SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10- KSB

(Mark One)

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from ______________ to ______________

Commission File Number 0-25238

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

Florida	59-2705336
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2001 West Sample Road, Pompano Beach, Florida 33064
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (954) 969-9771

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

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

Common Stock, $.001 par value

(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 disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not 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. [ ]

Issuer's revenues for its most recent fiscal year: $6,992,516

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 March 31, 1998 was $32,460,427, with an approximate aggregate market value of $2,598,889 (based upon the average of the bid and asked prices of such shares as of such date). The number of shares of the Common Stock of the issuer outstanding as of March 31, 1998 was 38,380,427 (not adjusted for the one for 40 reverse stock split in April 1998).

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PART I

Item 1. Description of Business.

Natural Health Trends Corp. (the "Company") is a corporation which develops and operates businesses to promote human wellness. The Company is presently engaged in two separate lines of business. Through Global Health Alternatives, Inc. ("GHA"), the Company's wholly-owned subsidiary, the Company markets a line of natural, over-the-counter ("OTC") homeopathic pharmaceutical products. Doing business as the Florida College of Natural Health, the Company owns and operates three vocational schools as a junior college in the Orlando area, Pompano Beach and Miami, Florida (individually, the "Orlando School," the "Pompano Beach School" and the "Miami School" and collectively the "Schools") that offer training and preparation for licensing in therapeutic massage and for registration in skin care. Unless the context otherwise requires, the Company and its subsidiaries, including GHA, are sometimes referred to collectively as the "Company."

In July 1997 the Company acquired all of the capital stock of GHA in exchange for 5,800,000 shares of Common Stock, plus a number of additional shares of Common Stock to be determined based upon the operating performance of

GHA. In June 1997, GHA commenced marketing Natural Relief 1222, a line of topical homeopathic medicines in a patented base of natural ingredients, acquired in May 1997 from Troy Laboratories, Inc. From GHA's inception on August 3, 1993 through June 1997, GHA was primarily engaged in organizational and financing activities, including business and product line acquisitions, and preliminary marketing and distribution activities. GHA's primary focus has been to develop a distribution network for its line of Natural Relief 1222 products. GHA has obtained initial distribution of Natural Relief 1222 in mass channels primarily chain drug stores and health food stores. Other GHA products include the Ellon flower remedies which utilize homeopathic active ingredients in a tincture appropriate for oral consumption or in a topical form without a patented inactive base.

The Schools seek to fulfill the educational needs of adults seeking augmented career skills or whose educational needs have not been met in traditional educational environments. These individuals are primarily high school graduates and underemployed adults seeking specific career skills and training. As of December 31, 1997, 707 students were enrolled in the Schools. The Schools are licensed under Florida law and approved by the United States Department of Education (the "USDOE") to provide financial aid to qualified applicants. For the year ended December 31, 1997, the Schools derived approximately 66% of its revenues from financial aid provided under Federal or state assistance programs.

The Company's strategy is to focus on developing GHA's business, which is to identify natural products that have demonstrable health benefits and can be marketed without prior approval of the United States Food and Drug Administration (the "FDA"), and to promote and market those products. In addition, the Company intends to acquire, although there can be no assurance thereof, existing products and companies which are complementary to the Company's existing products.

As part of the Company's shift in emphasis to the sale and marketing of natural health products, the Company closed the Company's natural health care center in Boca Raton, Florida in October, 1997 and the natural health care center in Pompano Beach, Florida in January 1998. The natural health care centers provided multidisciplinary complementary health care in the areas of alternative and nutritional medicine. In March 1998, the Company sold the assets of The Corporate Body, Inc., which offered on-site massages to businesses. The Company intends to sell the Schools to Neal R. Heller, the Company's President, Chief Executive Officer, a principal stockholder and a director, Elizabeth S. Heller, his wife, the Company's secretary, a principal stockholder and a director and Florida College of Natural Health, Inc., a company controlled by Mr. and Mrs. Heller. The purchase price for the Schools is $1,800,000. In connection with the sale of the Schools, Mr. and Mrs. Heller's employment agreements will be cancelled, Mr. and Mrs. Heller will resign as directors and officers of the Company, and Mr. and Mrs. Heller will transfer to the Company 3,034,000 shares of Common Stock (78,850 shares of Common Stock post-split) and options to purchase 800,000 shares of Common Stock (20,000 shares of Common Stock post-split).

The Company was incorporated under the name Florida Institute of Massage Therapy, Inc. in Florida in December 1988 and changed its name to Natural Health Trends Corp. in June 1993. The Company's principal offices are located at 2001 West Sample Road, Pompano Beach, Florida 33064 and its telephone number is (954) 969-9771.

Product Acquisition and Licensing Agreements

GHA has obtained its current product portfolio by acquiring product lines and companies and entering into licensing agreements relating to the marketing and manufacture of its products. GHA has not developed any of its products, and does not maintain a research and development staff or research facilities.

In October 1996 GHA acquired two natural product lines: Ellon flower essence products and Fruitseng(R) new age beverages. The Ellon products comprise 38 traditional English homeopathic flower remedies and one combination flower remedy. These products are sold principally through natural and health food stores. The Fruitseng line of ginseng-supplemented fruit juice drinks and iced

tea drinks was distributed prior to the acquisition through specialty food distributors and mass market beverage distributors. Following the acquisition of the Fruitseng line, GHA elected to develop, less capital-intensive products, and Fruitseng is not currently in distribution nor does the Company have any intention of allocating resources to reintroduce the brand.

In November 1996 GHA entered into an option agreement to acquire all of the capital stock of Natural Health Laboratories, Inc., which held marketing and distribution rights to a line of natural, homeopathic topical medical products utilizing a patented base and marketed under the Natural Relief 1222 trademark. In connection with the acquisition, Natural Health Laboratories, Inc. acquired the rights to the patent from Troy Laboratories, Inc. and H. Edward Troy. Prior to the acquisition, GHA funded the operations of Natural Health Laboratories, Inc. pursuant to the option agreement.

In April 1998, the Company restructured its agreement with the previous holder of the patented base for Natural Relief 1222. The Company agreed to make certain payments to and on behalf of the previous holders of the patent in settlement of accrued royalties and for the modification of the scheduled royalties. Under the agreement, the Company will pay royalties in connection

with the patent equal to 3% of net sales up to $2,000,000, 2% of net sales from $2,000,000 to $4,000,0000 and 1% of net sales thereafter. In the event of a default in the payment of royalties or other payments in connection with the agreement, the patent will revert back to the original holders.

Overview of the Natural Health Product Market

The Company believes 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.

The Company believes 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.

The Company believes, 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.

Products

The Company's initial mass market-oriented product, Natural Relief 1222 Arthritis Relief ("Arthritis Relief") is a topical, natural, homeopathic medicine. The active ingredients are Bryonia 6X and Rhus Toxicodendron 6X, in a patented base of natural ingredients. This product is intended to be utilized for the temporary relief of minor pains and stiffness of muscles and joints associated with arthritis. Arthritis Relief was introduced in July 1997 through a nationwide television direct response advertising campaign. The Company also introduced Arthritis Relief to the mass

consumer distribution channels through a broker network. The Company has obtained distribution of Arthritis Relief in eight of the top ten drug chains, including Rite Aid, Walgreens and Eckerd Drug. The Company also markets Arthritis Relief through catalogue and electronic media marketing companies.

The total market for topical analgesics in mass market channels in 1997 exceeded $230 million. The category consists of two general types of products - counter-irritants, such as BenGay, which mask pain by irritating the skin in the area of application, and capsaicin products, such as Zostrix, which utilize the pain-reducing properties of a component of hot chili peppers. It is estimated that approximately 50 million Americans have some form of arthritis.

In December 1997 GHA introduced three extensions to the Natural Relief 1222 product line - Sports Rub, Wart Remover and Dermatitis & Eczema Relief. These products have been introduced to existing mass market and natural/health food distribution channels through the Company's broker networks and direct selling efforts.

Natural Relief 1222 Sports Rub, like Arthritis Relief, is a topical analgesic comprised of a homeopathic active ingredient, Thuja occidentalis 2C, in a patented base of natural ingredients. This product is intended to be utilized for prompt, temporary relief of minor pain, strains, sprains, stiffness, bruising, inflammation and weakness in muscles and joints due to overexertion and athletic activity. The Company intends Sports Rub to be a companion product to Arthritis Relief within the topical analgesics category.

Natural Relief 1222 Wart Remover is a natural alternative to traditional salicylic acid-based products, and is comprised of a homeopathic active ingredient, Thuja occidentalis 2C, in a patented based of natural ingredients. This product is intended to be utilized for the removal of common warts.

Natural Relief 1222 Dermatitis & Eczema Relief is a natural alternative to traditional hydrocortisone-based products, and is comprised of a homeopathic active ingredient, Lycopodium 2C, in a patented base of natural ingredients. This product is intended to be utilized for temporary relief of scalp or skin itching, irritation, redness, flaking and scaling associated with seborrheic dermatitis or eczema.

The Company markets a line of homeopathic flower remedies under the Ellon trade name, which consists of 38 individual flower remedies and one combination flower remedy, sold as Calming Essence(R). These products are regulated OTC pharmaceuticals which are intended to be utilized for the relief of a range of emotional and psychological stresses. Calming Essence is sold principally to natural and health food retailers and distributors, and to alternative health care practitioners. The Company utilizes a combination of brokers and in-house telemarketers to sell the Ellon products. The Company competes in this category with several other established tines of homeopathic flower remedies, including the Bach and Flower Essence Services product lines.

Management anticipates introducing additional products under the Natural Relief 1222 product line. The Company currently has developed formulations for acne relief and for first aid use for minor abrasions and contusions. Other Natural Relief 1222 products in development include a natural anti-fungal topical pharmaceutical and a natural burn and wound topical pharmaceutical.

Manufacturing

The Company does not intend to develop its own manufacturing capabilities since management believes that the availability of manufacturing services from third parties on a contract basis is adequate to meet the Company's needs. The Company has utilized a number of manufacturers who have sufficient manufacturing capacity to meet the Company's anticipated production needs.

The Company has used the services of a number of companies to manufacture its Natural Relief 1222 and the Ellon product lines. Natural Relief 1222 products generally require the mixing and processing of the active and inactive ingredients, which are then filled in tubes and packaged for retail sale. Ellon

products involve the preparation of homeopathic medicines according to the Homeopathic Pharmacopecia of the United States, and are generally sold in the form of tinctures packaged in small dropper bottles labeled for retail sale. The products are shipped from the Company's Portland, Maine facility or independent distribution centers located in Maine and New Jersey. The Company's products are manufactured to the Company's specifications in facilities in compliance with Federal Good Manufacturing Practice regulations.

The Company has no existing contractual commitments or other arrangements for the future manufacture of its products. Rather, it places orders for component or finished goods manufacturing services as required based upon price quotations and other terms obtained from selected manufacturers.

Natural Relief 1222 Arthritis Relief, Sports Rub and Wart Remover are manufactured in the United States. Natural Relief 1222 Dermatitis & Eczema Relief utilizes certain components manufactured in the Peoples' Republic of China, and packaged in the United States. Ellon products utilize certain components manufactured in the United Kingdom. and are further manufactured and packaged in the United States. The Company anticipates that it will, for the foreseeable future, continue to rely on foreign sources for certain key components for certain of its products.

Marketing and Distribution

Natural Relief 1222 Arthritis Relief was introduced in July 1997. Commercial shipments of the product were initiated in the same month. Extensions on the Natural Relief 1222 product line (Sports Rub, Wart Remover and Dermatitis & Eczema Relief) were introduced in December 1997.

The Company has pursued a "multi-channel" distribution strategy in marketing its line of Natural Relief 1222 products, and intends to follow a similar strategy with future products. The Natural Relief 1222 line of products is sold in eight of the top 10 drug chains, including Rite Aid,

Walgreens and Eckerd Drug, as well as in certain supermarket chains, including Smith's. The Company also distributes its products to the health and natural food market through distributors and independent health and natural food retailers. In addition, the Company sells through other specialty channels, including catalogues such as the Carol Wright catalogue, television marketing channels such as Home Shopping Network and electronic media such as CUC International's world-wide web catalogue/website. The nature of the product and its target market dictate the channels of distribution in which a particular product is launched, and the level of effort directed to each channel of distribution.

The Company utilizes a number of independent brokers to assist in the sale of its products in the mass market and natural and health food distribution channels. Brokers receive a commission on sales, and in certain cases a fixed monthly payment, under agreements that are terminable at will by either party on short notice. In most cases, the Company sells and ships its products directly to the warehouses and distribution centers of major retail chains. To reach smaller chains and independent retailers, the Company distributes products through drug wholesalers such as McKesson and Bergen Brunswig, and natural foods distributors such as Cornucopia (United Natural Foods).

To support its marketing efforts, the Company advertises in trade and consumer health magazines, on television, and on radio, attends trade shows and exhibitions, sponsors promotional programs and events and in-store promotions, and engages in a public relations effort that has resulted in articles in health, mature audience, trade and natural products publications, which the Company uses to promote its products. In May 1997, GHA entered into a five year endorsement contract with actor and dancer Donald O'Connor. Mr. O'Connor receives royalties on sales of Natural Relief 1222 Arthritis Relief products at the rate of 1.5% for domestic retail sales up to $10,000,000; 1.0% for sales between 10,000,000 and $20,000,000; .5% for sales between $20,000,000 and $30,000,000 and .25% for sales over $30,000,001. In addition, Mr. O'Connor receives royalties for direct response sales at the rate of between 2% and 4% and between 2.5% and 1.5% for electronic home shopping sales. Mr. O'Connor will receive 1% of all retail and direct response international sales. All royalties to be paid to Mr. O'Connor will be applied against a minimum guaranteed royalty payment. The Company has made extensive use of television and other media advertising featuring Mr. O'Connor, and it is anticipated that Mr. O'Connor will

be featured in future promotional and public relations activities. The Company may utilize additional paid endorsers for its products in the future.

In the twelve-month periods ended December 31, 1996 and December 31, 1997, GHA's expenditures for product advertising and promotion were approximately $89,100 and $2,317,800, respectively.

Competition - Products

Over the counter medicine products are distributed primarily through the mass market channels of distribution, including chain drug stores, independent drug stores, supermarkets and mass merchandisers. The Company's competitors include such companies as Genderm, Thompson Medical,

Schering Plough, Pfizer, Chattem and Warner Lambert.

