cash provided through borrowings from institutions and individuals, and from the sale of our securities in private placements. Our other ongoing source of cash receipts has been from the sale of our products.

In August 1998, we issued $1,650,000 face amount of Series E Preferred Stock, net of expenses of $210,500. The Series E Preferred Stock pays dividends of 10% per annum and is convertible into shares of common stock at the lower of the closing bid price on the date of issue or 75% of the market value of the common stock. In the year ended December 31, 1999, $610,000 of face amount of Series E Preferred Stock was converted into 603,130 shares of common stock. In the year ended December 31, 2000 we had converted an additional $93,232 of face amount Series E Preferred Stock into 2,984,122 shares of common stock.

In March and April 1999, we issued $1,400,000 of Series H Preferred Stock. The Series H Preferred Stock pays dividends of 10% per annum and is convertible into shares of common stock at the lower of the closing bid price on the date of

issue or 75% of the market value of the common stock. In January and February 2000, $359,000 of face amount Series H Preferred Stock was converted into 434,660 shares of common stock.

In June 1999, we borrowed $100,000 from Domain Investments, Inc. The loan bears interest at 10% per annum and is payable on demand. The note is convertible into shares of common stock at a discount equal to 60% of the average closing bid price of the common stock on the three days preceding notice of conversion.

In July 1999, we borrowed $50,000 from H. Newcomb Eldredge and issued a nine month secured promissory note bearing interest at the rate of 14% per annum, but in no event shall the interest payable be less than $5,000. In November 1999, the note to H. Newcomb Eldredge was repaid in full.

In July 1999, we borrowed $50,000 from Capital Development S.A. and issued a nine month secured promissory note bearing interest at the rate of 14% per annum, but in no event shall the interest payable be less than $5,000. In November 1999, the note was repaid in full.

In July and August 1999 we borrowed $150,000 from Filin Corporation, and issued a secured promissory note due on the earlier of 60 days from the date of issuance or upon the sale of our securities resulting in gross proceeds of at least $5,000,000 and bearing interest at the rate of 10% per annum, but in no event less than $12,000. In October 1999 we amended the promissory note to provide that the note is payable upon demand and is convertible into shares of common stock at a discount equal to 60% of the average closing bid price of the common stock on the three days preceding notice of conversion.

In October 1999, we borrowed $100,000 from Domain Investments, Inc. The loan bears interest at 10% per annum and is payable on demand. The note is convertible into shares of common stock at a discount equal to 60% of the average closing bid price of the common stock on the three days preceding notice of conversion.

In November 1999, we borrowed $70,000 from Domain Investments, Inc. The loan bears interest at 10% per annum and is payable on demand. The note is convertible into shares of common stock at a discount equal to 60% of the average closing bid price of the common stock on the three days preceding notice of conversion. This note was repaid with interest in March 2000.

In March 2000, we sold 1,000 shares of Series J Preferred Stock with a stated value of $1,000 per share realizing net proceeds of $1,000,000. The preferred stock pays a dividend at the rate of 10% per annum. The preferred stock and the accrued dividends thereon are convertible into shares of our common stock at a conversion price equal to the lower of the closing bid price on the date of issuance or 70% of the average closing bid price of the common stock for the lowest three trading days during the twenty day period immediately preceding the date on which we receive notice of conversion from a holder. In connection with the offering of the Series J Preferred Stock, we issued warrants to purchase 141,907 shares of common stock at an exercise price of $1.41 per share.

In May 2000, we borrowed $20,700 from Tyler Pipeline, Inc. The loan bears interest at 10% per annum and is payable on demand. The note is convertible into shares of common stock at a discount equal to 60% of the average closing bid price of the common stock on the three days preceding notice of conversion.

In June 2000, we acquired certain assets of Life Dynamics International and issued a non-interest bearing promissory note for $208,433. During 2000 we made payments on this note of $43,874. The remaining balance is payable in shares of our common stock on a quarterly basis.

In October 2000, we issued an additional 50 shares of Series H Preferred Stock. The Series H Preferred Stock pays dividends of 10% per annum and is convertible into shares of common stock at the lower of the closing bid price on the date of issue or 75% of the market value of the common stock.

In October 2000, we borrowed $10,000 from Meridian Investments, Inc. The loan bears interest at 10% per annum and is payable on demand.

In November 2000, we borrowed $25,000 from Filin Corp. The loan bears interest at 10% per annum and is payable on demand.

During 2000 and 1999, we have not made our payroll tax deposits with the Internal Revenue Service ("IRS") and the various state taxing authorities on a timely basis. We have filed all required payroll tax returns and are currently negotiating a payment plan with the IRS. As of December 31, 2000, we owe approximately $890,000 of delinquent payroll tax liabilities including interest and penalties. Our failure to pay our delinquent payroll tax liabilities could result in tax liens being filed by various taxing authorities.

During 2000 and 1999, we did not make our sales tax deposits with the various sales tax authorities on a timely basis. We have filed all required sales tax returns. As of December 31, 2000, we owed approximately $285,000 in current and delinquent sales taxes which is included in other current liabilities. Our failure to pay our delinquent sales taxes could result in tax liens being filed by various taxing authorities.

At December 31, 2000, our ratio of current assets to current liabilities was .07 to 1.0 and we had a working capital deficit of approximately $5,865,000.

Cash used in operations for the period ended December 31, 2000 was approximately $1,731,000. Cash used by investing activities during the period was approximately $24,500, which primarily relates to the Life Dynamics' acquisition. Cash provided by financing activities during the period was approximately $1,430,000 primarily from the issuance of preferred stock of $1,050,000. Total cash decreased by approximately $326,000 during the period.

Our independent auditors' report on our consolidated financial statements stated as of December 31, 2000 due to net losses and a working capital deficit, there is substantial doubt about our ability to continue as a going concern. We require additional financing to continue operations of which there can be no assurance. We believe that we will require approximately $500,000, primarily to finance operations for the next 12 months. We intend to raise such additional financing through additional debt and equity financings, of which there can be no assurance and for which there are no commitments or definitive agreements. As of December 31, 2000, Global Health owed approximately $2,148,000 to creditors. We have not reached satisfactory settlements with Global Health's creditors and we have ceased the operations of Global Health. In March 2001, we filed for protection from creditors under the bankruptcy laws. There can be no assurance that we will be able to secure such additional financing. Our failure to secure additional financing would have a material adverse effect on our business, prospects, financial conditions and results of operations and we may have to curtail or cease operations.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements, including the notes thereto, together with the report of independent certified public accountants thereon, are presented beginning at page F-1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information concerning our directors and executive officers.

Name	Age	Position
Robert L. Richards*	55	President, Chief Executive Officer and Director
Mark D. Woodburn	30	Chief Financial Officer, Secretary and Treasurer
Martin C. Licht*	59	Director
Dirk D. Goldwasser*	41	Director

* Messrs. Richards, Licht, and Goldwasser resigned from the Board of Directors in August 2000.

The following is a brief summary of each of our executive officers and director:

Robert L. Richards is the Chief Executive Officer of Kaire Nutraceuticals and became a director of ours in April 1999 and president and chief executive officer of Natural Health Trends in September 1999. He was a co-founder and had been an executive officer and director of Kaire International, Inc. since its inception in 1992. Mr. Richards resigned as the President, Chief Executive Officer and Director in August 2000. Mr. Richards has been designated Chairman Emertitus and Founder of Kaire.

Mark D. Woodburn became our chief financial officer in April, 1999 and secretary in October 1999. He had been secretary and a director of Kaire International, Inc. from 1992 to the present. Mr. Woodburn resigned his appointment as secretary in January 2001.

Martin C. Licht has been a practicing attorney since 1967. Mr. Licht became a director of in July 1995. Mr. Licht resigned as a director in August 2000.

Dirk D. Goldwasser has been a consultant/trader with Filin Corp. from August 1996 to the present. From June 1994 to July 1996 he was a vice president with Bankers Trust Securities Company. From December 1993 to June 1994 he was an associate with Oppenheimer and Co. From 1988 to December 1993, he was director of sales for Galbreath Asset Advisors/Loews Organization. Mr. Goldwasser resigned as a director in August 2000.