The Company's products include FDA recognized homeopathic active ingredients in a patented base of natural ingredients. The Company's competitors have access to these same homeopathic ingredients and would be able to develop and market similar products. However, competitors would be unable to completely duplicate the products' formulae due to the patent protection that extends to the use of certain inactive ingredients. Nonetheless, marketplace success will probably be determined more by marketing and distribution strategies and resources than by product uniqueness.

Government Regulation

The Company believes that all of its 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. The Company's 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 the Company's 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 OTC pharmaceutical firms. Official legal recognition of homeopathic drugs in the United States dates to the federal Food, Drug and Cosmetic Act of 1938 ("FDCA"). The FDCA provides that the term "drug" includes articles recognized in the official Homeopathic Pharmacopoeia of the United States ("HPUS"). The FDCA further recognizes the separate nature of homeopathic drugs from traditional, allopathic drugs by providing that whenever a drug is recognized in both the United States Pharmacopoeia ("USP") and the HPUS it shall be subject to the requirements of the USP unless it is labeled and offered for sale as a homeopathic drug, in which case it shall be subject to the provisions of the HPUS and not to those of the USP.

In 1988, the FDA issued a Compliance Policy Guide ("CPG") that formally established the manner in which homeopathic drugs are regulated. The CPG 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 HPUS. The FDA has also noted that a product's compliance with a HPUS monograph system does not necessarily mean that it has been shown to be safe and effective. According to the CPG, and consistent with established FDA principals 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 an HPUS 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 CPG 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" ("GMP"). In addition, homeopathic drugs are exempt from FDA's requirements for expiration date labeling.

The HPUS is updated regularly. The HPUS 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 ("HPCUS"), a private, non-profit entity organized exclusively for charitable, educational, and scientific activities. The HPUS is an official publication that is cited in the Federal Food and Drug Laws and CPU. The HPUS contains hundreds of monographs for homeopathic ingredients that have been found by the HPCUS to be both safe and effective. The HPUS also contains general standards for the preparation of homeopathic drugs.

Employees

As of December 31, 1997 the Company's Schools had 54 full time employees and 16 part time employees including 34 full time administration employees and 33 part time administration employees. The Schools have 20 full time and 13 part time faculty members and the Corporate Massage Service had one full time employee. GHA also has 13 full time employees and one part time employee, of which, five are executive and administrative, six are in accounting and operations and three are in marketing and sales. GHA also employs three full time consultants. None of the Company's employees are represented by a union, and the Company believes that its employee relations are good.

Insurance

The Company presently maintains workers' compensation coverage and liability insurance relating to hazards on the Company's premises. The Company carries a general liability policy which provides for coverage of $1,000,000 per occurrence and $2,000,000 in the aggregate. The Company's professional liability policy provides for coverage of $1,000,000 per occurrence and $3,000,000 in the aggregate. The Company is and will be engaged in a business which could expose it to personal injury and other liability claims. GHA carries general liability insurance in the amount of $5,000,000 per occurrence and $6,000,000 in the aggregate including products liability insurance. There can be no assurance, however, that the Company's 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 the Company.

Patents and Trademarks

GHA, through Natural Health Laboratories, Inc., has a United States Patent covering the use of certain inactive botanical ingredients as a base for several of its Natural Relief 1222 products. The Company also has obtained marketing and manufacturing rights to a family of Chinese-origin, patented, natural topical medical products.

GHA has federal trademark registrations for Natural Relief 1222, Ellon, Calming Essence and Mesozoic Minerals. The Company also has trademark registrations for Nature's Relief and Nature's Relief 1222 in Canada. The Company's general policy is to pursue registrations of trademarks associated with its key products and to protect its legal and commercial rights with respect to the use of those trademarks. The Company relies on common law trademark rights to protect its unregistered trademarks.

Additional trademark registration applications which may be filed by the Company 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 the Company's existing or future trademarks may not be adequate. Moreover, the Company may not be able to defend successfully any of its legal rights with respect to its present or future trademarks. The failure of the Company to protect its legal rights to its trademarks from improper appropriation or otherwise may have a material adverse affect on the Company.

Seasonality

Sales of topical analgesic products are strongest during the colder winter months when arthritis sufferers tend to feel pain and stiffness more acutely. Conversely, sales of skin treatment products (e.g., hydrocortisone creams, etc.) are slightly stronger during the non-winter months. The Company does not believe that the sales of wart removal products are seasonal.

Operation of the Schools

Curricula

The primary focus of the Schools has been on massage therapy, which the Company believes has achieved increased public awareness and acceptance. Currently, 23 states, including Florida and New York, require individuals who practice massage therapy to be licensed. The Schools prepare students to take the examination offered by the National Certification Board for Therapeutic Massage and Bodywork (the "NCBTMB") for certification as a massage therapist. The NCBTMB's certification of massage therapists satisfies the requirements for licensing in 11 of the states requiring licenses, including Florida. The Schools also offer training in skin care. The State of Florida requires registration of skin care professionals. Upon completing the skin care program and passing an exam administered by the School, the School's students satisfy the requirements for registration as a skin care professional by the State of Florida.

The Schools also offer a combined massage therapy and skin care program, requiring approximately 900 hours of study. The Schools require that the massage therapy portion of the curriculum be completed first, followed by 300 hours of skin care.

Student Recruitment

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

Job Placement

The Company believes that the placement of its graduates is essential to its ability to attract students. The Company's Office of Job Placement works with students and graduates by advising them about employment opportunities and offering other placement assistance. Based on the placement calculation mandated by the Accrediting Commission of Career Schools and Colleges of Technology, approximately 84% of the School's 1997 graduates have found positions, including those who are self-employed and have entered private practice.

The Natural Health Shoppe, Inc.

The Natural Health Shoppe, Inc., the Company's wholly-owned subsidiary, operates a bookstore at each of the Schools' campuses. Inventory consists of such items as massage tables, headrests, other equipment related to the practice of and utilized to provide massage therapy services, educational materials, skin care products, and clothing, including uniforms and shirts. Customers include students, instructors, graduates of the Schools, practicing therapists and the public. The Natural Health Shoppe, Inc. intends to continue to offer these products and expand its inventory to include updated and related products.

Regulation of the Schools

General

Participation in Federal student financial aid programs subjects the Company to extensive regulation and to audit and compliance review by the USDOE and other administering agencies. Failure to comply with these regulations may have serious consequences and may result in suspension, limitation, or termination hearings to determine if an institution's participation in these programs should be reduced or terminated. No such suspension, limitation or termination proceeding has been instituted against the Company. The Company would be materially affected adversely if one of these

proceedings were instituted against the Company and it resulted in a curtailment of the Company's participation in government student financial aid programs.

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

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

Under current USDOE regulations, a change in control of the Schools could result in a temporary or a permanent loss of Federal financial aid funds to the Schools' students. In addition, under the regulations of the Florida Department of Education a change of ownership resulting in a change of control may result in the termination of the Schools' licenses. The Schools will also require the approval of the Schools' accrediting commission upon a change of control. Pursuant to the USDOE regulations, a determination of a change of control would involve a review of which persons or entities have the power to direct or cause the direction of management and policies of the Schools. Under the Florida Department of Education's regulations, a change of control constitutes a change in the authority to establish or modify school policies, standards and procedures or the authority to make the effective decisions regarding the implementation or enforcement of school policies, standards and procedures. In such event, the prior approval of the Florida Department of Education is required. Under the rules of the Schools' accrediting commission, a change of control occurs when a person or a corporation obtains authority to control the actions of the institution, including a change of control which occurs as a result of a transfer in voting interest. The Company believes, although there can be no assurance, that there has not been a change of control that would result in a loss of its eligibility for Federal financial aid funds, a review of its licenses, or the requirement of prior approval by its accrediting commission. The issue of whether there was a change of control, if raised by the USDOE, the Florida Department of Education or the accrediting commission, would be determined pursuant to the standards set forth above, on the basis of the facts then existing, including the percentage ownership of the present shareholders, officers and directors, as compared with the holdings of others and other factors

relating to the actual control of the Company. Should there be a determination

that a change of control had occurred by the USDOE, the Florida Department of Education or the Schools' accrediting commission and there was a disruption or termination of the availability of Federal financial aid to the Schools' students or a termination or interruption of the licenses or accreditation of the Schools, there would be a material adverse effect on the Company, its business and its prospects.

Accreditation and Licensing

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

Accredited schools are subject to periodic review by accrediting bodies to ensure that the schools maintain the level of performance, integrity and quality required by the accrediting body. There can be no assurance that the existing accreditation of the School will be renewed. In addition, a change in ownership of the Company would require notification of, and possible re-evaluation of, the Company's accreditation by the accrediting agencies in order for the Schools to retain their accreditation.

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

Each School is licensed by the Florida Department of Education as an institution that provides instruction or training that leads to an occupational objective. Such institutions are subject to annual or, if they have been licensed and in good standing for five years or more, biennial licensing renewal. The present state licenses for the Miami School and Orlando School are subject to annual review, while the license for the Pompano Beach School is subject to biennial review, and expire on September 30, 1998, November 30, 1998 and March 31, 2000, respectively. Each institution must meet certain minimum standards established by the Florida Department of Education with respect to administrative organization, educational program and curricula, finances, financial stability, faculty requirements, library facilities, student personnel services, physical plant and facilities, and publications. In addition, the institution is required to disclose to the Florida Department of Education

and its students the status of the institution with respect to professional certification and licensure. Failure to maintain compliance with the Florida Department of Education's minimum standards could result in revocation or suspension of a School's license, or other penalties imposed by the Florida Department of Education. The rules of the Florida Department of Education require prior approval of written contracts between the student and the institution, changes of location in certain events and significant changes to programs and methods of operation. Each institution is required to be incorporated and have adequate administrative staff and faculty to provide instruction in its licensed programs. In addition, each program to be offered by an institution must be described in detail in the institution's catalog, including a listing of required equipment and instructional materials. Moreover, institutions must submit financial statements at the time of application for renewal. If the institution has a ratio of current assets to current liabilities of less than 1 to 1, the Florida Department of Education is authorized to deny the renewal of the license or to require a demonstration to provide further justification for the renewal of the license. The Florida Department of Education may also require the institution to post a bond to assure the Florida Department of Education that the institution will be able to fulfill its

obligations to its students. The institution must maintain a placement rate of its graduates of at least 60%, otherwise the institution will be required to submit reports implementing placement improvement measures. In addition, each institution must maintain a retention rate of 50% of its students. Presently, the Florida Department of Education rules require a minimum of 500 hours of training for massage practice. Agents employed by the institution to solicit students outside the institution are required to be licensed and are subject to annual licensure and payment of fees. The rules of the Florida Department of Education provide that the advertising of the institution must be in compliance with its requirements, which include limits on the use of superlatives or non-factual statements or illustrations. Any statement which is intended to mislead the public could result in revocation of licensure or other sanctions imposed by the Florida Department of Education.

The School's are accredited by the Accrediting Commission of Career Schools and Colleges of Technology. The Schools' Therapeutic Massage Training Program is accredited by the Commission on Massage Training Approval/Accreditation of the American Massage Therapy Association. There can be no assurance that the Schools will be able to maintain their accreditation.

The Company is also a member of the Career College Association, the Florida Association of Post Secondary Schools and Colleges and the Florida Association of Estheticians. The Schools are approved by the Florida State Board of Massage as a provider of continuing education units and by the Immigration and Naturalization Service to provide student visas. The Schools are also approved by the Veteran's Administration to accept veteran's benefits.

Degree-Granting Junior College

As a degree-granting junior college, the success of the Schools may be dependent, in part, upon the transferability of credits from the Schools to four year institutions. The transferability of credits from one educational institution to another, absent an articulation agreement between the two schools, is generally at the discretion of the receiving institution. The factors that receiving institutions typically consider include, but are not limited to, the similarity of accrediting commissions, the

licensing status of the two institutions and the similarity of program content, curriculum and textbooks. In addition, many institutions enter into articulation agreements which establish specific guidelines for the transfer of credits from one institution to another. However, these agreements are not required by law, and the content may vary dramatically depending on whether the institution is a public, private, academic or vocational/technical school. In general, if the institutions are accredited by the same or a similar accreditation commission, then the transfer of credits between such institutions is more likely. The accreditation commission requirements may be identical or similar in terms of faculty to student ratios, equipment requirements, library facilities, curriculum development and other factors. Students may also attempt to transfer credits from one institution to another without regard to whether the institutions are licensed by the Florida Department of Education of Independent Colleges and Universities or the Florida Board of Regents (the head of the state university system). Absent articulation agreements between the two schools, consideration for the acceptance of transfer of credits is more subjective than the transfer of credits between otherwise similar public or private institutions. There can be no assurance that credits from the Schools' courses will be transferable.

Student Financial Aid

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

Commencing in April 1995, the Schools became participants in the National Direct Student Loan Program ("NDSL"). NDSL Loans are available to students studying at least 16 hours per week at an approved educational institution. NDSL Loans may be obtained in amounts up to $6,625 per year. If a student's income or family income is below a specified level, a student pays no interest on an NDSL Loan while in school and for a six-month "grace period" thereafter, after which time the student is required to pay monthly installments of at least $50, which includes interest at a rate prescribed by Federal law. If the student's income or family income is above a specified level, then interest accrues on the loan at a rate prescribed by Federal law. The interest rate on NDSL Loans ranges from 8.25% to 8.98% per annum. NDSL Loans are direct loans from the Federal government.

Under the provisions of the Reauthorization of Higher Education Act of 1965, as amended (the "Reauthorization Act"), educational institutions with annual student loan default rates in excess of 25% (30% prior to 1994) for three consecutive years may lose their eligibility for student loans. The Schools' student loan default rates for 1994 and 1995 were determined to be 9.9% and 12.9%, respectively. The default rates for 1996 and 1997 will not be available from the USDOE until the third quarters of 1997 and 1998, respectively, since a student is not deemed to be in default until

eight months after a six-month grace period from the time that the student leaves school. There can be no assurance that the Company will be successful in continuing to maintain an acceptable student loan default rate, or otherwise remain eligible for Federal funding.

The Reauthorization Act prohibits an institution from enrolling more than 50% of its students on the basis of "Ability to Benefit." "Ability to Benefit" students are those without a high school or general equivalency degree. As of December 31, 1995, 1996 and 1997, approximately 12%, 15% and 15% respectively, of the Company's students at the School's were classified as "Ability to Benefit" students.