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, 2000, and (ii) Forms 5 and amendments thereto and/or written representations furnished to us by any director, officer or ten percent security holder of ours (collectively "Reporting Persons") stating that he or she was not required to file a Form 5 during the our fiscal year ended December 31, 2000, 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.

ITEM 10. EXECUTIVE COMPENSATION.

We do not have a bonus, profit sharing, or deferred compensation plan for the benefit of our employees, officers or directors.

The following table provides a summary of cash and non-cash compensation for each of the last two fiscal years ended December 31, 1999 and 2000 with respect to the following officers.

<TABLE>
<CAPTION>

SUMMARY COMPENSATION TABLE

<S> <C> <C> <C>

Name and Other Principal Position	Year	Annual Compensation: Salary ($)	Annual Compensation: Bonus ($)	Annual Compensation: Other Annual Compensation ($)(1)	Long Term Compensation Awards: Restricted Stock Award(s) ($)	Long Term Compensation Awards: Securities Underlying Options/SARs (#)	Long Term Compensation Payouts: LTIP Payouts ($)	All Other Compensation ($)
Robert L. Richards, (2)	2000	68,692	-	-	-	-	-	-
Former President & CEO	1999	96,923	-	-	-	-	-	-
Joseph P. Grace, (3)	2000	-	-	-	-	-	-	-
Former President & CEO	1999	133,333	-	-	-	-	-	-
Terry LaCore (4)	2000	100,000	-	16,016	-	-	-	-
President of ekaire.com, Inc.	1999	80,769	-	-	-	-	-	-
Mark D. Woodburn (5)	2000	34,000	-	-	-	-	-	-
CFO	1999	55,750	-	-	-	-	-	-

</TABLE>

(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.
(2) Mr. Richards became our President in September 1999 and resigned in August 2000.
(3) Mr. Grace resigned in September 1999.
(4) Mr. LaCore is the President of ekaire.com, Inc., our wholly-owned subsidiary.
(5) Mr. Woodburn became our Chief Financial Officer in April 1999 and Secretary in October 1999.

Option Grants in Last Fiscal Year

We did not grant any options during the fiscal year ended December 31, 2000 to the named executive officers. During the fiscal year ended December 31, 2000, none of the named executive officers exercised any options issued by us.

Consulting Agreements

In October 1999, we entered into a two year consulting agreement with Domain Investments, Inc. pursuant to which Domain Investments Inc. will provide us with financial advisory services relating to mergers and acquisitions and strategic alliances in consideration for the issuance of 95,000 shares of common stock.

In October 1999, we entered into a consulting agreement with Meridian Equities Hong Kong, Ltd. pursuant to which Meridian Equities Hong Kong, Ltd. will negotiate settlements with our creditors in consideration for the issuance of 185,000 shares of common stock.

In January 2001, we entered into a consulting contract with Benchmark Consulting Group to advise us in connection with the acquisition and/or startup and/or merger with other companies introduced to us by Benchmark and any divesture of our assets, subsidiaries, or the sale of the Company itself.

Directors' Compensation

Our directors do not receive any fixed compensation for their services as directors. Directors are reimbursed for their reasonable out-of-pocket expenses incurred in connection with performance of their duties. We did not pay our directors any cash or other form of compensation for acting in such capacity, although directors who were also executive officers received cash compensation for acting in the capacity of executive officers.

Stock Options

The 1998 Stock Option Plan (the "1998 Plan") provides for the granting of options to key employees, including officers, non-employee directors and consultants of ours and our subsidiaries to purchase up to 200,000 shares of common stock which are intended to qualify either as Incentive Stock Options within the meaning of the Code or as options which are Nonstatutory Stock Options.

The 1997 Stock Option Plan (the "1997 Plan") provides for the granting of options to key employees, including officers, non-employee directors and consultants ofours and its subsidiaries to purchase up to 75,000 shares of common stock which are intended to qualify either as incentive stock options ("Incentive Stock Options") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, (the "Code"), or as options which are not intended to meet the requirements of such section ("Nonstatutory Stock Options").

We adopted the 1994 Stock Option Plan (the "1994 Plan") under which up to 16,667 options to purchase shares of common stock may be granted to key employees, officers, consultants and members of the Board of Directors. Options granted under the 1994 Plan may be either Incentive Stock Options or Nonstatutory Options.

The plans are administered by the Board of Directors. Under the plans, 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 Plans 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 plans 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.

In April 1999, we granted options to purchase shares of common stock to the following individuals at an exercise price of $3.50 per share as a bonus for the year ended December 31, 1998:

Person	Number of Options
Joseph P. Grace....................	150,000
Dirk Goldwasser	50,000
Sir Brian Wolfson..................	50,000
Martin C. Licht....................	25,000
Kevin Underwood....................	20,000

On January 18, 2001, we granted 3,000,000 options to purchase shares of common stock to Terry LaCore, President of our subsidiary ekaire.com, Inc, at the closing stock price of $.011 per share.

On January 18, 2001, we granted 3,000,000 options to purchase shares of common stock to Benchmark Consulting Group pursuant to a consulting contract at the closing stock price of $.011 per share.

On January 18, 2001, we granted 500,000 options to purchase shares of common stock to various employees at the closing stock price of $.011 per share.

ITEM 11.SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information as to the common stock ownership of each of the our directors, executive officers, all executive officers and directors as a group, and all persons known to us to be the beneficial owners of more than five percent of our common stock.

Name and Address of Beneficial Owner	Number of Shares	Approximate Percentage of Common Stock
Mark D. Woodburn	---	*
All Executive Officers and Directors as a Group (1 persons)	---	*
Abraham Weinzimer	6,024,094	8.2%

2545 Hempstead Turnpike
East Meadow, NY 11554

* Owns less than one (1%) percent.

(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) The address of each executive officer and director is c/o Natural Health Trends Corp., 5605 N. MacArthur Boulevard, 11th Floor, Irving, Texas 75038.

(3) The table does not include shares of common stock issuable upon the conversion of the our Series E, F, G, H and J preferred stock. Pursuant to the terms of the Series E, F, G, H and J preferred stock, the holders thereof generally are not entitled to convert such instruments to the extent that such conversion would increase the holders' beneficial ownership of common stock to an amount in excess of 4.9%, except in the event of mandatory conversion. On the date of a mandatory conversion of the Series E, F, G, H and J preferred stock, a change in control may occur, based upon the number of shares of common stock issuable to such holders.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Martin C. Licht, a former director of ours, was a member of law firms which received $263,221 attributable to 1998 and $79,000 attributable to 1999.

As of December 31, 2000, we owed approximately $106,000 to Robert L. Richards, a former president and a director, in connection with liabilities assumed in connection with the Kaire acquisition. Mr. Woodburn, our chief financial officer, and Mr. Richards have guaranteed a loan in the amount of $35,000 from STAR Financial Bank.

In January 2000, we entered into a licensing agreement with GLI, Inc., of which our former president, Joseph Grace, is a principal. We licensed to GLI certain rights to manufacture, distribute and sell the four Natural Relief 1222 products through various distribution channels and the exclusive right to the trademark "Natural Relief 1222". The licensing agreement is for a percentage of GLI's net sales for five years with a minimum royalty guaranteed. After five years, the royalty is reduced to a lower percentage of net sales with no minimum royalty guaranteed. As part of the licensing agreement, GLI agreed to purchase any unused inventory of the product. In January 2001, we modified this agreement, by mutual consent, to release each party from certain obligations in connection with Mr. Grace's tenure with the Company and GLI's royalty payments.

We believe that the transactions between us and any of our officers, directors and/or 5% stockholders have been on terms no less favorable to us than could have been obtained from independent third parties. Future transactions, if any, between us and any of our officers, directors and/or 5% stockholders will be on terms no less favorable to us than could be obtained from independent third parties and will be approved by a majority of the independent, disinterested directors. In addition, any forgiveness of indebtedness of officers, directors or 5% stockholders will be approved by a majority of disinterested directors who do not have an interest in the transactions and who have access, at our expense, to counsel.

ITEM 13. EXHIBITS, LIST AND REPORTS ON FORM 8-K.

(a) Exhibits

Index to Exhibits

NUMBER	DESCRIPTION OF EXHIBIT
2.1	Asset Purchase Agreement dated April 29, 1998 by and among Natural Health Trends Corp., Neal Heller & Elizabeth S. Heller and Florida College of Natural Health, Inc. (2)
2.2	Acquisition Agreement among the Company, NHTC Acquisition Corp. and Kaire International, Inc. (the "Acquisition Agreement").(3)
3.1	Amended and Restated Certificate of Incorporation of the Company.(4)
3.2	Amended and Restated By-Laws of the Company.(4)
4.1	Specimen Certificate of the Company's Common Stock.(4)
4.2	Form of Class A Warrant.(4)
4.3	Form of Class B Warrant.(4)
4.4	Form of Warrant Agreement between the Company and

Continental Stock Transfer & Trust Company for Class A and B
Warrants.(4)

4.5 1994 Stock Option Plan.(4)
4.6 1997 Stock Option Plan.(11)
4.7 1998 Stock Option Plan.(11)
4.8 Articles of Amendment of Articles of Incorporation of the Company.(6)
4.9 Articles of Amendment of Articles of Incorporation- Series C Preferred Stock.(7)
4.10 Articles of Amendment of Articles of Incorporation- Series E Preferred Stock.(3)
4.11 Articles of Amendment of Articles of Incorporation- Series F Preferred Stock.(3)
4.12 Articles of Amendment of Articles of Incorporation- Series G Preferred Stock.(3)
4.13 Articles of Amendment of Articles of Incorporation- Series H Preferred Stock.(3)
4.14 Form of Warrant in connection with the Acquisition Agreement.(3)
4.15 Articles of Amendment of Articles of Incorporation - Series J Preferred Stock (13)
10.1 Agreement among Natural Health Trends Corp. Health Wellness Nationwide Corp., Samantha Haimes and Leonard Haimes.(8)
10.2 Leases (Two) for Registrant's Denver, Colorado facilities.(11)
10.3 Manufacturing and Distribution Agreement between Kaire International Inc. and ENZO Nutraceuticals, Ltd.(11)
10.4 Assignment of Patents Agreement dated May 23, 1997 between MikeCo., Inc. and Troy Laboratories, Inc. and H. Edward Troy.(11)
10.5 Agreement dated April 8, 1998 among Global Health Alternatives, Inc. and MikeCo., Inc., Troy Laboratories, Inc., H. Edward Troy, Kevin Underwood and Patrick Killorin.(11)
10.6 Assumption Agreement and Amendment of Commercial Security Agreement dated February 19, 1999 by and between STAR Financial Bank, Kaire International, Inc. and NHTC Acquisition Corp.(11)
10.7 Agreement dated September 17, 1999 between the Company and Joseph P. Grace.(11)
10.8 Promissory Note in the amount of $150,000 from the Company to Filin Corporation.(11)
10.9 Promissory Note in the amount of $50,000 from the Company to H. Newcomb Eldredge.(11)
10.10 Promissory Note in the amount of $50,000 from the Company to Capital Development S.A.(11)
10.11 Promissory Note in the amount of $100,000 between the Company and Domain Investments, Inc.(10)
10.12 Promissory Note in the amount of $100,000 between the Company and Domain Investments, Inc.(10)
10.13 Consulting Agreement between the Company and Meridian Equities Hong Kong, Ltd.(10)
10.14 Consulting Agreement between the Company and Domain Investments, Inc.(10)
10.15 Promissory Note in the amount of $70,000 from the Company to Domain Investments, Inc. (12)
10.16 Licensing Agreement between GLI, Inc. and the Company(12)
21.1 List of Subsidiaries.(9)

- -------------------------
(1) Filed upon the initial filing of this Registration Statement.

(2) Previously filed with the Company's Proxy Statement on Schedule 14A, dated May 14, 1998.

(3) Previously filed with the Company's Proxy Statement on Schedule 14A, dated January 25, 1999.

(4) Previously filed with Registration Statement No. 33-91184.

(5) Previously filed with the Company's Form 8-K dated August 7, 1997.

(6) Previously filed with the Company's Form 10-QSB dated June 30, 1997.

(7) Previously filed with the Company's Form 10-QSB dated September 30, 1998.

(8) Previously filed with the Company's Form 10-KSB for the year ended December 31, 1996.

(9) Previously filed with the Company's Form 10-KSB for the year ended December 31, 1998.

(10) To be filed by Amendment.

(11) Previously filed with the Company's Registration Statement, File No. 333-80465.

(12) Filed herewith.
(13) Previously filed with the Company's Form 8-K dated March 17, 2000.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 2000.

SIGNATURES

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

Natural Health Trends Corp.

Signature	Title	Date
/s/ Mark D. Woodburn - -------------------------- Mark D. Woodburn	President, Chief Financial Officer and Director (Principal Financial and Accounting Officer)	May 1, 2001
/s/ Robin T. Phelan-Tuggle - ------------------------ Robin T. Phelan-Tuggle	Controller, Secretary	May 1, 2001

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

Signature	Title	Date
/s/ Mark D. Woodburn - ------------------------- Mark D. Woodburn	Director	May 1, 2001

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS

The following consolidated financial statements of Natural Health Trends Corp. are included in response to Item 7:

PAGE

INDEPENDENT AUDITORS' REPORT

Board of Directors
Natural Health Trends Corp. and Subsidiaries
New York, New York

We have audited the accompanying consolidated balance sheet of Natural Health Trends Corp. and Subsidiaries as of December 31, 2000 and the related consolidated statements of operations, stockholders' deficit and cash flows for the years ended December 31, 2000 and 1999. 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, 2000 and the results of its operations and its cash flows for the years ended December 31, 2000 and 1999, in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred losses in each of the last two fiscal years and as more fully described in Note 2, the Company anticipates that additional funding will be necessary to sustain the Company's operations through the fiscal year ending December 31, 2001. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Feldman Sherb & Co., P.C.
Feldman Sherb & Co., P.C.
Certified Public Accountants

New York, New York
April 19, 2001

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2000

ASSETS	
CURRENT ASSETS:	
Cash	$ 108,419
Restricted cash	72,834
Accounts receivable	51,768
Inventories	197,069
Prepaid expenses and other current assets	17,592
Total Current Assets	447,682
PROPERTY AND EQUIPMENT	56,127
DEPOSITS AND OTHER ASSETS	87,039
TOTAL ASSETS	$ 590,848
LIABILITIES AND STOCKHOLDERS' DEFICIT	
CURRENT LIABILITIES:	
Checks written in excess of deposits	$ 600,168
Accounts payable	3,046,767
Accrued expenses	556,491
Accrued bonus payable	151,684
Accrued payroll taxes	889,908
Notes payable	420,940
Notes payable - related parties	211,674
Current portion of capital lease obligations	30,811
Deferred revenue	119,413
Sales tax payable	284,655
Total Current Liabilities	6,312,511
CAPITAL LEASE OBLIGATIONS, net of current portion	15,779
TOTAL LIABILITIES	6,328,290
STOCKHOLDERS' DEFICIT:	
Preferred stock	5,752,410
Common stock	15,761
Additional paid in capital	23,743,804
Accumulated deficit	(35,212,214)
Cummulative currency translation adjustment	(37,203)

Total Stockholders' Deficit	(5,737,442)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 590,848

See Notes to Consolidated Financial Statements

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2000	1999
Revenues	$ 8,320,105	$ 15,269,631
Cost of Sales	2,410,096	4,267,045
Gross Profit	5,910,009	11,002,586
Distributor commissions	3,681,646	7,229,758
Write-down of patents and goodwill	9,002,582	3,166,841
Selling, general and administrative expenses	5,777,474	7,633,401
	18,461,702	18,030,000
OPERATING LOSS	(12,551,693)	(7,027,414)
Gain on foreign exchange	9,076	-
Other expense	-	(67,180)
Interest (net)	(260,160)	(663,289)
LOSS FROM CONTINUING OPERATIONS	(12,802,777)	(7,757,883)
DISCONTINUED OPERATIONS:		
Income from discontinued operations	-	304,593
Gain (loss) on disposal	(15,000)	200,000
Loss before extraordinary gain	(12,817,777)	(7,253,290)
Extraordinary gain - forgiveness of debt	2,148,478	-
Net loss	(10,669,299)	(7,253,290)
Preferred stock dividends	1,277,251	1,542,590
Net loss to common shareholders	$ (11,946,550)	$ (8,795,880)

BASIC AND DILUTED LOSS PER COMMON SHARE:

	2000	1999
Continuing operations	$ (1.47)	$ (1.29)
Discontinued operations	-	0.07
Extraordinary gain	0.22	-
Net loss to common shareholders	$ (1.25)	$ (1.22)
Basic and diluted weighted common shares used	9,588,718	7,233,297

See Notes to Consolidated Financial Statements.