Under USDOE regulations, the Schools are proprietary schools (a "for-profit" educational institution that provides job or career-related training). A proprietary school may be deemed ineligible to participate in financial aid programs if the USDOE determines that 85% or more of the institution's operating revenue is derived from Title IV financial aid programs. The application of the 85-15 Rule depends largely on the USDOE's interpretation of what constitutes "revenue" for such institutions. According to the Company's preliminary calculations, the Schools derived approximately 66% of their revenues for the calendar year ending December 31, 1997 from the Title IV financial aid programs. The official determination of the Company's compliance for the year ended December 31, 1997 with the 85-15 Rule will likely be made by the end of 1999. Accordingly, if it is determined that the Company did or does not comply with these regulations, some or all of the student financial aid received by the students at the Schools could be curtailed or eliminated. The reduction or termination of Federal student financial aid would have a material adverse effect on the Company.

The USDOE has considered, and the U.S. Congress is presently considering, changes in the administration of certain student financial aid programs. There is no assurance that government funding of the financial aid programs in which the Company's students participate will be maintained at current levels. A reduction in funding levels could result in lower enrollments. Extensive and complex regulations govern all of the government grant and loan programs in which the Company participates. As such, the Company is subject to periodic reviews and audits by the USDOE and Federal and State Guaranty Agencies to determine compliance with applicable regulations. Because financial assistance programs are required to be administered in accordance with the standard of care and diligence of a fiduciary, any regulatory violation could be the basis for the initiation of a suspension, limitation or termination proceeding against the Company. If such a proceeding were initiated against the Company and resulted in a substantial reduction or termination of the Company's participation in government grant or loan programs the Company would be materially and adversely affected.

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

pay the remaining balance of their tuition accounts prior to graduation.

Competition - The Schools

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

Item 2. Description of Properties

Leased Properties

The Company leases approximately 12,000 square feet for the Miami School at 7925 Northwest 12th Street, Miami, Florida. The current annual rent is $199,000 and the lease expires on October 31, 1998. The Company leases approximately 7,590 square feet in Orlando, Florida, the former site of the Company's Orlando School. The lease and the sublease expire in November, 2000. The Company leases such space at an annual rent of $86,000 while the annual rental income under the sublease is $81,500. In September 1997, the Company leased approximately 18,240 square feet for the Orlando School. The current annual rent is $266,424 and the lease expires in September 2002.

The Company leases approximately 2,200 square feet of office and warehouse space in Portland, Maine at a monthly rental of $2,150 plus utilities. This lease expires on November 30, 2001. although the Company may elect to terminate the lease commencing December 1, 1998 with six months notice.

Pompano Property

The Company owns the property located at 2001 West Sample Road, Pompano Beach, Broward County, Florida, which includes a four story building consisting of 50,438 square feet which is known as the Tricom Office Center (the "Pompano Property"). The Pompano Property is encumbered by a mortgage in the amount of $2,250,000 held by Banc One Mortgage Capital Markets LLC. The note provides for monthly payments of principal in the amount of $17,725 plus accrued interest at the rate of 8.24% per annum. The unpaid balance of the principal is due and payable on November 1, 2007. Principal on the note may not be prepaid prior to the third year without penalty.

Approximately 42.8% of the building is occupied by the Company's corporate offices, and the Pompano Beach School and the balance is occupied by non-affiliated tenants. Approximately 26,000 square feet of the Pompano Property is presently leased to seven tenants at an aggregate rental of approximately $309,000 per annum. The current leases expire at various times between 1998 through 2001 and require annual rentals that range from $16,600 to $56,800 per annum. The three largest tenants account for approximately 66% of the Pompano Property's rental income, and none of the other tenants accounts for more than 9% thereof. Three of the largest tenant leases expire in October 1998, May 2001, and July 2001 and such leases provide for current annual rentals of approximately $20,800, $137,446 and $27,500 respectively. In the event that leases representing a significant percentage of rental income expire and the space is not promptly rented on advantageous terms, there may be a material adverse effect on the Company's earnings.

In March 1998, NHTC Real Estate Inc., the Company's wholly-owned subsidiary which owns the Pompano Property, entered into a purchase agreement to sell the Pompano Property for a purchase price of $3,000,000. The purchase agreement is subject to the satisfaction of certain conditions prior to the closing.

Item 3. Legal Proceedings.

On August 4, 1997 Samantha Haimes brought an action in the Fifteenth Judicial Circuit of Palm Beach County, Florida, against the Company and National Health Care Centers of America, Inc., the Company's wholly-owned subsidiary. The Company has asserted counterclaims against Samantha Haimes and Leonard Haimes. The complaint arises out of the defendant's alleged breach of contract in connection with the Company's natural health care center which was located in Boca Raton, Florida. The Company is vigorously defending the action. The plaintiff is seeking damages in the amount of approximately $535,000.

On September 10, 1997 Rejuvenation Unlimited, Inc. and Sam Lilly, Inc. brought an action in the Fifteenth Judicial Circuit of Palm Beach County, Florida, arising out of the Company's alleged breach of contract in connection with the acquisition of the Company's natural health care center which was located in Boca Raton, Florida from the plaintiff. The plaintiff is seeking damages in excess of $15,000.

In an action brought by Troy Laboratories, Inc. ("Labs") and H. Edward Troy ("Troy") v. Patricia J. Fisher, Richard Aji and Edward G. Coyne in the Supreme Court of the State of New York, Onondaga County, the plaintiffs are seeking to have a purported assignment of patent utilized for Natural Relief 1222 to the defendants declared null and void and to have Labs declared the lawful owner of such patent. The plaintiffs have prevailed at the trial level, however, the defendants have filed a notice of appeal. In the event that the defendants prevail, then the defendants would have equal rights to the patent.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

Market Information

The Common Stock is quoted on the NASDAQ SmallCap Market under the symbol "NHTC." The following table sets forth the range of high and low bid quotations as reported by The NASDAQ SmallCap Market for the Common Stock for the quarters indicated. The quotations reflect inter-dealer prices without retail mark-up, mark-down or commissions, and may not represent actual transactions. The table below does not reflect the Company's one for 40 reverse stock split which occurred in April 1998.

	Common Stock	
	High	Low
1996		
First Quarter............................	6	4 1/4
Second Quarter...........................	5 3/4	4 7/8
Third Quarter............................	5	3 1/2

Fourth Quarter...........................	3 5/8	1
1997		
First Quarter	2 1/2	1
Second Quarter...........................	2 7/6	25/32
Third Quarter............................	1/16	1/16
Fourth Quarter...........................	1/16	1/16
1998		
First Quarter............................	5/32	1/32

Holders

As of March 31, 1998, the Company had approximately 179 record holders of its Common Stock, and as of January 21, 1998, 1,685 beneficial holders of its Common Stock.

Dividends

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

depend upon the Company's earnings, capital requirements and financial condition, as well as other relevant factors.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operation.

ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Years ended December 31. 1996 and 1997

The following discussion should be read in conjunction with the consolidated financial statements and the notes contained therein.

Forward-Looking Statements

When used in this Form 10-KSB and in future filings by the Company with the Securities and Exchange Commission, the words "will likely result", and "the Company expects", "will continue", is anticipated", "estimated", "project", or "outlook" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Act of 1995. The Company wishes to caution readers not to place undue reliance on such forward-looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company has no obligation to publicly release the result of any revisions which may be made to any forward- looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

Results of Operations

YEAR ENDED DECEMBER 31,1997 AND 1996

Revenues:

Total revenues were $6,992,516 for the year ended December 31, 1997 compared to $4,844,372 for the year ended December 31,1996. This represents an increase of $2,148,144 or 44.3%. The Company believes that the increase is primarily attributable to a $1,010,000 increase in tuition and bookstore revenue by the Company's Florida College of Natural Health division. The main portion of this increase was reflected in the Orlando School which relocated to larger premises during the latter portion of the fiscal year. Additionally, the addition of $1,134,000 in product sales by GHA, acquired on July 23,1997, accounted for the

other significant portion of the increase.

Cost of sales:

Cost of sales for the year ended December 31,1997 were $2,868,094 compared to $1,909,989 for the comparable period last year. Gross profit as a percentage of revenues was 59.0% compared with 60.6% for the year ended December 31,1996. The School's gross profit was 55.4% for 1997 compared to 57.9% in 1996. The Company believes that the decline is attributable to increased expenses related to expansion of each of the Schools' library as required for licensing as a degree granting junior college. In addition, additional space was leased at the Miami School with the introduction of an electrolysis class. Global's gross profit was 65%.

Selling, General and Administrative Expenses:

Selling, general and administrative expenses were $7,636,911 for the year ended December 31,1997. This represents an increase of $4,171,384 over the year ended December 31,1996. The Company believes that this increase is due primarily to $3,608,470 of selling, general and administrative expenses related to GHA's operations. These costs consisted principally of advertising and promotion expense of $1,771,095 and salaries and related employee costs of $708,602. The advertising and promotion expenses were incurred in conjunction with the launch and the continued media support of GHA's Natural Relief 1222 line of all-natural, over-the-counter pharmaceutical products, as well as promotional support for the initial sale of products into national chain drug accounts.

An additional component of the Company's increase in selling, general and administrative expense was an increase in payroll expense at the Florida College of Natural Health division of $111,000 due to the need for additional staff because of the increase in enrollment at the Orlando School as well as personnel such as librarians. Legal and accounting expenses increased by $251,000 as the result of costs associated with potential acquisitions of additional medical clinics, obtaining additional financing and litigation related to the Boca Raton Natural Health Care Center for accreditation as a degree granting junior college. Travel expenses increased approximately $190,000 over the previous year. This increase is due in part to costs associated with GHA acquisition as well as travel related to GHA's nationwide marketing program.

Litigation settlement:

The litigation settlement expense of approximately $118,000 resulted from the settlement of the litigation for approximately $198,000 commenced by the landlord in connection with property leased by the Company in Lauderhill, Florida. The Company had previously accrued approximately $80,000 for this litigation. The leased property was the previous site of the Company's School now located in Pompano Beach, Florida.

Non-cash Imputed Compensation Expense:

In the first quarter of 1997, the Company expensed $25,000 relating to the issuance of 20,000 shares of Common Stock (pre-split) to an employee which amount represents the fair market value of the shares issued to this individual. In the third quarter of 1997, the Company expensed $400,000 related to the issuance of options to acquire 800,000 shares of Common Stock (pre-split) to two officers. The expense represents the difference between the fair market value of the shares underlying the options on the date of grant and the exercise price of the options. These non-cash expenses were accompanied by corresponding increases in the Company's additional paid in capital account and resulted in no change to stockholder's equity.

Interest Expense

Interest expense for the year ended December 31, 1997 were $1,064,301 as

compared to $231,112 for the year ended December 31, 1996. The increase is mainly due to the interest payable to holders of the Company's convertible debentures issued in April 1997, as well as interest payable on GHA's notes.

Income(Loss) from Continuing Operations:

The loss from continuing operations was $5,200,679 for the year ended December 31,1997 as compared to $786,346 for the year ended December 31, 1996. The increase in the loss is primarily attributable to the impact of the individual elements discussed above.

Discontinued Operations

In October 1997, the Company closed its natural health care center in Boca Raton, Florida. In February 1998, the Company sold its remaining natural health care center in Pompano Beach, Florida. The Company has reflected a loss of $2,524,441 in the year ending December 31, 1997 compared to a loss of $103,192 in the same period for 1996 for the discontinued segment.. The loss includes the write-off of goodwill associated with the acquisition of the Boca Raton natural health care center, the write-off of fixed assets, estimated future costs associated with the medical clinics such as future rents due on the Boca Raton natural health care center, as well as the $497,246 cost of severing an employment agreement with an employee at the Boca Raton natural health care center, previously recognized by the Company in the quarter ended June 30, 1997. Revenues for the natural health care center segment were $1,754,066 for the year ended December 31,1997 and $2,374,469 for the year ended December 31, 1996.

Net Loss

For the year ended December 31, 1997, the net loss was $7,725,120 compared to a net loss of $889,539 for the year ended December 31, 1996. The increase in the net loss is attributable to the impact of the individual elements discussed above.

Liquidity and Capital Resources

The Company has funded its working capital and capital expenditure requirements from cash provided through borrowing from institutions and from the sale of the Company's securities in private placements and the initial public offering of its securities. The Company's primary source of cash receipts is from the payments for tuition, fees, and books. These payments were funded primarily from students and parent educational loans and financial aid under various federal and state assistance programs and, to a lesser extent, from student and parent resources. The Company's secondary source of cash receipts has been from the sale of GHA's products.

In January 1997, the Company sold $100,000 of convertible debentures which were subsequently converted into Common Stock. In February 1997, the Company sold $300,000 of convertible debentures which were subsequently converted into Common Stock.

In April 1997, the Company issued $1,300,000 of 6% convertible 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 commencing July 1997 at a conversion price equal to the lesser of $1.4375 or 80% of the average closing bid price for the five trading days immediately preceding the notice of conversion. As of December 31,1997, a total of $820,233 in principal and $25,416 in related interest had been converted into 11,789,312 shares of Common Stock (pre-split). In January 1998, the remaining principal of $179,767 and related interest of $8,858 was converted into an additional 7,054,994 shares of Common Stock (pre-split).

In conjunction with the debenture issuance, the Company issued warrants to purchase 200,000 shares of Common Stock. The warrants are exercisable until April 3, 2002. Half of the warrants are exercisable at $2.4375 per share, while the remaining half are exercisable at $3.25 per share.

In June 1997, the Company sold 2,200 shares of its convertible series A preferred stock for $1,000 a share, and realized net proceeds of $1,900,702. The preferred stock pays a dividend at the rate of 8% per annum payable in shares of

Common Stock. The preferred stock is convertible commencing 60 days after the issuance, provided that a registration statement covering the resale of the shares of common stock is effective, at the rate of 75% of the market price of the Common Stock. In addition, a penalty of 2.5% per month for a period of six months accrued on the Series A Preferred Stock which is payable in cash or shares of Common Stock at the conversion price. The registration statement covering such conversion shares was declared effective on January 12, 1998. In April 1998, the Company sold an aggregate of $4,000,000 of 10% convertible preferred stock, realizing proceeds after expenses of approximately $3.4 million, $2.5 million of which were utilized to redeem the previously issued preferred stock. The new preferred stock provides for a conversion to common at 75% of the market price.