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Common Stock Subject to Put	Foreign Currency	Deferred Compensation	Total Stockholders' Deficit
BALANCE-DECEMBER 31, 1998	6,220,331	$ 6,221	1,650	$1,650,000	$16,668,257	$(14,369,784)	$(380,000)	$ -	$ -	$ 3,574,694
Issuance of Convertible Series F preferred stock	-	-	2,800	2,800,000	-	-	-	-	-	2,800,000
Issuance of Convertible Series G preferred stock	-	-	350	350,000	-	-	-	-	-	350,000
Sale of Convertible Series H preferred stock	-	-	1,400	1,400,000	(198,985)	-	-	-	-	1,201,015
Sale of Convertible Series I preferred stock	-	-	516	516,000	-	-	-	-	-	516,000
Issuance of common stock warrants	-	-	-	-	682,000	-	-	-	-	682,000
Preferred stock dividends imputed	-	-	-	-	632,455	(632,455)	-	-	-	-
Accrued preferred stock dividends	-	-	-	-	910,135	(910,135)	-	-	-	-
Conversion of Convertible Series I preferred stock	160,104	160	(516)	(515,840)	516,000	-	-	-	-	320
Conversion of Convertible Series E preferred stock	603,130	603	(610)	(610,000)	609,397	-	-	-	-	-
Exercise of Series E warrants	185,769	186	-	-	(186)	-	-	-	-	-
Conversion of Convertible Series H preferred stock	255,254	255	(426)	(426,464)	425,890	-	-	-	-	(319)
Deferred stock compensation	-	-	-	-	-	-	-	-	(666,000)	(666,000)
Exercise of put	-	-	-	-	-	-	380,000	-	-	380,000
Shares issued for services	433,018	433	-	-	1,122,383	-	-	-	-	1,122,816
Shares issued for interest	132,241	132	-	-	76,568	-	-	-	-	76,700
Net loss	-	-	-	-	-	(7,253,290)	-	-	-	(7,253,290)
BALANCE-DECEMBER 31, 1999	7,989,847	7,990	5,164	5,163,696	21,443,914	(23,165,664)	-	-	(666,000)	2,783,936
Issuance of Covertible Series J preferred stock	-	-	1,000	1,000,000	(62,530)	-	-	-	-	937,470
Issuance of common stock warrants	-	-	-	-	100,000	(100,000)	-	-	-	-
Conversion of Convertible Series H preferred stock	434,660	435	(359)	(359,154)	385,068	(26,349)	-	-	-	-
Conversion of notes payable to common	3,935,171	3,934	-	-	1,216,053	-	-	-	-	1,219,987
Conversion of Convertible Series E preferred stock	2,984,122	2,984	(94)	(93,232)	90,248	-	-	-	-	-
Conversion of Convertible Series G preferred stock	279,852	280	(6)	(5,800)	5,520	-	-	-	-	-
Issuance of Convertible Series H preferred stock	-	-	50	50,000	-	-	-	-	-	50,000
Conversion of Series F preferred stock	138,318	138	(3)	(3,100)	2,962	-	-	-	-	-
Write-down of deferred compensation	-	-	-	-	(555,000)	-	-	-	555,000	-
Amortization of deferred compensation	-	-	-	-	-	-	-	-	111,000	111,000
Foreign currency translation	-	-	-	-	-	-	-	(37,203)	-	(37,203)
Preferred stock dividends	-	-	-	-	1,250,902	(1,250,902)	-	-	-	-
Amount payable for acquisition in common stock	-	-	-	-	(133,333)	-	-	-	-	(133,333)
Net loss	-	-	-	-	-	(10,669,299)	-	-	-	(10,669,299)
BALANCE-DECEMBER 31, 2000	15,761,970	$15,761	5,752	$5,752,41	$23,743,804	$(35,212,214)	$ -	$ (37,203)	$ -	$(5,737,442)

</TABLE>

See Notes to Consolidated Financial Statements

NATURAL HEALTH TRENDS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (10,669,299)	$ (7,253,290)
Adjustments to reconcile net loss to net cash used in operating activities:		
(Gain) loss on dissolution	15,000	(200,000)
Income from discontinued operations	-	(304,593)
Depreciation and amortization	364,400	374,154
Loss on disposal of fixed asset	(666,856)	(3,802)
Write down of patents and goodwill	9,002,582	3,166,841
Gain on forgiveness of debt	(2,148,478)	(81,260)
Issuance of common stock in settlement of interest	6,059	122,868
Changes in assets and liabilities:		
Decrease in accounts receivable	355,722	228,684
Increase in inventories	863,065	253,033
(Increase) decrease in prepaid expenses	157,117	(134,364)
Decrease in prepaid royalties	-	498,125
(Increase) decrease in deposits and other assets	(11,432)	283,200
Increase in accounts payable	683,473	1,113,501
Increase in accrued expenses	52,731	532,596
Increase in accrued consulting contract	666,000	-
Increase (decrease) in deferred revenue	(408,418)	453,744
Increase in sales tax payable	7,545	245,478
Decrease in accrued expenses for discontinued operations	-	(10,000)
	8,938,510	6,538,205
NET CASH USED IN OPERATING ACTIVITIES	(1,730,789)	(715,085)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(7,421)	(127,077)
Proceeds form the sale of fixed assets	10,533	-
Business acquititions, net of cash acquired	(27,587)	(1,353,573)
CASH FLOWS USED IN INVESTING ACTIVITIES	(24,475)	(1,480,650)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in cash overdraft	(43,284)	(168,792)
(Increase) decrease in Restricted cash	79,671	(27,505)
Decrease in due to affiliate	-	250,000
Proceeds from preferred stock	1,050,000	3,724,195
Proceeds from notes payable and long-term debt	512,976	581,899
Payments of notes payable and long-term debt	(169,743)	(471,914)
Redemption of preferred stock	-	(1,552,305)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,429,620	2,335,578
INCREASE (DECREASE) IN CASH	(325,644)	139,843
CASH - BEGINNING OF YEAR	434,063	294,220
CASH - END OF YEAR	$ 108,419	$ 434,063

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

SUPPLEMENTAL NON-CASH FINANCING ACTIVITIES:

Conversion of preferred stock to common stock	$ 461,286	$ 1,552,305

Conversion of debentures, notes payable and related accrued interest to common stock	$ 1,219,987	$ -
Preferred stock dividends	$ 1,277,251	$ 1,542,590

See notes to consolidated financial statements.

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000 and 1999.

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.

In July 1997, the Company acquired Global Health Alternatives, Inc., ("Global") a company incorporated in Delaware, which was in the business of marketing and distribution of over-the-counter homeopathic pharmaceutical health products. Global operated its business through its wholly owned subsidiaries: Ellon, Inc. ("Ellon"), Maine Naturals, Inc. ("MNI") and Natural Health Laboratories, Inc. These facilities were closed during 1999.

In February 1999, the Company's newly formed, wholly-owned subsidiary, Kaire Nutraceuticals, Inc., ("Kaire Nutraceuticals") acquired substantially all the assets of Kaire International Inc., ("Kaire"). Kaire Nutraceuticals is engaged in the distribution of health and personal care products through network marketers throughout the United States, Canada, New Zealand, Australia, and Trinidad and Tobago. Included in the purchase was shares of common stock owned by Kaire in each of its wholly-owned and /or majority owned subsidiaries including, but not limited to Kaire New Zealand Ltd., , Kaire Australia Pty. Ltd., Kaire Trinidad, Ltd., and Kaire Europe Ltd., (subsequently closed in March 2000). Kaire Nutraceuticals acquired 100% of the common stock of Kaire Europe, Ltd. and Kaire Trinidad, Ltd., and it acquired 51% of the common stock of Kaire New Zealand Ltd. and Kaire Australia Pty. Ltd.

In September 2000, the Company formed a wholly-owned subsidiary, eKaire.com, Inc., ("eKaire"). eKaire is engaged in the distribution of health care products and personalized web pages world-wide, utilizing fulfillment centers in the United States, Canada, New Zealand, and Australia.

In March 2001, Global Health Alternatives, Inc., and Ellon, Inc. two of the Company's wholly owned subsidiaries filed for Chapter 7 bankruptcy liquidation in U.S. Federal court, North Dallas. Neither Global Health Alternatives or Ellon had operations during the year 2000.

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 inter-company transactions have been eliminated in consolidation.

B. Accounts Receivable-Accounts receivable are stated net of allowance for doubtful accounts of approximately $0.

C. Inventories-Inventories consisting primarily of nutritional supplements are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

D. Property and Equipment-Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the useful lives of the various assets.

E. Cash Equivalents-Cash equivalents consist of money market accounts and commercial paper with an initial term of fewer than three months. For purposes of the statement of cash flows, the Company considers highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

F. Earnings (Loss) Per Share-Accounting Standards No. 128, "Earnings Per

Share" SFAS 128 requires a presentation of "Basic" and (where applicable) "Diluted" earnings per share. Generally, Basic earnings per share is computed on only the weighted average number of common shares actually outstanding during the period, and the Diluted computation considers potential shares issuable upon exercise or conversion of other outstanding instruments where dilution would result. Diluted earnings per share is not being shown due to the fact that the years ended December 31, 2000 and 1999 show a net loss and the conversion of the preferred stock and common stock outstanding during those years would be anti-dilutive.

G. Accounting Estimates-The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

H. Income Taxes-Pursuant to Statement of Financial Accounting Standards No 109 ("SFAS 109") "Accounting for Income Taxes", the Company accounts for income taxes under the liability method. Under the liability method, a deferred tax asset or liability is determined based upon the tax effect of the differences between the financial statement and tax basis of assets and liabilities as measured by the enacted rates which will be in effect when these differences reverse.

I. Fair Value of Financial Instruments-The carrying amounts reported in the balance sheet for cash, receivables, accrued expenses, and long-term debt approximate fair value based on the short-term maturity of these instruments.

J. Stock Based Compensation-The Company accounts for stock transactions in accordance with APB Opinion No. 25, "Accounting For Stock Issued To Employees." In accordance with Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting For Stock-Based Compensation," the Company adopted the pro forma disclosure requirements of SFAS 123.

K. Impairment of Long-Lived Assets-The Company reviews long-lived assets, certain identifiable assets and goodwill related to those assets on a quarterly basis for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recovered. At December 31, 2000 and 1999, the Company recorded a charge against patents, customer lists and goodwill upon such review.

L. Basis of Presentation-The Company had a working capital deficiency of approximately $5,864,000 as of December 31, 2000, and had recorded net losses of approximately $10,669,000 and $7,253,000 for the year ended December 31, 2000 and 1999 respectively, that raise substantial doubt about the Company's ability to continue as a going concern. The Company's continued existence is dependent on its ability to obtain additional debt or equity financing and to generate profits from operations.

M. Royalty Expense-Royalties that are incurred on a per unit sold basis are included in Cost of Sales. Additional royalty amounts incurred to meet contractual minimum levels are classified as Selling, General and Administrative Expenses.

N. Reclassifications-The Company has reclassified certain expenses in its consolidated statements of operations for the years ended December 31, 2000 and 1999 as a result of the closure of Kaire Europe and related facilities. These changes had no significant impact on previously reported results of operations or stockholders' equity.

O. Foreign Currency Translations-Assets and liabilities of subsidiaries are translated at the rate of exchange in effect on the balance sheet date; income and expenses of subsidiaries are translated at the average rates of exchange prevailing during the year or period then ended. The related transaction adjustments are reflected as a cumulative translation adjustment in consolidated stockholders' equity. Foreign currency gains and losses resulting from transactions are included in results of operations in the period in which the transaction occurred.

P. Revenue Recognition-Kaire Nutraceuticals sells its product directly to independent distributors. Sales are recorded when products are shipped. Kaire Nutraceuticals has a program that provides a 100% refund (less shipping and handling) to all end users, for any unopened product that is returned within 30 days from the date of purchase in resalable condition. Kaire Nutraceuticals provides a 100% product exchange for any product that does not meet customer satisfaction if returned within 30 days under this program. An associate is allowed 90 days from order date for exchange or refund only if product bottles (empty, partial or full) are returned. SFAS No. 48 "Revenue Recognition When Right of Return Exists" requires that Kaire Nutraceuticals accrue losses that may be expected from sales returns. Kaire Nutraceuticals monitors its historical sales returns and accrues a liability for sales returns when and if sales returns become significant.

Q. Concentration of Risk-The Company maintains its cash accounts in several bank accounts. Accounts in the United States are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. The Company's cash balance in some of its bank accounts generally exceeds the insured limits.

Kaire Nutraceuticals sells its products through network marketers throughout the United States, Canada, New Zealand, Australia, and Trinidad and Tobago. Credit is extended for returned checks and/or until credit card purchases have cleared the bank.

Credit losses, if any, have been provided for in the financial statements and are based on management's expectations. The Company's accounts receivable are subject to potential concentrations of credit risk. The Company does not believe that it is subject to any unusual or significant risk, in the normal course of business.

R. Restricted Cash-The Company is required to maintain three (3)restricted cash accounts (i) two (2) with credit card processing companies, one for each subsidiary. The primary purpose of these accounts is to provide a reserve for potential uncollectible amounts and chargebacks by Kaire Nutraceuticals' or eKaire's credit card customers. The credit card processing companies may periodically increase the restricted cash account. The amount on deposit is calculated at 2% of net sales over a rolling six month average and (ii) a third account is maintained with a Canadian bank as security for a bank drafting process utilized by Kaire Nutraceuticals in the ordinary course of business.

S. Recently Issued Accounting Standards-The Financial Accounting Standards Board issued Statement of Financial Accounting Standads ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of SFAS 133). "These statements establish accounting and reporting standards for derivative instruments for fiscal years beginning after June 15, 2000. At December 31, 2000, the Company did not have any significant derivative instruments or hedging activities, and therefore, management believes that the initial application of these statements will not have a material impact on the Company's consolidated financial statements.

In December 1999, the Securities and Exchange commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 clarifies existing accounting principles related to revenue recognition in financial statements. The Company adopted SAB 101 during the fourth quarter of 2000 and the adoption did not affect the Company's consolidated financial statements for the year ended December 31, 2000.

3. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following:

	Estimated Useful Lives	
Equipment, furniture and fixtures	5 to 7	$ 78,212
Leasehold improvements	3 to 5	3,772
		81,984
Less: Accumulated depreciation		(25,857)
		$ 56,127

The Company recorded a loss on sale and abandonment of fixed assets of $666,856 for the year ended December 31, 2000 in connection with the closing of facilities in Portland, Maine, New York, New York and Longmont, Colorado.

4.NOTES PAYABLE

Notes payable consisted of the following:

$93,100 note payable, 10.5% interest, $32,823

due on demand	$	32,823
$270,000 notes payable, 10% interest, $180,285 due on demand (a)		180,285
$175,000 note payable, 10% interest, $166,707 due on demand (b)		166,707
$10,000 note payable, 10% interest, due on demand (c)		10,000
Amount due for acquisition		31,125
	$	420,940

(a) The holder has the option to convert the note at any time into shares of common stock at 40% of the five day average closing bid price of the common stock on the five days preceding notice of conversion. Due to the beneficial conversion feature in this note, imputed interest of $405,000 was recorded in 1999.

(b) In October 1999, the Company amended the promissory note to provide that the note is payable upon demand and is convertible into shares of common stock at a discount equal to 40% of the average closing bid price of the common stock on the three days preceding notice of conversion. Due to the beneficial conversion feature in this note, imputed interest of $225,000 has been recorded.