On July 23, 1997, the Company acquired all of the capital stock of GHA. The purchase price for the acquisition of GHA was settled with the issuance of 5,800,000 shares of Common Stock, plus additional shares of common stock to be issued to the former GHA shareholders contingent upon the operating performance of GHA. Specifically, the Company has agreed to issue to former GHA shareholders additional shares of Common Stock as follows: (i) up to 800,000 shares (pre-split) if GHA pre-tax operating earnings equal or exceed $1,200,000 for the period from July 1, 1997 through June 30, 1998, and (ii) shares equal to the market value of the lesser of $45 million or eight times GHA's pre-tax operating earnings for the period from July 1, 1999 through June 30, 2000 minus the fair market value on the date of issuance of the 5,800,000 shares of Common Stock (pre-split) initial consideration or the 800,000 contingent shares (pre-split), if they are earned.

In August 1997, the Company issued a $100,000 unsecured promissory note at an interest rate of 18% to fund the expansion of the Orlando School into a larger facility. This note is due on August 26, 1998.

In October and November 1997, the Company issued $850,000 of 12.5% secured promissory notes to fund continuing operations of GHA. The secured promissory notes pay interest at the rate of 12.5% per annum and are due on February 28, 1998.

At December 31, 1997 the ratio of current assets to current liabilities was .43 to 1.0. There was a working capital deficit of approximately $4,635,000.

In February 1998, the Company sold 300,000 shares of Series B Convertible Preferred Stock which are convertible into shares of Common Stock commencing on April 4, 1998 at a conversion price equal to the lower of (i) seventy (70%) percent of the average closing bid price of the Common Stock or (ii) $.0625.

In April 1998 the Company issued 40,000 shares of Series C Preferred Stock. Each share of Series C Preferred Stock is convertible into shares of Common Stock commencing 41 days after the date of issuance at a conversion price equal to the lower of the closing bid price of the Common Stock on the date of issuance or 75% of the average closing bid price of the Common Stock for the five trading days immediately preceding the date of the notice of conversion. Each share of Series C Preferred Stock shall automatically be converted into Common Stock on the date which is 24 months from the date of issuance. In no event shall the Company be required to issue more than 7,676,085 shares of Common Stock (pre-split) unless the stockholders of the Company approve the issuance of additional shares of Common Stock or Nasdaq waives the requirement of stockholder approval. In the event that the Company has issued 7,676,085 shares of Common Stock (pre-split) upon the conversion of the Series C Preferred Stock and the Company has not obtained such waiver from Nasdaq or stockholder approval, then the Company has agreed to redeem any shares of Series C Preferred Stock outstanding at a redemption price equal to 133% of the face amount of the shares of Series C Preferred Stock and any accrued and unpaid dividends. The net proceeds from the sale of the Series C Preferred Stock was approximately $3,400,000. Of such amount, $2,500,000 was utilized to redeem 1,568.407 shares of Series A Preferred Stock.

Cash used in operations for the period ended December 31,1997 was $2,357,551, attributable primarily to the net loss of $7,725,120 adjusted for non cash expenses and changes in operating assets and liabilities aggregating $5,367,569. The major elements of operations requiring the use of cash were increases in accounts receivable of $533,815 and inventory of $271,235. Cash inflows were provided by increases in accounts payable of $1,613,581, increases in accrued expenses of $737,197 and increases in accrued consulting contracts of 360,131. Cash provided by financing activities during fiscal 1997 was approximately

$4,501,000, mainly from the issuance of preferred stock of $2,200,000 and the issuance of debentures of $1,626,826. Proceeds from notes payable and long-term debt provided approximately $3,274,000 which was mainly a result of refinancing the Pompano Property. Payments of notes payable and long-term approximated $2,114,000 which was mainly attributable to the pay down of the original building financing.

The Company maintains a $300,000 line of credit secured with a $150,000 cash deposit and certain other assets of the Company. This credit facility expires in 1998.

The Company's capital expenditures totaled $611,863, primarily due to the expansion in the early part of fiscal 1997 of the Boca Raton natural health care center and $424,000 in connection with the refinancing of the Pompano Property.

The Company also anticipates utilizing the proceeds from the anticipated sale of the Schools and the sale of the Pompano Property to provide financing, although there can be no assurance thereof.

The Company anticipates that future additional financing will be required to finance the Company's continued operations during the next twelve months, principally to fund the continued development and growth of GHA's product sales Management is currently seeking at least $4.0 million in additional capital to continue to pursue GHA's business plan of national advertising in support of national retail distribution. There can be no assurance that the Company will be able to secure such additional debt or equity financing. Failure to obtain additional financing of at least $2.5 million within the next 12 months will require reductions in operating expenses, and may have a material impact on the ability of the Company to increase GHA's sales and to continue operations. If the Company obtains additional financing of at least $2.5 million for the next twelve months, of which there can be no assurance, the Company believes that its net cash flow, together with available lines of credit may be sufficient to finance the Company's operations for the period of at least 12 months thereafter.

Item 7. Financial Statements.

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Natural Health Trends Corp. and Subsidiaries

Pompano Beach, Florida

We have audited the accompanying consolidated balance sheet of Natural Health Trends Corp. and Subsidiaries as of December 31, 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 1997 and 1996. 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, 1997, and the results of its operations and its cash flows for the years ended December 31, 1997 and 1996, 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, 1998. 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.

Certified Public Accountants

New York, New York
March 10, 1998 and
April 14, 1998 as to
Notes 2 (O), 6 (E) and 16

/S/ Feldman Radin & Co., P.C.
Feldman Radin & Co., P.C.

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 1997

ASSETS	
CURRENT ASSETS:	
Cash	$ 104,784
Restricted cash	250,000
Accounts receivable	1,979,948
Inventories	1,026,999
Prepaid expenses and other current assets	184,576
TOTAL CURRENT ASSETS	3,546,307
PROPERTY AND EQUIPMENT	3,518,117
DEPOSITS AND OTHER ASSETS	6,740,497
	$ 13,804,921

LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable	$ 3,026,436
Accrued expenses	1,199,887

Revolving credit line	217,422
Accrued expenses for discontinued operations	338,446
Current portion of long term debt	2,020,349
Deferred revenue	1,089,647
Current portion of accrued consulting contract	246,607
Other current liabilities	325,115
TOTAL CURRENT LIABILITIES	8,463,909
LONG-TERM DEBT	2,254,591
DEBENTURES PAYABLE	179,767
ACCRUED CONSULTING CONTRACT	113,524
ACCRUED EXPENSES DISCONTINUED OPERATIONS	17,616
COMMON STOCK SUBJECT TO PUT	380,000
STOCKHOLDERS' EQUITY:	
Preferred stock, $.001 par value, 1,500,000 shares authorized; 2,200 shares issued and outstanding	1,900,702
Common stock, $.001 par value; 5,000,000 shares authorized; 758,136 shares issued and outstanding at December 31, 1997	758
Additional paid-in capital	11,941,381
Retained earnings (accumulated deficit)	(11,053,577)
Common stock subject to put	(380,000)
Prepaid stock compensation	(13,750)
TOTAL STOCKHOLDERS' EQUITY	2,395,514
	$ 13,804,921

See notes to consolidated financial statements.

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

REVENUES	$ 6,992,516	$ 4,844,372
COST OF SALES	2,868,094	1,909,989
GROSS PROFIT	4,124,422	2,934,383
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	7,636,911	3,465,527
NON-CASH IMPUTED COMPENSATION EXPENSE	425,000	22,000
LITIGATION SETTLEMENT	118,206	-
OPERATING INCOME (LOSS)	(4,055,695)	(553,144)
OTHER INCOME (EXPENSE):		
Interest (net)	(1,064,301)	(231,112)
Other	(103,000)	-
Miscellaneaous Revenue	22,317	(2,090)
INCOME(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX	(5,200,679)	(786,346)
PROVISION FOR INCOME TAX	-	-
INCOME (LOSS) FROM CONTINUED OPERATIONS	(5,200,679)	(786,346)

DISCONTINUED OPERATIONS:		
(Loss) From Discontinued Operations	(2,022,602)	(185,642)
(Loss) On Disposal	(501,839)	82,450
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	(2,524,441)	(103,192)
NET INCOME (LOSS)	$ (7,725,120)	$ (889,538)
BASIC INCOME (LOSS) PER COMMON SHARE:		
Continued Operations	$ (11.98)	$ (2.80)
Discontinued Operations	(5.81)	(0.37)
NET INCOME (LOSS) PER COMMON SHARE	$ (17.79)	$ (3.17)
WEIGHTED AVERAGE COMMON SHARES USED	434,265	280,350

See notes to consolidated financial statements.

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Preferred Stock		Additional Paid-in	Retained Earnings	Common Stock Subject	Deferred Stock	
	Shares	Amount	Shares	Amount	Capital	(Deficit)	to Put	Compensation	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE DECEMBER 31, 1995	267,728	$ 268	-	$ -	$ 3,877,730	$ (1,705,584)	$ -	$ -	$ 2,172,414
Shares issued for acquisitions	9,500	9	-	-	1,367,991	-	-	-	1,368,000
Shares issued for consulting agreement	2,500	2	-	-	164,998	-	-	(165,000)	-
Amortization of prepaid consulting	-	-	-	-	-	-	-	68,750	68,750
Shares issued to employees	400	1	-	-	21,999	-	-	-	22,000
Convertible debentures treated as converted	28,522	29	-	-	809,971	-	-	-	810,000
Common stock subject to put	-	-	-	-	-	-	(380,000)	-	(380,000)
Net loss	-	-	-	-	-	(889,539)	-	-	(889,539)
BALANCE DECEMBER 31, 1996	308,650	309	-	-	6,242,689	(2,595,123)	(380,000)	(96,250)	3,171,625
Sale of convertible Series A preferred stock	-	-	2,200	1,900,702	-	-	-	-	1,900,702
Preferred stock dividends imputed	-	-	-	-	733,333	(733,333)	-	-	-
Conversion of debentures	303,986	303	-	-	1,207,172	-	-	-	1,207,475
Stock issued for acquisition	145,000	145	-	-	2,899,855	-	-	-	2,900,000
Other issuances	500	1	-	-	24,999	-	-	-	25,000
Issuance of stock options	-	-	-	-	400,000	-	-	-	400,000
Amortization of deferred stock compensation	-	-	-	-	-	-	-	82,500	82,500

Discount on debentures	-	-	-	-	433,333	-	-	-	433,333
Net loss	-	-	-	-	-	(7,725,120)	-	-	(7,725,120)
BALANCE DECEMBER 31, 1997	758,136	$ 758	2,200	$ 1,900,702	$11,941,381	$(11,053,577)	$ (380,000)	$ (13,750)	$ 2,395,514

See notes to consolidated financial statements.

</TABLE>

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NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31	
	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (7,725,120)	$ (889,539)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	567,670	244,571
Non-cash imputed compensation expense	425,000	22,000
Loss on disposal of fixed assets, net	105,001	-
Interest settled by issuance of stock	116,065	-
Write-off of goodwill	1,325,605	-
Amortization of note payable discount	433,333	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(533,815)	(707,544)
(Increase) decrease in inventories	(271,235)	(130,295)
(Increase) decrease in prepaid expenses	(24,566)	31,393
(Increase) decrease in due from affiliate	-	(1,200)
(Increase) decrease in deposits and other assets	(112,238)	(34,518)
Increase (decrease) in accounts payable	1,613,581	97,959
Increase (decrease) in accrued expenses	737,197	286,463
Increase (decrease) in deferred revenue	325,767	278,636
Increase (decrease) in other current liabilities	(55,989)	-
Increase (decrease) in accrued expenses for disc. operations	356,062	-
Increase (decrease) in accrued consulting contract	360,131	-
TOTAL ADJUSTMENTS	5,367,569	87,465
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(2,357,551)	(802,074)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(611,863)	(438,650)
Net cash provided by (used for) acquistions	20,241	(11,388)
Loan to Global Health Alternatives, Inc.	(1,964,000)	-
NET CASH USED IN INVESTING ACTIVITIES	(2,555,622)	(450,038)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Increase) decrease in due from officer	136,495	(1,887)
(Increase) decrease in due to related parties	23,724	-

	1997	1996
(Increase) decrease in restricted cash	8,932	(258,932)
Proceeds from preferred stock	2,200,000	-
Proceeds from sale of debentures	1,626,826	810,000
Payment of debentures	(355,650)	-
Offering costs of preferred stock	(299,299)	-
Proceeds from notes payable and long-term debt	3,273,551	349,851
Payments of notes payable and long-term debt	(2,113,945)	(44,215)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,500,634	854,817
NET INCREASE (DECREASE) IN CASH	(412,540)	(397,295)
CASH, BEGINNING OF YEAR	517,323	914,618
CASH, END OF YEAR	$ 104,784	$ 517,323

See notes to consolidated financial statements.

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

	Year ended December 31	
	1997	1996
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 450,470	$ 236,671
Income taxes	$ -	$ -

DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:

During fiscal year 1997, debentures and accrued interest totaling $1,207,474 were converted to Common Stock.

See notes to consolidated financial statements.

</TABLE>

NATURAL HEALTH TRENDS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1997

1. ORGANIZATION

Natural Health Trends Corp. (formerly known as Florida

Institute of Massage Therapy, Inc.) (the "Company") was incorporated under the laws of the State of Florida in December 1988.

The Company's primary business is the operation of schools which develop, market and offer curricula in therapeutic massage training and skin care therapy. The Company presently has a total of three schools, located in the Miami, Pompano Beach and Orlando, Florida areas. Natural Health Shoppe, Inc. is a wholly owned subsidiary which owns and operates on-site book stores servicing the school's students, practicing therapists and the public.

In July 1997, the Company acquired Global Health Alternatives, Inc.,("Global") a company incorporated in Delaware and headquartered in Portland, Maine, which is in the business of marketing and distribution of over-the-counter homeopathic pharmaceutical health products. Global operates its business through its wholly owned subsidiaries: GHA (UK), Ltd., Ellon, Inc. ("Ellon"), Maine Naturals, Inc. ("MNI") and Natural Health Laboratories, Inc.

In 1996, the Company opened two natural health care centers which provided multi- disciplinary complementary health care in the areas of alternative and nutritional medicine. These facilities were closed during 1997 and accordingly are being accounted for as discontinued operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

B. Accounts Receivable - Accounts receivable are stated net of allowance for doubtful accounts of $92,912.

C. Inventories - Inventories consisting primarily of books and supplies for the schools, and natural remedies for Global, 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 is carried at cost. Depreciation is computed using the straight-line method and accelerated methods over the useful lives of the various assets, which is generally five to seven years for equipment, and furniture and fixtures, and thirty-nine years for the building.