(c) The Payee of this Note is entitled, at its option, in the event that this Note is not paid within two (2) days of demand, to convert at any time, the principal amount of this Note at a conversion price equal to 75% of the closing bid price of the Common Stock, on the day the notice of conversion is received.

5. NOTES PAYABLE RELATED PARTIES

As of December 31, 2000, the Company owed $211,674 to two of its former executive officers and directors and two corporations whose executive staff is related to the Company's CFO. The notes bear interest at 10% and are payable upon demand. The Payees of these Notes are entitled, at their option, in the event that these Notes are not paid within two (2) days of demand, to convert at any time, the principal amount of these Notes at a conversion price equal to 75% of the closing bid price of the Common Stock, on the day the notice of conversion is received.

6. PAYROLL TAX AND SALES TAX LIABILITIES

During 2000 and 1999, the Company has not made all of its payroll tax deposits with the Internal Revenue Service ("IRS") and the various state taxing authorities on a timely basis. The Company has filed all required payroll tax returns and is currently negotiating a payment plan with the IRS. As of December 31, 2000, the Company owes approximately $890,000 of delinquent payroll tax liabilities including interest and penalties. The Company's failure to pay its delinquent payroll tax liabilities could result in tax liens being filed by various taxing authorities.

During 2000, the Company did not make its sales tax deposits with the various sales tax authorities on a timely basis. The Company has filed all required state sales tax returns. As of December 31, 2000, the Company owed approximately $285,000 in current and delinquent sales taxes. The Company's failure to pay its delinquent sales taxes could result in tax liens being filed by various taxing authorities.

7. STOCKHOLDERS' DEFICIT

A. Common Stock-The Company is authorized to issue 500,000,000 shares of common stock, $.001 par value per share. In October 1999, the Company entered into a two year consulting agreement with a consultant pursuant to which the consultant will provide the Company with advisory services relating to mergers and acquisitions and strategic alliances in consideration for the issuance of 95,000 shares of common stock.

In October 1999, the Company entered into a consulting agreement with a consultant pursuant to which the consultant will negotiate settlements with the Company's creditors in consideration for the issuance of 185,000 shares of common stock.

In November 1999, the Company issued 125,000 shares of common stock pursuant to a settlement agreement.

In November 1999, the Company issued 3,018 shares of common stock to a former employee pursuant to an employment agreement.

In November 1999, the Company issued 25,000 shares of common stock to a Director in connection with legal services performed on the Company's behalf.

B. Preferred Stock-The Company is authorized to issue a maximum of 1,500,000 shares of $1,000 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.

Series A Preferred Stock-In June 1997, the Company sold 2,200 shares of its convertible Series A Preferred Stock for $1,000 a share realizing net proceeds of $1,900,702.

In 1998 all 2,200 shares of Series A preferred stock were redeemed for $3,530,309, inclusive of face amount, redemption value, penalties and dividends.

Series B Preferred Stock. In February 1998, the Company issued 300 shares of Series B Preferred Stock with a stated value of $1,000 per share realizing net proceeds of $261,500.

In 1998 all 300 shares of Series B Preferred Stock converted to a total of 541,330 shares of the Company's common stock.

Series C Preferred Stock. In April 1998, the Company issued 4,000 shares of Series C Preferred Stock with a stated value of $1,000 per share realizing net proceeds of $3,507,500.

In 1998 all 4,000 shares of Series C Preferred Stock converted to a total of 3,608,296 shares of the Company's common stock.

Series D Preferred Stock-In July 1998, the Company issued 75 shares of Series D Preferred Stock with a stated value of $1,000 per share.

In August 1998 all 75 shares of Series D Preferred Stock were redeemed for a total of $91,291.

Series E Preferred Stock. In August 1998, the Company issued 1,650 shares of Series E Preferred Stock with a stated value of $1,000 per share realizing net proceeds of $1,439,500. The preferred stock and the accrued dividends thereon are convertible into shares of the Company's common stock at a conversion price equal to the lower of 75% of the average closing bid price of the common stock for the five trading days immediately preceding the conversion date or 100% of the closing bid price on the day of funding. This series of stock is convertible commencing 60 days after issuance. Due to the beneficial conversion features in the issuance of this series of preferred stock, an imputed dividend of $550,000 has been recorded.

If the Company does not have an effective common stock registration 120 days subsequent to the issuance of Series E Preferred Stock, a 2% penalty on the face amount of $1,650,000 accrues for every 30 days without an effective registration statement. As of the year ended December 31, 200 the Company had recorded a charge of $635,471 due to non-compliance with this clause.

In September 1999, 610 shares of Series E Preferred Stock was converted to 603,130 of the Company's common stock.

In the year ended December 31, 2000, $103,715 in accrued dividends was recorded for the period such stock was outstanding.

During the year ended December 31, 2000, the Company has converted 94 shares of the Series E Preferred Stock into 2,984,122 shares of common stock

Series F Preferred Stock. In February 1999, the Company issued 2,800 shares of Series F Preferred Stock with a stated value of $1,000 per share realizing a net value of $2,800,000. This issuance is in accordance with the asset purchase agreement of Kaire. The preferred stock pays a dividend at 6% per annum and is payable upon conversion into either cash or common stock. The preferred stock and the accrued dividends thereon are convertible into shares of the Company's common stock at a conversion price equal to 95% of the average closing bid price of the common stock for the three trading days immediately preceding the date on which the Company receives notice of conversion from a holder. The Company is permitted at any time, on five days prior written notice, to redeem the outstanding preferred stock at a redemption price equal to the stated value and the accrued dividends thereon.

In the year ended December 31, 1999, the Company recorded an imputed dividend of $147,368 due to the beneficial conversion features in the Series F Preferred Stock. An additional $167,140 in accrued dividends was recorded for the period such stock was outstanding.

In November, 2000, the Company has converted 3 shares of the Series F Preferred Stock into 138,318 shares of common stock.

Series G Preferred Stock. In February 1999, the Company issued 350 shares of Series G Preferred Stock with a stated value of $1,000 per share realizing a net value of $350,000. The preferred stock pays a dividend at the rate of 6% per annum. The preferred stock and the accrued dividends thereon are convertible into shares of the Company's common stock at a conversion price equal to 95% of the average closing bid price of the common stock for the three trading days immediately preceding the date on which the Company receives notice of conversion. The Company is permitted at any time, on five days prior written notice, to redeem the outstanding preferred stock at a redemption price equal to the stated value and the accrued dividends thereon.

In the year ended December 31, 1999, the Company recorded an imputed dividend of $18,421 due to the beneficial conversion features in the Series G Preferred Stock. An additional $18,142 in accrued dividends was recorded for the period such stock was outstanding.

During the year ended December 31, 2000, the Company has converted 6 shares of the Series G Preferred Stock into 279,852 shares of common stock and recorded accrued dividends of $20,942 for the period such stock was outstanding.

Series H Preferred Stock. In March and April 1999, the Company sold 1,400 shares of Series H Preferred Stock with a stated value of $1,000 per share realizing net proceeds of $1,201,015. In October 2000, the Company sold an additional 50 shares of Series H Preferred Stock with a stated value of $1,000 per share realizing proceeds of $50,000.The preferred stock pays a dividend at the rate of 8% per annum. The preferred stock and the accrued dividends thereon are convertible into shares of the Company's common stock at a conversion price equal to the lower of the closing bid price on the date of issuance or 75% of the average closing bid price of the common stock for the three trading days immediately preceding the date on which the Company receives notice of conversion from a holder.

If the Company does not have an effective common stock registration 120 days subsequent to the issuance of the Series H Preferred Stock, a 2% penalty on the face amount of $1,400,000 accrues for every 30 days without an effective registration statement. As of the year ended December 31, 1999, the Company recorded a charge of $123,500 due to non-compliance with this clause.

During the year ended December 31, 1999, the Company had converted 426 shares of the Series H Preferred Stock into 255,254 shares of common stock.

In the year ended December 31, 2000, the Company recorded an imputed dividend of $16,667 due to the beneficial conversion features in the Series H Preferred Stock. An additional $49,686 in accrued dividends was recorded for the period such stock was outstanding.

During the year ended December 31, 2000, the Company had converted 359 shares of the Series H Preferred Stock into 434,660 shares of common stock.