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

G. Earnings (Loss) Per Share - In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (FAS No. 128"), which became effective for both interim and annual financial statements for periods ending after December 15, 1997. FAS No. 128 requires a presentation of "Basic" and (where applicable) "Diluted" earnings per share. Generally, Basic earnings per share are 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. Furthermore, FAS No. 128 requires the restatement of prior period reported earnings per share to conform to the new standard. The per share presentations in the accompanying financial statements reflect the provisions of FAS No. 128.

H. Accounting Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that effect 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.

I. Concentration of Credit Risk - The Company has most of its cash maintained in an asset trust account with a financial institution where account balances are not federally-insured. The Company has not experienced any losses in the account. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

J. Income Taxes - Pursuant to SFAS 109, 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.

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

L. 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, "Accounting For Stock-Based Compensation, " the Company has adopted the pro forma disclosure requirements of Statement No. 123 in fiscal 1997.

M. Impairment of Long - Lived Assets - The Company reviews long-lived assets, certain identifiable assets and goodwill related to those assets for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recovered. At December 31, 1997, the Company believes that there has been no impairment of its long-lived assets.

N. Recent Accounting Pronouncements - SFAS No. 130, "Reporting Comprehensive Income," established standards for the reporting and display of comprehensive income and its components. SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information, " establishes standards for reporting information about operating segments in annual and interim financial statements. The Company will adopt these standards in the first quarter of 1998. They will not have any significant effect on the Company's financial position or results of operations.

O. Basis of Presentation - At December 31, 1997, the Company has a working capital deficiency of approximately $4,918,000 and has recorded a net loss of approximately $7,725,000 for the year then ended. The Company's continued existence is dependent on its ability to obtain additional debt or equity financing and to generate profits from operations. Management has instituted certain plans in regard to these matters as more fully described in Note 16.

P. 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.

3. PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following at December 31, 1997:

	Life Range	Amount
Equipment, furniture and fixtures	5 to 7	$ 393,507
Building and improvements	3 to 5	2,693,449
Land	---	893,809
		3,980,764
Less: Accumulated depreciation		(462,647)
		$ 3,518,117

4. OTHER ASSETS

Other assets consisted of the following at December 31, 1997:

Deposits and other assets	$ 162,732
Goodwill, net of accumulated amortization of $50,181	1,223,276
Deferred finance costs, net of accumulated amortization of $72,832	185,985
Patents and customer list, net of accumulated amortization of $216,909	5,063,091
Other intangible assets net of accumulated amortization of $194,800	105,413
	$ 6,740,497

The goodwill, the patents, and the customer list arise in connection with the acquisitions of businesses made by the Company in 1997, 1996 and 1995. The deferred finance costs relate to convertible debentures made in 1997. The goodwill, the patents, the customer list, and the deferred finance costs are being amortized over their estimated useful lives which are 5 years for the customer list, 20 years for goodwill and 11 and 17 years for patents.

5. LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 1997:

Note payable for purchase of school, bearing interest at 8.75%, principal and interest payments due quarterly commencing February 1996 through November 1999	$ 67,896
Mortgage Note payable to a bank, bearing interest at 8.24%. Monthly payments consisting of principal and interest are approximately $29,352 and are payable through November 2007, at which time the balance of principal is due in a balloon payment in November 2007	2,247,725
$100,000 promissory note, bearing interest at 18%. Interest starts accruing on August 26, 1997, with monthly interest payments of $1,500 due on the 15th day of each month. Principal amount due in full on August 26, 1998	100,000
Line of Credit - Merrill Lynch, for a maximum availability of $300,000, annually renewable in November with interest at prime +1%, collateralized by money market accounts held with Merrill Lynch	217,422
$375,000 face amount note payable, noninterest bearing, due October 1, 2000 (less unamortized discount based on	

imputed interest rate of 12% per annum - $41,385). Initial payment of $93,750 on October 15, 1996, then monthly payments of $7,813 beginning on November 1, 1997 and ending October 1, 2000	239,865
$75,000 face amount note payable, noninterest bearing, due September 15, 1998 (less unamortized discount based on imputed interest rate of 12% per annum - $1,349). Monthly payments of $4,166 from October 1996 through September 1997, and $2,084 from October 1997 through September 1998	47,819
$69,000 face amount note payable, noninterest bearing, due October 15, 1997 (less unamortized discount based on imputed interest rate of 12% per annum - $0). Initial payment of $19,500 on October 15, 1996, then monthly payments of $4,500 from December 1996 through October 1997	27,000

Various bridge notes totaling $685,000, bearing interest at 12.5%. In the event of default, 14.5% interest rate will be applied from the date of default on the unpaid principal and interest balances. Principal and interest payments due in full on September 15, 1997	685,000
Bridge notes issued in October and November 1997, bearing interest at 14% per annum, due in February 1998, $700,000 of which are secured by the schools and the Pompano building and $150,000 of which are secured by Global common stock.	850,000
Other	9,635
	4,492,362
Less: Current portion	(2,237,771)
	$ 2,254,591

The two noninterest bearing notes and the various bridge notes above were not paid on the maturity date and accordingly all unpaid balances are included in current portion of long-term debt.

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

1998	$ 2,237,771
1999	66,411
2000	33,647
2001	36,527
2002	39,653

6. STOCKHOLDERS' EQUITY

A. Common Stock - The Company was authorized to issue 40,000,000 shares of common stock, $.001 par value per share.

B. Preferred Stock - The Company is authorized to issue a maximum of 1,500,000 shares of $.001 par preferred stock, in one or more series and containing such rights, privileges and limitations, including voting rights, dividend rates, conversion privileges, redemption rights and terms, redemption prices and liquidation preferences, as the Company's board of directors may, from time to time, determine.

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. The preferred stock pays dividends at the rate of 8% per annum payable in cash or shares of the Company's common stock valued at 75% of the closing bid price. The preferred stock has a liquidation preference of $1,000 per share. The preferred stock is convertible commencing 60 days after issuance, provided that a registration statement covering the resale of the shares of common stock is effective, at the rate of 75% of the average closing bid price of the common stock over the five days preceding the notice of redemption. The Company has the right to redeem the preferred stock for 240 days after the date of issuance at the rate of 125% of the stated value. If a registration statement is not deemed effective within 60 days of the date of issuance, then the Company is obligated to pay a penalty at the rate of 2.5% per month.

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 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 $2.4375 per share, and the balance are exercisable at $3.25 per share.

D. Issuance Of Options - During the quarter ended September 30, 1997, the Company's president and secretary were issued an aggregate of 20,000, 10 year options, exercisable at $.001 per share. The Company has recorded a non-cash expense of $400,000 representing the difference between the exercise price and the fair value of the common stock.

E. 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 5,000,000 shares of $.001 par value Common Stock. All per share data in these financial statements is retroactively restated to reflect this reverse split.

7. DISCONTINUED OPERATIONS

During the third quarter of 1997, the Company reached a decision to discontinue the medical clinic line of business. Net assets of the medical clinics were approximately $1,509,405 consisting primarily of furniture and equipment, accounts receivable and goodwill. Liabilities were approximately $213,987. The Company has accrued an estimated loss on disposal of approximately $716,193 representing primarily accrued employment contract and lease terminations. Accordingly, the results of the clinic operations are shown separately as "discontinued operations." The Company's 1996 financial information has been reclassified to conform with the 1997 presentation.

Revenues of the discontinued business were $1,754,066 for 1997 and $2,374,469 for 1996.

8. INCOME TAXES

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). SFAS No. 109 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax loss and tax credit carryforwards. SFAS No. 109 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. At December 31, 1997, the Company had net deferred tax assets of approximately $4,119,000. The Company has established a valuation allowance for the full amount of such deferred tax assets. The following table gives the Company's deferred tax assets and (liabilities) at December 31, 1997:

Net operating loss deduction	$ 3,760,000
Deferred revenue	436,000
Section 481 adjustment	(124,000)
Other	5,000
Valuation allowance	(4,077,000)
	$ -

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>

<S>	Year Ended December 31, 1997 <C>	1996 <C>
Income tax (benefit) computed at statutory rate	$ (2,704,000)	$ (670,000)
Effect of temporary differences	152,000	146,000
Effect of permanent differences	13,000	19,000
Tax benefit not recognized	2,539,000	505,000
Provision for income taxes (benefit)	$ -	$ -

</TABLE>

The net operating loss carryforward at December 31, 1997 was approximately $9,401,000 and expires in the years 2011 to 2012.

9. COMMITMENTS AND CONTINGENCIES

A. The Company leases its school facilities under non-cancelable operating leases. The lease terms are five years and expire from October 1998 through December 2002. The Company leases its Portland Maine office under a lease expiring in 1999. Rent expense for the years ended December 31, 1997 and 1996 was $1,306,597 and $647,907, respectively. Minimum rental commitments over the next five years are as follows:

1998	$ 538,899
1999	364,378
2000	378,272

2001	293,317
2002	302,112

B. During the quarter ended March 31, 1997, the Company renegotiated with a former stockholder of Sam Lily, Inc. with whom it was obligated under an employment agreement to cancel the employment agreement and replaced it with a consulting agreement. The consulting agreement requires the individual to provide services to the Company for one day per week through December 1998 at the rated of $5,862 per week. The Company has determined that the future services, if any, that it will require will be of little or no value and is accounting for this obligation as a cost of severing the employment contract. Accordingly, the present value (applying a discount rate of 10%) of all future payments is accrued in full at September 1997. The expense associated with this accrual is recorded as part of the loss from discontinued operations.

C. Litigation - On August 4, 1997 Samantha Haimes brought an action in the Fifteenth Judicial Circuit of Palm Beach County, Florida, against the Company and Health Wellness Nationwide Corp., the Company's wholly-owned subsidiary. The Company has asserted counterclaims against Samantha Haimes and Leonard Haimes. The complaint arises out of the defendant's alleged breach of contract in connection with the Company's medical clinic located in Pompano Beach, Florida. The Company is vigorously defending the action. The plaintiff is seeking damages in the amount of approximately $535,000. No accrual for the litigation has been made in the financial statements as it is the Company's belief that it will prevail in the litigation.

On September 10, 1997 Rejuvenation Unlimited, Inc. and Sam Lilly, Inc. brought an action in the Fifteenth Judicial Circuit of Palm Beach County, Florida, arising out of the Company's alleged breach of contract in connection with the acquisition of the Company's medical clinic in Pompano Beach, Florida from the plaintiff. The plaintiff is seeking damages in excess of $15,000. The Company is vigorously defending the action and believes that the loss, if any, will be immaterial.

10. PURCHASE OF BUILDING AND REFINANCE

The Company purchased a building located in Pompano Beach, Florida (the "Pompano Property") to which it relocated its Lauderhill, Florida school and corporate offices. The purchase price for the property was $2,350,000, of which $1,875,000 was financed through a first and second mortgage. The Pompano Property was encumbered by mortgages securing repayment of loans made to acquire an adjacent parcel which is owned by Justin Real Estate Corp. ("Justin Corp."). All of the common stock of Justin Corp. is owned by principal shareholders of the Company.

In October 1997, the Company refinanced the mortgage and entered into a new mortgage with another financial institution in the amount of $2,250,000. Monthly payments, including principal and interest are $17,725 through October 2007, with the balance of any unpaid principal due in November 2007. The interest rate is 8.24% per annum. Simultaneously with this transaction, the Company paid off the underlying mortgage on the adjacent parcel owned by Justin Corp. in the amount of $435,000. The Company has recorded this amount as an increase in the basis of the land.

11. REVENUES

The schools obtain a large proportion of their revenues from Federal and State student financial aid programs. For the year ended December 31, 1997, the schools derived approximately 66% of tuition collections from students with financial aid and approximately 34% from students without financial aid. The schools' ability to obtain such funding is dependent on a number of factors, including meeting various educational accreditation and licensing standards and also certain financial standards such as maintaining at least a 15% ratio of non-financial aid students. The Company believes it has complied with all other factors necessary to obtain funding.

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

12. COMMON STOCK SUBJECT TO PUT

In connection with the January 1996 acquisition of the net assets of Sam Lilly, Inc. the 9,500 shares issued in connection with the acquisition are subject to the seller's ability to require the Company to repurchase such shares for a three year period for $380,000, in the event that the aggregate market value of the shares falls below $380,000. Such shares are excluded from permanent equity on the accompanying balance sheet. As of March 1998, this matter is subject to litigation.

13. STOCK OPTION PLAN

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 will be exercisable in August 1998, and the remaining 21,875 will be exercisable in August 1999.

In fiscal 1997, the Company adopted the disclosure provisions SFAS No. 123, "Accounting for Stock-Based Compensation". 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 years ended December 31, 1997 and December 31, 1996: 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 years ended December 31, 1997 and December 31, 1996 was $21.60 and $142.00, respectively. If the Company had recognized compensation cost of stock options in accordance with SFAS No. 123, the Company's proforma net income (loss) and net income (loss) per share would have been $(8,608,120) and $(19.82) per share for the fiscal year ended December 31, 1997 and $(983,538) and $(3.40) per

share for the fiscal year ended December 31, 1997. Pro forma income (loss) from continuing operations would have been $(6,083,679) and $(14.01) per share in 1997 and $(850,346) and $(3.03) per share in 1996.

14. ACQUISITIONS

On July 23, 1997, the Company closed on the acquisition of the capital stock of Global Health Alternatives, Inc. ("Global"). The purchase price for the acquisition of Global was settled with the issuance of 145,000 shares of the Company's common stock. The Company has agreed to issue to former Global shareholders additional shares of common stock as follows: I) up to 20,000 shares if Global's pre-tax operating earnings equal or exceed $1,200,000 for the period from July 1, 1997 through June 30, 1998, and ii) shares equal in market value to the lesser of $45 million or eight times Global pre-tax operating earnings for the period from July 1, 1999 through June 30, 2000 minus the fair market value on the date of issuance of the 145,000 share initial consideration or the 20,000 contingent

shares, if they are earned. The following table summarizes the acquisition.