Series I Preferred Stock. In February 1999, the Company authorized the issuance of 516 shares of Series I Preferred Stock with a stated value of $1,000 per share realizing a net value of $516,000. These shares were issued in connection to services rendered in connection with the Kaire acquisition.

In the year ended December 31, 1999, $16,048 in accrued dividends was recorded for the period such stock was outstanding.

In July 1999 all 516 shares, plus the accrued interest payable of $16,048 of Series I Preferred stock was converted to 160,104 shares of the Company's common stock.

Series J Preferred Stock. In March 2000, the Company sold 1,000 shares of Series J Preferred Stock with a stated value of $1,000 per share realizing net proceeds of $937,470. The preferred stock pays a dividend at the rate of 10% per annum, payable in cash or stock at the Company's option. The preferred stock and the accrued dividends thereon are convertible into shares of the Company's common stock at a conversion price equal to the lower of the closing bid price on the date of issuance or 70% of the average closing bid price of the common stock for the lowest three trading days during the twenty day period immediately preceding the date on which the Company receives notice of conversion from a holder.

In the year ended December 31, 2000, the Company recorded an imputed dividend of $428,579 due to the beneficial conversion features in the Series J Preferred Stock. An additional $48,767 in accrued dividends was recorded for the period such stock was outstanding.

C. Convertible Debentures-In April 1997, the Company issued $1,300,000 of 6% convertible debentures (the "Debentures"). Principal on the Debentures is due in March 2000. The principal and accrued interest on the Debentures are convertible into shares of common stock of the Company. The Debentures are convertible into shares of common stock at a conversion price equal to the lesser of $1.4375 or 75% of the average closing bid price of the common stock for the five trading days immediately preceding the notice of conversion. In June 1997, the Company repaid $300,000 of the Debentures. As of December 1997, $820,233 of such debentures were converted into 303,986 shares of common stock. As of December 1998, the remaining $179,767 were converted into 206,603 shares of common stock.

In conjunction with the issuance of the Debentures, the Company issued warrants to purchase an aggregate of 5,000 shares of Common Stock. The warrants are exercisable until April 3, 2002. Warrants to purchase 2,500 shares of Common Stock are exercisable at $97.50 per share, and the balance are exercisable at $130.00 per share.

In April 1999, the Company issued an aggregate of 295,000, 5 year options, exercisable at $3.50 per share, to the Company's former president, chairman of the board of directors, two directors, and an employee. The options were granted at fair market value, accordingly, no expense has been recognized.

In connection with a licensing agreement, in February 2000, to the Company's former president, 150,000 of the above options were canceled.

D. 1 For 40 Reverse Stock Split-On April 6, 1998, the Company effected a 1 for 40 reverse split of its common stock, amending its certificate of incorporation to provide for the authority to issue 50,000,000 shares of $.001 par value common stock.

E. Conversion of Notes Payable-During 2000, the Company converted $1,219,987 of its promissory notes, plus accrued interest into 3,935,171 shares of common stock.

8. KAIRE EUROPE, LTD.

In March 2000, Kaire Europe, Ltd. (a subsidiary of the Company) which had been served an Involuntary Winding Up Order was placed in liquidation. At December 31, 1999, the remaining assets and liabilities were written off, resulting in a $200,000 gain. In December 2000, a loss of $15,000 was recorded due to an adjustment in the prior year's gain.

9. INCOME TAXES

The Company accounts for income taxes under the provisions of SFAS 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 109 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. At December 31, 2000, the Company had net deferred tax assets of approximately $5,600,000. The Company has established a valuation allowance for the full amount of such deferred tax assets at December 31, 2000, as management of the Company has not been able to determine that it is more likely than not that the deferred tax assets will be realized.

The following table reflects the Company's deferred tax assets and (liabilities) at December 31, 2000:

	December 31, 2000
Net operating loss deduction	$ 5,600,000
Valuation allowance	(5,600,000)
	$ --

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:

<TABLE>
<CAPTION>

	For the year Ended December 31, 2000		1999	
Income tax (benefit) computed at statutory rate	$	(3,500,000)	$	(2,500,000)
Effect of permanent differences		3,500,000		450,000
Tax benefit not recognized		-		2,150,000
Provision for income taxes (benefit)	$	-	$	-

</TABLE>

The net operating loss carryforward at December 31, 2000 was approximately $16,000,000 and expires in the years 2012 to 2020.

10. COMMITMENTS AND CONTINGENCIES

A. Leases-The Company leases its Carrollton, Texas office on a month to month basis. Rent expense for the years ended December 31, 2000 and 1999 was $56,000 and $240,000, respectively. In October 1999, the Company consolidated it's operations from Portland, Maine to Longmont, Colorado. The Company is liable for lease payments in Maine until November 2001. In January 2000, the Company assigned a portion of it's Maine obligation to a third party with consent. In December 1999, the Company consolidated it's Corporate headquarters to Longmont, Colorado. In May 2000, the Company consolidated all United States offices to Carrollton, Texas. In March 2001, Global filed for Chapter 7 bankruptcy and no provision has been made for outstanding lease obligations. The Company has no minimum rental commitments for any facility as of December 31, 2000.

B. Renegotiation of Patent Agreement-In April 1998, the Company renegotiated the terms of its acquisition of the Troy Patent, due to the agreement being in breach because of unpaid minimum royalties. Under the new agreement, royalties are payable at the rate of 3% of the first $2,000,000 of related product sales; 2% of the next $2,000,000 in sales and 1% of sales in excess of $4,000,000. In January 2001 all patent rights were transferred to GLI, Inc.

C. Litigation- On August 4, 1997 Samantha Haimes brought an action in the Fifteenth Judicial Circuit of Palm Beach County, Florida, against us and National Health Care Centers of America, Inc., our wholly-owned subsidiary. We asserted counterclaims against Samantha Haimes and Leonard Haimes. The complaint arises out of the defendant's alleged breach of contract in connection with our natural health care center which was located in Boca Raton, Florida. The plaintiff is seeking damages in the amount of approximately $535,000. We agreed to settle such actions for shares of common stock with a fair market value of $325,000, but not less than 125,000 shares of common stock and agreed to register the shares of our common stock. On October 11, 2000, due to our noncompliance with the settlement, a judgement was taken against us in the amount of $325,000 plus interest.

In Global Health and Ellon, Inc. v. Leslie Kaslof, Ralph Kaslof, and Ellon USA, Inc., pending in the United States District Court for the District of Maine (the "Maine Kaslof Case") claims have been made arising out of the sale of Ellon USA's ("Old Ellon") assets to Global Health's wholly-owned subsidiary, Ellon, Inc. ("New Ellon"). In connection with that sale, Leslie Kaslof and Ralph Kaslof, former shareholders and officers of Old Ellon, entered into employment and consulting agreements with Global Health. Global Health's potential obligation to the Kaslofs under the employment and consulting agreements was approximately $525,000. The complaint in the Maine Kaslof Case seeks a determination that the Kaslofs materially breached their respective obligations under the agreements and that Global Health and New Ellon are excused from further performance thereunder. The complaint includes a breach of fiduciary claim against Ralph Kaslof, as well as a claim to recover approximately $142,000. In a related civil action brought by the Kaslofs and Old Ellon in the United States District Court for the Eastern District of New York (the "New York Kaslof Action") the Kaslofs have alleged breaches of the purchase and sale agreement, the employment and consulting agreements, and other agreements executed in connection with the sale of Old Ellon's assets. The complaint seeks to recover damages in an unspecified amount, but not less than $1,300,000, costs of court, reasonable attorney fees, and interest. We believe that with the Chapter 7 bankruptcy filing of Global Health this case will be dismissed.

On July 10, 2000, The State of Texas obtained judgment against the Company in the amount of $109,170 for unpaid sales taxes, penalties, interest, and attorney fees. We have entered into a voluntary payment arrangement and have recorded a liability of $114,278 which is included in our financial statements for the year ended December 31, 2000.

On December 29, 2000, Merrill Corporation obtained judgment against the Company in the amount of $145,497, plus interest. We have recorded a liability of $145,497 which is included in our financial statements for the year ended December 31, 2000.