Purchase price	$ 2,900,000
Liabilities assumed	4,530,741
Fair value of assets acquired	(6,511,954)
Goodwill	$ 918,787

The assets acquired included two patents, one (the"Troy Patent") is valued at $4,819,000, and is being amortized over its remaining life of 11 years, the other (the "Xu Patent") is valued at $404,000 and is being amortized over its remaining life of 17 years. Additionally, the Company acquired a customer list valued at $57,000, which is being amortized over 5 years.

The following schedule combines the unaudited pro-forma results of operations the Company and Global, as if the acquisition occurred on January 1, 1996 and includes such adjustments which are directly attributable to the acquisition, including the amortization of goodwill. It should not be considered indicative of the results that would have been achieved had the acquisition not occurred or the results that would have been obtained had the acquisitions actually occurred on January 1, 1996.

<TABLE>
<CAPTION>

	Year ended December 31,	
	1997	1996
<S>	<C>	<C>
Revenues	$ 7,856,071	$ 5,129,857
Loss from continuing operations	$ (7,709,728)	$ (2,933,434)
Net loss	$ (10,234,169)	$ (3,036,626)
Loss per share from continuing operations	$ (15.21)	$ (6.90)
Net loss per share	$ (20.20)	$ (7.14)
Shares used in computation	506,765	425,350

</TABLE>

15. SEGMENT INFORMATION

Summary information for the Company's two significant industry segments is as follows:

<TABLE>
<CAPTION>
<S> <C> <C> <C>

Year ended December 31, 1997	Schools	Natural and Health Products	Total
Revenues	$ 5,858,790	$ 1,133,726	$ 6,992,516
Operating income (loss)	$ (2,188,072)	$ (3,012,652)	$ (5,200,679)
Identifiable assets	$ 8,712,964	$ 5,091,957	$ 13,804,921
Other information:			
Depreciation and amortization	$ 177,881	$ 196,669	
Capital expenditures	$ 431,570	$ 37,588	

</TABLE>

16. SUBSEQUENT EVENTS

A. Sale of Preferred Stock - In April 1998, the Company sold an aggregate of $4,000,000 of 10% convertible preferred stock, realizing proceeds after expenses of approximately $3.5 million, $2.5 million of which were utilized to redeem previously issued preferred stock. The preferred stock provides for a conversion to common at 75% of the market price.

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 connection with the new agreement, the Company was required to assume $585,000 of debt owed to third parties by the Troy Sellers.

C. Proposed Sale of Schools - In February, 1998, the Company entered into discussions with its Chief Executive Officer, who is also a principal stockholder and director, and his wife, who is the Company's secretary and a principal stockholder and director, for the sale of the schools division. The contemplated sales price is $1,800,000.

D. Proposed Sale of Building - In March, 1998, the Company entered in discussions for the sale of the building, in which its Pompano School is located.

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

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

Directors and Executive Officers

Name	Age	Position
Sir Brian Wolfson	62	Chairman of the Board and Director
Neal R. Heller	38	President, Chief Executive Officer and Director
Elizabeth S. Heller	36	Secretary and Director
Martin C. Licht	56	Director
Arthur Keiser	43	Director

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

Sir Brian Wolfson has served as Chairman and a director of the Company since July 1997 and Chief Executive Officer and Chairman of the Board of Directors of GHA since its inception in October 1995. Prior to co-founding GHA in October 1995, Sir Brian served as Chairman of Wembley, PLC from 1986 to 1995. Sir Brian is currently a director of Fruit of the Loom, Inc., Kepner-Tregoe, Inc., Playboy Enterprises, Inc., and Autotote Corporation, Inc.

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

Elizabeth S. Heller has been Secretary and a director of the Company since its inception in 1988. Mrs. Heller earned a Bachelor of Arts degree from the University of Miami in 1983. Mrs. Heller is the wife of Neal R. Heller.

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

Martin C. Licht has been a practicing attorney since 1967 and has been a partner of the law firm of McLaughlin & Stern, LLP since January 1998. Mr. Licht became a director of the Company in July 1995. Mr. Licht is also a director of Cable & Co. Worldwide, Inc., a publicly traded company, which imports and markets footwear on a wholesale basis.

Key Employees

Joseph P. Grace, age 48, has been the Co-Chief Operating Officer of GHA since October 1996. From 1995 to 1996, Mr. Grace was a marketing consultant of Natural Health Laboratories, Inc., Inc. From 1994 to 1996 Mr. Grace was head of marketing for Marketing Resources of America From 1989 to 1994, Mr. Grace was Vice Chairman of Ovation, Inc., a health and fitness equipment supplier. Mr. Grace has an M.B.A. from Cornell University and a B.S. in

Electrical Engineering, also from Cornell University. [need 1992- 1997 employment history]

John M. Eldredge, age 43, has been the Co-Chief Operating Officer of GHA since 1996. From 1991 to 1996, Mr. Eldredge was a principal of Commonwealth Marketing & Development, Inc., a marketing consulting firm. From 1990 to 1991, Mr. Eldredge served as Vice President of Marketing at Earth's Best, Inc. (organic baby food). Mr. Eldredge has an M.B.A. from the Amos Tuck School at Dartmouth College and an A.B. in Psychology, also from Dartmouth.

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, 1997, and (ii) Forms 5 and amendments thereto and/or written representations furnished to the Company by any director, officer or ten percent security holder of the Company (collectively "Reporting Persons") stating that he or she was not required to file a Form 5 during the Company's fiscal year ended December 31, 1997, it has been determined that no Reporting Person is delinquent with respect to his or her reporting obligations set forth in Section 16(a) of the Exchange Act, except that Arthur Keiser, a director of the Company, has not filed a Form 5 for the fiscal year ended December 31, 1997 and Azure Limited Partnership I has not filed a Form 5 for the fiscal year ended December 31, 1997.

Item 10. Executive Compensation.

Summary Compensation Table

The following table provides a summary of cash and non-cash compensation for each of the last three fiscal years ended December 31, 1995, 1996, and 1997 with respect to the following officers of the Company:

<TABLE>
<CAPTION>

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compensation ($)(1)	Restricted Stock Award(s) $	Securities Underlying Options SARs(#)	LTIP Payouts $	All Other Compensation ($)
Sir Brian Wolfson, Chairman of the Board (2)	1997	$240,000	----	----	----	----	----	----
Neal R. Heller,	1997	201,500	----	----	----	----	----	----
President and	1996	162,500	----	----	----	----	----	----
Chief Executive Officer	1995	150,000	----	----	----	----	----	----
Elizabeth S. Heller	1997	141,100	----	----	----	----	----	----
Secretary	1996	150,000	----	----	----	----	----	----
	1995	150,000	----	----	----	----	----	----

</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) Sir Brian Wolfson waived his 1997 salary.

Options Grants in Last Fiscal Year. The following table sets forth certain information with respect to option grants during the fiscal year ended December 31, 1997 to the named executive officers. The table below does not reflect the Company's one for 40 reverse stock split which occurred in April 1998.

Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($.SH)	Expiration Date
Sir Brian Wolfson	800,000	31.4%	$ .56	July 2007
Neal R. Heller	400,000	14.7%	.001	July 2007
Elizabeth S. Heller	400,000	15.7%	.001	July 2007

Year-end Option Table. During the fiscal year ended December 31, 1997, none of the named executive officers exercised any options issued by the Company. The following table sets forth information regarding the stock options held as of December 31, 1997 by the named executive officers. The table below does not reflect the Company's one for 40 reverse stock split which occurred in April 1998.

Name	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year End	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Sir Brian Wolfson	0	800,000	--	--
Neal R. Heller	400,000	0	18,750	--
Elizabeth S. Heller	400,000	0	18,750	--

Employment Agreements

The Company has entered into employment agreements with Neal R. Heller and Elizabeth S. Heller, which will expire in December 2001, under which they will be full-time employees and shall receive salaries of $247,000 and $78,000, respectively. Mr. and Mrs. Heller received salaries in 1997 of $201,500 and $141,000, respectively. Each agreement provides that the executive will be eligible to receive short-term incentive bonus compensation if the Company is profitable, the amount of which, if any, will be determined by the Board of Directors based on the executive's performance, contributions to the Company's success and on the Company's ability to pay such incentive compensation. The employment agreements also provide for termination based on death, disability, voluntary resignation or material failure in performance and for severance payments upon termination under certain circumstances. The agreements contain non-competition provisions that will preclude each executive from competing with the Company for a period of two years from the date of termination of employment.

Sir Brian Wolfson has fixed-term employment agreement of one year, commencing January 1, 1998, at an annual salary of $50,000. Joseph Grace has a fixed-term employment agreement of two years, commencing October 15, 1996. Mr. Grace's base salary in year one was $150,000, with an escalator to $200,000 in year two. Mr. Grace's agreement calls for a guaranteed bonus of 25% of base salary, payable at the end of each contract year, which has been deferred in the first year. John Eldredge has a fixed-term employment agreement of two years, commencing October 15, 1996. Mr. Eldredge's base salary in year one was $90,000, with an escalator to $112,500 in year two. Mr. Eldredge's agreement calls for a

bonus of up to 25% of base salary, at the Company's discretion, payable at the end of each contract year, which was deferred in the first year.

Directors' Compensation

Directors of the Company do not receive any fixed compensation for their services as directors. The Company grants each non-employee director options to purchase 1,000 shares of Common Stock under the 1994 Stock Option Plan, at an exercise price equal to the fair market value of the Common Stock on the date of grant, and pays non-employee directors $500 for each meeting of the Board of Directors they attend. Directors are reimbursed for their reasonable

out-of-pocket expenses incurred in connection with performance of their duties to the Company. The Company did not pay its directors any cash or other form of compensation for acting in such capacity, although directors who were also executive officers of the Company received cash compensation for acting in the capacity of executive officers. See "-- Executive Compensation." No director received any other form of compensation for the fiscal year ended December 31, 1997.

Stock Options

The 1997 Stock Option Plan (the "1997 Plan") provides for the granting of options ("Options") to key employees, including officers, non-employee directors and consultants of the Company and its subsidiaries to purchase up to 3,000,000 shares of Common Stock (pre-split) 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").

The Company has adopted the 1994 Stock Option Plan (the "1994 Plan") under which up to 666,666 options (pre-split) to purchase shares of Common Stock may be granted to key employees, officers, consultants and members of the Board of Directors of the Company. 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 Plan may not be granted at a price less than the fair market value of the Common Stock on the date of grant (or less than 110% of fair market value in the case of employees holding 10% or more of the voting stock of the Company). Non-qualified stock options may be granted at an exercise price established by the Stock Option Committee selected by the Board of Directors, but may not be less than 85% of fair market value of the shares on the date of grant. Incentive stock options granted under the Plan must expire not more than ten years from the date of grant, and not more than five years from the date of grant in the case of incentive stock options granted to an employee holding 10% or more of the voting stock of the Company.

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 Company's directors, executive officers, all executive officers and directors as a group, and all persons known by the Company to be the beneficial owners of more than five

percent of the Company's Common Stock. The table below does not reflect the Company's one for 40 reverse stock split which occured in April 1998.

<TABLE>
<CAPTION>

Name and Address of Beneficial Owner(1)	Number of Shares(2)	Approximate Percentage of Common Stock
<S>	<C>	<C>
Neal R. Heller and Elizabeth S. Heller 2397 N.W. 64th Street Boca Raton, Florida 33496	5,834,000(3)	18.7%
Martin C. Licht Selden Lane Greenwich, Connecticut 06831	52,000(4)	*
Arthur Keiser 6324 NW 79th Way Parkland, Florida 33067	34,000(5)	*
Sir Brian Wolfson Global Health Alternatives, Inc. 44 Welbeck Street London, England W1N7HF	0(6)	*
Azure Limited Partnership I 13 Eagles Nest Drive La Conner, Washington 98257	1,662,667	5.5%
All Executive Officers and Directors as a Group (5 persons)	5,920,000	19.0%

</TABLE>

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

(2) The table does not include shares of Common Stock issuable upon the conversion of the Company's Series A Preferred Stock. Pursuant to the terms of the Series A 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 in excess of 4.9%. Notwithstanding the foregoing, on June 4, 2000, the date of a mandatory conversion of the Series A Preferred Stock a change in control of the Company may occur, based upon the number of shares of Common Stock issuable.

(3) Mr. Heller owns 2,374,000 shares of Common Stock, and Mrs. Heller owns 2,660,000 shares of Common Stock and each has sole voting and dispositive power with respect to such shares. As they are husband and wife, each may be deemed the beneficial owner of the shares owned by the other. Includes up to 800,000 shares of Common Stock issuable upon the exercise of options held by Mr. and Mrs. Heller.

(4) Includes presently exercisable options to purchase up to 2,000 shares of Common Stock held by Mr. Licht.

(5) Includes presently exercisable options to purchase up to 14,000 shares of Common Stock held by Mr. Keiser.

(6) Does not include options to purchase up to 800,000 shares of Common Stock which are not exercisable within 60 days.

* Represents less than 1% of applicable shares of Common Stock outstanding.

Item 12. Certain Relationships and Related Transactions.

In connection with the refinancing of the Pompano Property in October, 1997, the Company paid a mortgage loan in the amount of $443,727 (the "Prior Mortgage Loan") which encumbered both the Pompano Property and an adjacent parcel of land (the "Adjacent Parcel") which was owned by Justin Real Estate Corp. ("Justin"). The capital stock of Justin is owned by Neal R. Heller and Elizabeth S. Heller. Mr. and Mrs. Heller also had guaranteed the Prior Mortgage Loan.

As of October 1997, the Company had advanced to Mr. and Mrs. Heller $142,442. In October 1997, Mr. and Mrs. Heller advanced the sum of $240,295 on behalf of the Company and the Company advanced $24,412 to Justin. In November, 1997, the Company advanced $53,523 on behalf of Justin. In December 1997, Mr. and Mrs. Heller waived the repayment of the sum of $19,918 from the Company. As of December 31, 1997, there were no amounts due to the Company from Mr. and Mrs. Heller or Justin and no amounts were due to the Company from Mr. and Mrs. Heller or Justin.

In connection with the refinancing of the Pompano Property, Neal R. Heller has guaranteed the obligations of the Company pursuant to leases between the Company and its wholly owned subsidiary which owns the Pompano Property. Mr. Heller has collateralized such guarantee with a $100,000 letter of credit. In addition, Mr. Heller has agreed to indemnify Banc One Mortgage Capital Markets, LLC, in certain limited instances. In July 1997, the Company issued an aggregate of 800,000 options (pre-reverse split) exercisable for a period of 10 years at an exercise price of $.001 per share to Mr. and Mrs. Heller. Martin C. Licht, a director of the Company, was a member of law firms which received $189,452 attributable to 1996 and $153,351 attributable to 1997. In addition, as of December 31, 1997, the Company owed law firms of which Mr. Licht was a member $150,112. In July 1996 the Company borrowed $125,000 from Arthur Keiser, a director of the Company, and repaid such amount plus interest at the rate of 12% per annum in December 1996. In July 1996, in connection with such loan the Company granted Mr. Keiser an option to purchase 10,000 shares of the Company's Common Stock at an exercise price equal to the fair market value on the date of the grant for a period of five years.

Item 13. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Index to Financial Statements

1. Financial Statements

	Page
Independent Auditor's Report	F-2
Consolidated Balance Sheet - December 31, 1997	F-3
Consolidated Statements of Operations - Years Ended December 31, 1997 and 1996	F-4
Consolidated Statement of Changes in Stockholders' Equity - For the period from December 31, 1995 through December 31, 1997	F-5
Consolidated Statements of Cash Flow - Years Ended December 31, 1997 and 1996	F-6
Notes to Financial Statements	F-8

2. Exhibits Included Herein

See Exhibit Index on page __ hereof for the exhibits filed as part of this Form 10-KSB.

(b) Reports on Form 8-K

None.

(c) Exhibit Index

Number	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of the Company.*
3.2	Amended and Restated By-Laws of the Company.*
4.1	Specimen Certificate of the Company's Common Stock.*
4.2	Form of Class A Warrant.*

4.3 Form of Class B Warrant.*

Number	Description of Exhibit
4.4	Form of Warrant Agreement between the Company and Continental Stock Transfer & Trust Company.*
4.5	Form of Underwriter's Warrants.*
4.6	1994 Stock Option Plan.*
4.7	Form of Debenture **
4.8	Registration Rights Agreement dated July 23, 1997 by and among the Company, Global and the Global Stockholders. +
4.9	Agreement as to Transfers dated July 23, 1997 by and between Capital Development, S.A. and the Compant. +
4.10	Articles of Amendment of Articles of Incorporation of the Company. ***
4.11	Form of Debenture. **
10.1	Form of Employment Agreement between the Company and Neal R. Heller.*
10.2	Form of Employment Agreement between the Company and Elizabeth S. Heller.*
10.3	Lease, dated April 29, 1993, between Florida Institute of Massage Therapy, Inc., as tenant, and MICC Venture, as landlord, as amended.*
10.4	Agreement among Natural Health Trends Corp., Health Wellness Nationwide Corp., Samantha Haimes and Leonard Haimes. ++
10.13	Agreement among Natural Health Trends Corp. Health Wellness Nationwide Corp., Samantha Haimes and Leonard Haimes.
10.14	Employment Agreement between Health Wellness Nationwide Corp. and Kaye Lenzi.
10.15	Mortgage note in the amount of $2,250,000, dated October 30, 1997 between NHTC Real Estate, Inc. as maker and BANC One Mortgage Capital Markets, LLC as payee.
21.1	List of Subsidiaries.
27.1	Financial Data Schedule

- ----------

* Previously filed with Registration Statement No. 33-91184.

** Previously filed with the Company's Form 10-QSB for the quarter ended March 31,1997.

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

\+ Previously filed with the Company's Form 8-K dated Auhust 7, 1997.

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

+++ Previously filed with this Registration Statement No. 333-35935

SIGNATURES

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

Dated: April , 1998 NATURAL HEALTH TRENDS CORP.

By: /s/ Neal R. Heller

Neal R. Heller, President, and Chief Executive Officer

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

Name	Title	Date
/s/ Sir Brian Wolfson Sir Brian Wolfson	Chairman of the Board	April 15, 1998
/s/ Neal R. Heller Neal R. Heller	President, Chief Executive Officer and Director	April 15, 1998
\s\ Elizabeth S. Heller Elizabeth S. Heller	Secretary and Director	April 15, 1998
\s\ Arthur Keiser Arthur Keiser	Director	April 15, 1998
\s\ Martin C. Licht Martin C. Licht	Director	April 15, 1998

FIXED RATE NOTE

$2,250,000.00 October 30, 1997

FOR VALUE RECEIVED NHTC REAL ESTATE, INC., a Florida corporation (hereinafter referred to as "Maker"), promises to pay to the order of BANC ONE MORTGAGE CAPITAL MARKETS, LLC, a Delaware limited liability company, its successors and assigns (hereinafter referred to as "Payee"), at the office of Payee or its agent, designee, or assignee at 3030 South Gessner, Suite 280, Houston, Texas 77063, Attn: Loan Servicing, or at such place as Payee or its agent, designee, or assignee may from time to time designate in writing, the principal sum of TWO MILLION TWO HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS ($2,250,000.00), in lawful money of the United States of America, with interest thereon to be computed on the unpaid principal balance from time to time outstanding at the Applicable Interest Rate (hereinafter defined) at all times prior to the occurrence of an Event of Default (as defined in the Mortgage [hereinafter defined]).

ARTICLE I - TERMS AND CONDITIONS

1.1 Payment of Principal and Interest. Principal and accrued interest hereunder shall be payable in installments as follows:

(a) A payment of interest only on the date hereof for the period from the date hereof through October 30, 1997, both inclusive;

(b) A constant payment of $17,725.10, on the first day of December, 1997 and on the first day of each calendar month thereafter up to and including the first day of October, 2007;

and the unpaid balance of said principal sum, together with accrued and unpaid interest and any other amounts due under this Note shall be due and payable on the first day of November, 2007 or upon earlier maturity hereof whether by acceleration or otherwise (the "Maturity Date").

1.2 Computation of Interest. Interest on the principal sum of this Note shall be calculated on the basis of a three hundred sixty (360) day year and shall be payable on the actual days elapsed for any month in which interest is being calculated, except that in any event interest calculated with reference to the maximum rate permitted by applicable law shall be calculated by multiplying the actual number of days elapsed in such period by a daily rate based on a year of 365/366 days (as applicable). In computing the number of days during which such interest accrues, the day on which funds are initially advanced shall be included regardless of the time of day such advance is made, and the day on which funds are repaid shall be included unless repayment is credited prior to close

of business.

1.3 Application of Payments. Payments under this Note shall be applied first, to the payment of interest and other costs and charges due in connection with this Note or the Debt (as hereinafter defined), in such order as Payee may determine in its sole discretion, and the balance shall be applied toward the reduction of the principal sum. All amounts due under this Note shall be payable without setoff, counterclaim or any other deduction whatsoever.

1.4 Applicable Interest Rate. The term "Applicable Interest Rate means from the date of this Note through and including the Maturity Date, a rate of Eight and 24/100 percent (8.24%) per annum.

1.5 Security; Loan Documents. This Note is evidenced and/or secured by, and Payee is entitled to the benefits of, the Mortgage, the Assignment, the Environmental Agreement, and the other Loan Documents (hereinafter defined). The term "Mortgage" means the Mortgage and Security Agreement dated the date hereof given by Maker for the use and benefit of Payee covering the estate of Maker in certain premises as more particularly described therein (the "Mortgaged Property"). The term "Assignment" means the Assignment of Leases and Rents of even date herewith executed by Maker in favor of Payee. The term "Environmental Agreement" means the Environmental Liabilities Agreement of even date herewith executed by Maker in favor of Payee. The term "Loan Documents" refers collectively to this Note, the Mortgage, the Assignment, the Environmental Agreement and any and all other documents executed in connection with this Note or now or hereafter executed by Maker and/or others and by or in favor of Payee, which evidence the obligations of Maker in connection with this loan being made to Maker or which wholly or partially secure or guarantee payment of this Note or pertain to the indebtedness evidenced by this Note (as same may be amended, renewed or restated from time to time).

1.6 Late Charges. If any installment payable under this Note (including the final installment due on the Maturity Date) is not received by Payee within ten (10) days after the date on which it is due (without regard to any applicable cure and/or notice period), Maker shall pay to Payee upon demand an amount equal to the lesser of (a) five percent (5%) of such unpaid sum or (b) the maximum amount permitted by applicable law to defray the expenses incurred by Payee in handling and processing such delinquent payment and to compensate Payee for the loss of the use of such delinquent payment, and such amount shall be secured by the Loan Documents.

1.7 Event of Default. So long as an Event of Default exists, Payee may, at its option, without notice or demand to Maker, accelerate the maturity of this Note and the obligations of Maker under the Loan Documents, and declare the Debt immediately due and payable. All remedies hereunder, under the Loan Documents and at law or in equity shall be cumulative. In the event that it should become necessary to employ counsel to collect the Debt or to protect or foreclose the security for the Debt or to defend against any claims asserted by Maker arising from or related to the

Loan Documents, Maker also agrees to pay to Payee on demand all costs of collection or defense incurred by Payee, including reasonable attorneys' and paralegals' fees and expenses for the services of counsel whether or not suit be brought, and including without limitation, all attorneys' fees and costs incurred at all trial and appellate levels, in any bankruptcy proceeding, or otherwise. The term "Debt" means, collectively, (i) the unpaid principal balance of and the accrued but unpaid interest on this Note, (ii) all other sums due, payable or reimbursable to Payee under the Loan Documents (including, without limitation, sums due or payable by Maker for deposit into the Tax and Insurance Escrow Fund [as defined in the Mortgage], the Replacement Escrow Fund [as defined in the Mortgage], and any other escrows established or required under the Loan Documents), and (iii) any and all other liabilities and obligations of Maker under this Note or the other Loan Documents.

1.8 Default Rate. Upon the occurrence of an Event of Default Maker shall pay interest on the entire unpaid principal sum and any other amounts due under the Loan Documents at the rate equal to the lesser of (a) the maximum rate permitted by applicable law, or (b) the greater of (i) three percent (3%) above the Applicable Interest Rate or (ii) four percent (4%) above the Prime Rate (hereinafter defined), in effect at the time of the occurrence of the Event of Default (the "Default Rate"). The term "Prime Rate" means the annual rate of interest publicly announced by Citibank, N.A. in New York, New York, as its base rate, as such rate shall change from time to time. If Citibank, N.A. ceases to announce a base rate, Prime Rate shall mean the rate of interest published in

the Money Rates section of The Wall Street Journal. If more than one Prime Rate is published in The Wall Street Journal for a day, the average of the Prime Rates shall be used, and such average shall be rounded up to the nearest one-quarter of one percent (0.25%). In the event that The Wall Street Journal should cease or temporarily interrupt publication, the term "Prime Rate" shall mean the daily average prime rate published in another business newspaper, or business section of a newspaper, of national standing and general circulation chosen by Payee. In the event that a prime rate is no longer generally published or is limited, regulated or administered by a governmental or quasi-governmental body, then Payee shall select a comparable interest rate index which is readily available and verifiable to Maker but is beyond Payee's control. The Default Rate shall be computed from the occurrence of the Event of Default until the actual receipt and collection of a sum of money determined by Payee to be sufficient to cure the Event of Default. Amounts of interest accrued at the Default Rate shall constitute a portion of the Debt, and shall be deemed secured by the Loan Documents. This clause, however, shall not be construed as an agreement or privilege to extend the date of the payment of the Debt, nor as a waiver of any other right or remedy accruing to Payee by reason of the occurrence of any Event of Default.

1.9 Prepayment. The principal balance of this Note may not be prepaid in whole or in part (except with respect to the application of casualty or condemnation proceeds) prior to the third (3rd) Loan Year (as hereinafter defined). During the third (3rd) Loan Year or at anytime thereafter, provided no Event of Default exists, the principal balance of this Note may be prepaid, in whole but not in part (except with respect to the application of casualty or condemnation proceeds), on any scheduled payment date under this Note upon not less than thirty (30) days prior written notice to Payee (the "Prepayment Notice") specifying the scheduled payment date on which prepayment is

to be made (the "Prepayment Date") and upon payment of (a) interest accrued and unpaid on the principal balance of this Note to and including the Prepayment Date together with a payment of all interest which would have accrued on the principal balance of this Note to and including the first day of the calendar month immediately following the Prepayment Date, if such prepayment occurs on a date which is not the first day of a calendar month (the "Shortfall Interest Payment"), (b) all other sums then due under this Note and the other Loan Documents, and (c) if the Prepayment Date occurs prior to the date which is six months prior to the Maturity Date payment of a prepayment consideration (the "Prepayment Consideration") in an amount equal to the greater of: (A) one (1%) percent of the principal amount of this Note being prepaid; and (B) the present value of a series of payments each equal to the Payment Differential (hereinafter defined) and payable on each monthly payment date over the remaining original term of this Note and on the Maturity Date discounted at the Reinvestment Yield (hereinafter defined) for the number of months remaining from the Prepayment Date to each such monthly payment date and the Maturity Date. The term "Reinvestment Yield" as used herein shall be equal to the lesser of (a) the yield on the U.S. Treasury issue (primary issue) with a maturity date closest to the Maturity Date, or (b) the yield on the U.S. Treasury issue (primary issue) with a term equal to the remaining average life of the Debt, with each such yield being based on the bid price for such issue as published in The Wall Street Journal on the date that is 14 days prior to the Prepayment Date set forth in the Prepayment Notice (or, if such bid price is not published on that date, the next preceding date on which such bid price is so published) and converted to a monthly compounded nominal yield. The term "Payment Differential" as used herein shall be equal to (x) the Applicable Interest Rate minus the Reinvestment Yield, divided by (y) 12 and multiplied by (z) the principal sum outstanding after application of the Constant Monthly Payment due on such Prepayment Date, provided that the Payment Differential shall in no event be less than zero. In no event, however, shall Payee be required to reinvest any prepayment proceeds in U.S. Treasury obligations or otherwise. Payee shall notify Maker of the amount and the basis of determination of the required

Prepayment Consideration. If a Prepayment Notice is given by Maker to Payee pursuant to this Section 1.9, the principal balance of this Note and the other sums required under this Article shall be due and payable on the Prepayment Date. Payee shall notify Maker of the amount and the basis of determination of the required prepayment consideration. If any such notice of prepayment is given, the principal balance of this Note and the other sums required under this paragraph shall be due and payable on the Prepayment Date. Payee shall not be obligated to accept any prepayment of the principal balance of this Note unless it is accompanied by the prepayment consideration due in connection therewith. Notwithstanding the foregoing, Maker shall have the additional privilege to prepay the entire principal balance of this Note (together with any other sums constituting the Debt) on any scheduled payment date during the six (6) months preceding the Maturity Date without any fee or consideration for such privilege. In the event of any permitted partial prepayment of the principal balance of this Note, the amount of principal prepaid (but not including any Prepayment Consideration or interest) shall be applied to the principal last due under this Note and shall not release Maker from the obligation to pay the Constant Monthly Payments next becoming due under this Note and the Constant Monthly Payment shall not be adjusted or recalculated as a result of such partial prepayment. The term "Loan Year" for purposes

of this paragraph means each complete 365-day period (366 days in a leap year) after the first scheduled payment date set forth in Section 1.1 of this Note.