In PIC-TV v. Global Health, et al., PIC-TV seeks to recover compensatory damages of not less than $319,656, together with interest and costs of suit, based on the sale of advertising time and sponsorships to Global Health. PIC-TV has received default judgment in its suit against Global Health. Such amount has been accrued in the financial statements.

D. Major Supplier

The Company currently buys all of its Pycnogenol, an important component of its products, from one supplier.

Although there are a limited number of manufacturers of this component, management believes that other suppliers could provide similar components on comparable terms. The Company does not maintain any contractual commitments or similar arrangements with other suppliers.

The Company purchases its products from manufacturers and suppliers on an as needed basis. Should these relationships terminate, the Company's supply and ability to meet consumer demands would be adversely affected.

11. Capital Lease Obligations

The Company has various capital lease obligations which are collateralized by equipment. Interest rates under the agreements are 20.6%, with monthly principal and interest payments ranging from $360 to $2,300.

12. STOCK OPTION PLANS AND WARRANTS

Under the Company's 1994 Stock Option Plan, up to 16,667 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. Towards the end of 1995, 50 options were issued to each of two directors at an exercise price equal to the market price at the time. During 1996 the Company issued 250 options to a director at a price equal to the fair market value on the date of grant.

In August 1997, the Company adopted a stock option plan covering officers, directors, employees and consultants. In August the Company issued 43,750 ten year options under the 1997 Plan, exercisable at fair market value (which was $22.40 per share) to certain of its officers who were former principals of Global. Options to purchase 21,875 shares became exercisable in August 1998, and the remaining 21,875 became exercisable in August 1999.

In 1998 the Company issued 100,000 warrants to two directors at an exercise price of $1.00, which was equal to the fair market value at the date of grant.

The following table summarizes the changes in options and warrants outstanding, and the related exercise price for shares of the Company's common stock:

<TABLE>
<CAPTION>

	Options Shares	Options Weighted Average Exercise Price	Options Exercisable	Warrants Shares	Warrants Weighted Average Exercise Price	Warrants Exercisable
Outstanding at December 31,						
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
1998	44,100	15.68	44,100	2,563,257	7.30	2,563,257
Granted	295,000	3.50	295,000	250,000	3.93	250,000
Outstanding at December 31, 1999	339,100	6.01	339,100	2,813,257	7.00	2,813,257
Granted	-	-	-	138,889	1.44	138,889
Canceled	(295,000)	3.50	(295,000)	-	-	-
Outstanding at December 31, 2000	44,100	15.68	44,100	2,952,146	6.74	2,952,146

</TABLE>

	Options	Warrants
Weighted Average fair value of options and warrants granted during 1999	1.79	1.90
Weighted Average fair value of options and warrants granted during 2000	None	1.44

The following table summarizes information about exercisable stock options and warrants at December 31, 2000:
<TABLE>
<CAPTION>

	Range of Exercise Price	Number Outstanding	Remaining Contractual Life	Average Exercise Price	Number Exercisable	Average Exercise Price
<S>	<C> <C>	<C>	<C>	<C>	<C>	<C>
Options:	$1.00 - 101.20	44,100	1- 7	$15.68	44,100	$15.68
Warrants:	$1.00 - 113.75	2,952,146	0- 5	$6.74	2,952,146	$6.74

</TABLE>

In fiscal 1997, the Company adopted the disclosure provisions of SFAS 123. For disclosure purposes, the fair value of options is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for stock options granted during the year ended 1999: annual dividends of $0; expected volatility of 50%; risk free interest rate of 7% and expected life of 10 years. The weighted average fair value of stock options granted during the year ended 1999 was $1.79. If the Company had recognized compensation cost of stock options in accordance with SFAS 123, the Company's pro forma loss and net loss per share would have been as follows:

<TABLE>
<CAPTION>

Year ended

	December 31, 1999
Net loss to common stockholders:	
As reported	$ (8,795,880)
Pro forma	$ (8,925,006)
Loss from continuing operations:	
As reported	$ (9,300,473)
Pro forma	$ (9,429,599)
Net loss per share to common stockholders:	
Basic	
As reported	$ (1.22)
Pro Forma	$ (1.24)
Net loss per share to common stockholders continuing operations:	
Basic	
As reported	$ (1.29)
Pro Forma	$ (1.30)

13. FORGIVENESS OF DEBT

During the year ended December 31, 2000 the Company realized a gain of approximately $2,148,000 due to the filing of Chapter 7 bankruptcy by Global and its various wholly owned subsidiaries.

14. RELATED PARTY TRANSACTIONS

The Company has paid legal fees to a law firm, whose member is a former director of the Company. Fees of approximately $0 and $79,000 were paid in the year's ended December 31, 2000 and 1999, respectively.

The Company as of December 31, 1999 owed $45,000 to its chief financial officer and $37,360 to its chief executive officer of the Company, both in connection with liabilities assumed in connection with the Kaire acquisition. In 2000, the $45,000 was assigned to a third party, and an additional $68,800 was recorded for the chief executive officer for business expenses.

15. FOREIGN SALES

Since the acquisition of Kaire and its foreign subsidiaries in February 1999, the Company has substantially increased its international presence both in sales and long-lived assets. The Company's sales and long-lived assets by country as of December 31, 2000 is as follows:

	United States	Australia and New Zealand	Other Subsidiaries	Consolidated
Sales to unaffiliated customers	$6,860,235	$1,369,794	$90,076	$8,320,105
Long-lived assets at December 31, 2000	$37,413	$18,714	$-0-	$56,127

16. ACQUISITIONS

The Company in February 1999, pursuant to an asset purchase agreement acquired substantially all the assets of Kaire in exchange for the (i) issuance to Kaire, of $2,800,000 aggregate stated value of the Company's Series F Preferred Stock, par value of $.001, (ii) issuance to creditors of Kaire of $350,000 aggregate stated value of the Company's Series G Preferred Stock, par value of $.001, (iii) issuance to Kaire of five year warrants to purchase 200,000 shares of the Company's common stock, par value of $.001, and acquisition costs of $622,587 of which $516,000 will be paid with the issuance of $516,000 aggregate stated value of the Company's Series I Preferred Stock, par value $.001 and $106,587 was paid in cash. The Company has computed an aggregate $682,000 value on the warrants for acquisition purposes. The value was derived by using the Black-Scholes Option Pricing model, (iv) the assumption of certain indebtedness of Kaire, as defined in the agreement and as agreed to outside of the asset purchase agreement. (v) indemnification to certain officers of Kaire against certain liabilities accrued prior to the closing date of the asset purchase, and (vi) certain annual payments to Kaire for a period of five years commencing December 31, 1999 based upon revenues and net income.

The acquisition was recorded using the purchase method of accounting, by which assets are valued at fair value on the date of acquisition. The following table summarized the acquisition:

Purchase price including acquisition costs	$5,347,513
Liabilities assumed	4,205,012
Fair value of assets acquired	(2,546,070)

Goodwill and customer list	$7,006,455
	=========

The Goodwill acquired is approximately $772,000 and the customer list acquired is approximately $6,948,000. Both intangible assets were written off in entirety at December 2000. Management having determined that goodwill and the value of the customer list no longer existed with the decline in sales of 70% since acquisition.

17. FOURTH QUARTER ADJUSTMENTS

Fourth quarter adjustments include the following:

Write-down of patents	$ 1,586,000
Write-off of customer lists	$ 6,630,000
Write-off of goodwill	$ 786,000
Write-off of inventory	$ 103,000

18. SUBSEQUENT EVENTS

In January 2001, the Company entered into a joint venture with Lexxus International and formed a new majority owned subsidiary, Lexxus International, Inc., a Delaware Corp. Lexxus International, Inc. holds the exclusive rights to distribute a patent pending topical feminine viagra known as Viacreme. The Company distributes it's line of products through network marketing channels.

In January 2001, the Company granted 6,500,000 stock options to employees and consultants. The options have an exercise price of $0.011. The options vest over eighteen months and expire in January 2006 or 90 days after termination of employment.

In January 2001, the Company increased the number of authorized shares of common stock to 500,000,000. The increase in authorized shares was required for the Company to fulfill its obligations with regards to convertible debt securities.