If following the occurrence of any Event of Default, Maker shall tender payment of an amount sufficient to satisfy the Debt at any time prior to a sale of the Mortgaged Property, either through foreclosure or the exercise of the other remedies available to Payee under the Mortgage, such tender by Maker shall be deemed to be a voluntary prepayment under this Note in the amount tendered. If at the time of such tender, prepayment of the principal balance of this Note is not permitted, Maker shall, in addition to the entire Debt, also pay to Payee a sum equal to interest which would have accrued on the principal balance of this Note at the Applicable Interest Rate in effect on the date which is five (5) days prior to the date of prepayment, from the date of such tender to the first day of the period during which prepayment of the principal balance of this Note would have been permitted, together with a prepayment consideration equal to the prepayment consideration which would have been payable as of the first day of the period during which prepayment would have been permitted. If at the time of such tender, prepayment of the principal balance of this Note is permitted, Maker shall, in addition to the entire Debt, also pay to Payee the applicable prepayment consideration specified in this Note. If the prepayment results from the application to the Debt of the casualty or condemnation proceeds from the Mortgaged Property, no prepayment consideration will be imposed. Partial prepayments of principal resulting from the application of casualty or insurance proceeds to the Debt shall not change the amounts of subsequent monthly installments nor change the dates on which such installments are due, unless Payee shall otherwise agree in writing.

1.10 Waivers. Except as specifically provided in the Loan Documents, Maker and any endorsers, sureties or indemnitors hereof jointly and severally waive presentment and demand for payment, notice of intent to accelerate maturity, notice of acceleration of maturity, protest and notice of protest and non-payment, all applicable exemption rights, valuation and appraisement, notice of demand, and all other notices in connection with the delivery, acceptance, performance, default or enforcement of the payment of this Note and the bringing of suit and diligence in taking any action to collect any sums owing hereunder or in proceeding against any of the rights and collateral securing payment hereof. Maker and any surety, endorser or indemnitor hereof agree (i) that the time for any payments hereunder may be extended from time to time without notice and consent, (ii) to the acceptance of further collateral, (iii) the release of any existing collateral for the payment of this Note, (iv) to any and all renewals, waivers or modifications that may be granted by Payee with respect to

the payment or other provisions of this Note, and/or (v) that additional makers, endorsers, indemnitors or sureties may become parties hereto all without notice to them and without in any manner affecting their liability under or with respect to this Note. No extension of time for the payment of this Note or any installment hereof shall affect the liability of Maker under this Note or any endorser or indemnitor hereof even though the Maker or such endorser or indemnitor is not a party to such agreement.

Failure of Payee to exercise any of the options granted herein to Payee upon the happening of one or more of the events giving rise to such options shall not constitute a waiver of the right to

exercise the same or any other option at any subsequent time in respect to the same or any other event. The acceptance by Payee of any payment hereunder that is less than payment in full of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any of the options granted herein to Payee at that time or at any subsequent time or nullify any prior exercise of any such option without the express written acknowledgment of the Payee.

1.11 Recourse Liability Limitation. Notwithstanding anything in the Loan Documents to the contrary, but subject to the qualifications below, Payee and Maker agree that:

(A) Maker shall be liable upon the Debt and for the other obligations arising under the Loan Documents to the full extent (but only to the extent) of the security therefor, the same being all properties (whether real or personal), rights, estates and interests now or at any time hereafter securing the payment of the Debt and/or the other obligations of Maker under the Loan Documents (collectively with the Mortgaged Property, the "Security Property");

(B) If a default occurs in the timely and proper payment of all or any part of the Debt or in the timely and proper performance of the other obligations of Maker under the Loan Documents, any judicial proceedings brought by Payee against Maker shall be limited to the preservation, enforcement and foreclosure, or any thereof, of the liens, security titles, estates, assignments, rights and security interests now or at any time hereafter securing the payment of the Debt and/or the other obligations of Maker under the Loan Documents, and no attachment, execution or other writ of process shall be sought, issued or levied upon any assets, properties or funds of Maker other than the Security Property, except with respect to the liability described below in this section; and

(C) In the event of a foreclosure of such liens, security titles, estates, assignments, rights or security interests securing the payment of the Debt and/or the other obligations of Maker under the Loan Documents, no judgment for any deficiency upon the Debt shall be sought or obtained by Payee against Maker, except with respect to the liability described below in this section (C); provided that, notwithstanding the foregoing provisions of this section, nothing contained therein shall in any manner or way release, affect or impair the right of Payee to recover, and Maker shall be fully and personally liable and subject to legal action for, any loss, cost, or expense, damage, claim or other obligation (including without limitation reasonable attorneys' fees and court costs) incurred or suffered by Payee arising out of or in connection with the following: (i) for proceeds paid under any insurance policies (or paid as a result of any other claim or cause of action against any person or entity) by reason of damage, loss or destruction to all or any portion of the Security Property, to the full extent of such proceeds not previously delivered to Payee, but which, under the terms of the Loan Documents, should have been delivered to Payee, (ii) for proceeds or awards resulting from the condemnation or other taking in lieu of condemnation of all or any portion of the Security Property, or any of them, to the full extent of such proceeds or awards not previously

delivered to Payee, but which, under the terms of the Loan Documents, should have been delivered to Payee, (iii) for all tenant security deposits or other refundable deposits paid to or held by Maker or any other person or entity in connection with leases of all or any portion of

the Security Property which are not applied in accordance with the terms of the applicable lease or other agreement, (iv) for rent and other payments received from tenants under leases of all or any portion of the Security Property paid more than one month in advance, (v) for rents, issues, profits and revenues of all or any portion of the Security Property received or applicable to a period after any notice of default from Payee hereunder or under the Loan Documents in the event of any default by Maker hereunder or thereunder which are not either applied to the ordinary and necessary expenses of owning and operating the Security Property or paid to Payee, (vi) for waste committed on the Security Property, damage to the Security Property as a result of the intentional misconduct or gross negligence of Maker or any of its principals, officers or general partners, or any agent or employee of any such persons, or any removal of the Security Property in violation of the terms of the Loan Documents, to the full extent of the losses or damages incurred by Payee on account of such waste, damage or removal, (vii) for failure to pay any valid taxes, assessments, mechanic's liens, materialmen's liens or other liens which could create liens on any portion of the Security Property which would be superior to the lien or security title of the Mortgage or the other Loan Documents, to the full extent of the amount claimed by any such lien claimant, and for failure to maintain the escrows for taxes and insurance required under the Mortgage, (viii) for all obligations and indemnities of Maker under the Loan Documents relating to hazardous or toxic substances or compliance with environmental laws and regulations to the full extent of any losses or damages (including those resulting from diminution in value of any Security Property) incurred by Payee as a result of the existence of such hazardous or toxic substances or failure to comply with environmental laws or regulations, (ix) for Maker's failure to obtain Payee's prior written consent to any voluntary transfer of the Security Property, to the full extent of any losses, damages and expenses of Payee on account thereof, and (x) for fraud or material misrepresentation by Maker or any of its principals, officers, or general partners, any indemnitor or any agent, employee or other person authorized or apparently authorized to make statements or representations on behalf of Maker, any principal, officer or partner of Maker, any indemnitor, to the full extent of any losses, damages and expenses of Payee on account thereof. References herein to particular sections of the Loan Documents shall be deemed references to such sections as affected by other provisions of the Loan Documents relating thereto. Nothing contained in this section shall (1) be deemed to be a release or impairment of the indebtedness evidenced by this Note or the other obligations of Maker under the Loan Documents or the lien of the Loan Documents upon the Security Property, or (2) preclude Payee from foreclosing the Loan Documents in case of any default or from enforcing any of the other rights of Payee except as stated in this section, or (3) limit or impair in any way whatsoever any indemnity (the "Indemnity") executed and delivered in connection with the indebtedness evidenced by this Note or release, relieve, reduce, waive or impair in any way whatsoever, any obligation of any party to the Indemnity.

ARTICLE II - GENERAL PROVISIONS

2.1 No Waiver. Nothing herein shall be deemed to be a waiver of any right which Payee may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the U.S. Bankruptcy

Code to file a claim for the full amount of the Debt secured by the Loan Documents or to require that all collateral shall continue to secure all of the Debt owing to Payee in accordance with this Note and the other Loan Documents.

2.2 Authority of Maker. Maker (and the undersigned representative of Maker, if any) represents that Maker has full power, authority and legal right to execute, deliver and perform its obligations pursuant to this Note and the other Loan Documents and that this Note and the other Loan Documents constitute legal, valid and binding obligations of Maker. Maker further represents that the loan evidenced by the Loan Documents was made for business or commercial purposes and not for personal, family or household use.

2.3 Notices. All notices or other communications required or permitted to be given pursuant hereto shall be given in the manner and be effective as specified in the Mortgage, directed to the parties at their respective addresses as provided therein.

2.4 Assignment/Sale of Loan. Payee shall have the unrestricted right at any time or from time to time to sell this Note and the loan evidenced by this Note and the Loan Documents or participation interests therein. Maker shall execute, acknowledge and deliver any and all instruments requested by Payee to satisfy such purchasers or participants that the unpaid indebtedness evidenced by this Note is outstanding upon the terms and provisions set out in this Note and the other Loan Documents. To the extent, if any specified in such assignment or participation, such assignee(s) or participant(s) shall have the rights and benefits with respect to this Note and the other Loan Documents as such assignee(s) or participant(s) would have if they were the Payee hereunder.

2.5 Usury Savings Clause. It is expressly stipulated and agreed to be the intent of Maker and Payee at all times to comply with applicable state law or applicable United States federal law (to the extent that it permits Payee to contract for, charge, take, reserve or receive a greater amount of interest than under state law) and that this section shall control every other covenant and agreement in this Note and the other Loan Documents. If the applicable law (state or federal) is ever judicially interpreted so as to render usurious any amount called for under this Note or under any of the other Loan Documents, or contracted for, charged, taken, reserved or received with respect to the indebtedness evidenced by this Note and the other Loan Documents, or if Payee's exercise of the option to accelerate the maturity of this Note, or if any prepayment by Maker results in Maker having paid any interest in excess of that permitted by applicable law, then it is Maker's and Payee's express intent that all excess amounts theretofore collected by Payee be credited on the principal balance of this Note (or, if this Note has been or would thereby be paid in full, refunded to Maker), and the provisions of this Note and the other Loan Documents immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder. All sums paid or agreed to be paid to Payee for the use, forbearance and detention of the indebtedness evidenced hereby and by the other Loan Documents shall, to the extent permitted by applicable law, be

amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the rate or amount of interest on account of such indebtedness does not exceed the maximum rate permitted under applicable law from time to time in effect and applicable to the indebtedness

evidenced hereby for so long as such indebtedness remains outstanding. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of Payee to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

2.6 Governing Law; Jurisdiction. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE IN WHICH THE REAL PROPERTY ENCUMBERED BY THE MORTGAGE IS LOCATED (WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES) AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. MAKER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY COURT OF COMPETENT JURISDICTION LOCATED IN THE STATE IN WHICH SUCH REAL PROPERTY IS LOCATED IN CONNECTION WITH ANY PROCEEDING OUT OF OR RELATING TO THIS NOTE.

2.7 Waiver of Jury Trial. MAKER HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS NOTE OR THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH INCLUDING, BUT NOT LIMITED TO THOSE RELATING TO (A) ALLEGATIONS THAT A PARTNERSHIP EXISTS BETWEEN PAYEE AND MAKER; (B) USURY OR PENALTIES OR DAMAGES THEREFOR; (C) ALLEGATIONS OF UNCONSCIONABLE ACTS, DECEPTIVE TRADE PRACTICE, LACK OF GOOD FAITH OR FAIR DEALING, LACK OF COMMERCIAL REASONABLENESS, OR SPECIAL RELATIONSHIPS (SUCH AS FIDUCIARY, TRUST OR CONFIDENTIAL RELATIONSHIP); (D) ALLEGATIONS OF DOMINION, CONTROL, ALTER EGO, INSTRUMENTALITY, FRAUD, REAL ESTATE FRAUD, MISREPRESENTATION, DURESS, COERCION, UNDUE INFLUENCE, INTERFERENCE OR NEGLIGENCE; (E) ALLEGATIONS OF TORTIOUS INTERFERENCE WITH PRESENT OR PROSPECTIVE BUSINESS RELATIONSHIPS OR OF ANTITRUST; OR (F) SLANDER, LIBEL OR DAMAGE TO REPUTATION. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY MAKER, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. PAYEE IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY MAKER.

2.8 Entire Agreement. THE PROVISIONS OF THIS NOTE AND THE LOAN DOCUMENTS MAY BE AMENDED OR REVISED ONLY BY AN INSTRUMENT IN

WRITING SIGNED BY THE MAKER AND PAYEE. THIS NOTE AND ALL THE OTHER LOAN DOCUMENTS EMBODY THE FINAL, ENTIRE AGREEMENT OF MAKER AND PAYEE AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF EXCEPT AS EXPRESSLY SET FORTH HEREIN, AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF MAKER AND PAYEE. THERE ARE NO ORAL AGREEMENTS BETWEEN MAKER AND PAYEE.

Executed as of the day and year first above written.

MAKER:

WITNESSES:

NHTC REAL ESTATE, INC.,
a Florida corporation

(Signature)

(Printed Name)

By:
Neal R. Heller
President

(Signature)

(Printed Name)

Pay to the order of ____________________________________, without recourse.

By:
Name:
Title:

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

Name	State of Incorporation
GHA Natural Products, Inc.	Delaware
GHA Specialty Retailing, Inc.	Delaware
Global Health Alternatives, Inc.	Florida
Maine Naturals, Inc.	Delaware
NHTC Real Estate, Inc.	Florida
Natural Health Care Centers of America, Inc.	Florida
Natural Health Laboratories, Inc.	New York
The Natural Health Shoppe, Inc.	Florida

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