

Dated: January 12, 1998  
NATURAL HEALTH TRENDS CORP.

117,306,073 Shares of Common Stock\*

All of the shares of Common Stock, \$.001 par value (the "Common Stock"), of Natural Health Trends Corp., a Florida corporation (the "Company"), offered hereby (the "Shares") are being offered by certain selling security holders (the "Selling Stockholders") as more fully described herein. Pursuant to a registration rights agreement, the Company has agreed to bear all expenses (other than underwriting discounts and selling commissions of any underwriters, brokers, dealers or agents retained by the Selling Stockholders) in connection with the registration and sale of the Shares being offered by the Selling Stockholders. In addition, the Company has agreed to indemnify the Selling Stockholders against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). The Company will receive none of the proceeds from any sale of the Shares by or for the account of the Selling Stockholders. See "SELLING STOCKHOLDERS" and "PLAN OF DISTRIBUTION."

The Shares, all of which will be acquired upon the conversion of the Company's Series A Preferred Stock, may be sold from time to time by the Selling Stockholders. Such sales may be made on The NASDAQ SmallCap Market ("NASDAQ"), in negotiated transactions or otherwise at prices and at terms then prevailing; at prices related to the then current market price; or at negotiated prices. The Shares may be sold by any one or more of the following methods: (a) a block trade in which the broker or dealer so engaged will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction; (b) purchases by a broker or dealer as principal and resale by such broker or dealer for its account; (c) ordinary brokerage transactions and transactions in which the broker solicits purchasers; and (d) privately negotiated transactions. In addition, any Shares that qualify for sale pursuant to Rule 144 may be sold under Rule 144 rather than pursuant to this Prospectus.

The Selling Stockholders and any broker-dealers, agents or underwriters that participate with the Selling Stockholders in the distribution of the Shares may be deemed to be "underwriters" within the meaning of the Securities Act and any commissions received by such broker-dealers, agents or underwriters and any profit on the resale of the Shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

The Common Stock is traded on NASDAQ under the symbol "NHTC." On January 5, 1998, the closing bid price per share, as reported by NASDAQ was \$.03125. During the past twelve months the closing bid price of the Common Stock has been as high as \$2.50 per share and as low as \$.031 per share. The Company believes that the large decline in the price of the Common Stock is primarily due to the fact that the Company's primary market maker ceased operations in the second half of 1997 coupled with the sale of the shares of Common Stock issuable upon the conversion of the Debentures. If the price of the Common Stock is less than \$1.00 in February 1998, when

NASDAQ's new listing criteria goes into effect the Common Stock would be delisted from NASDAQ. In the event that the Common Stock is delisted from NASDAQ, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, the Common Stock. See "RISK FACTORS -Possible Delisting of Common Stock on NASDAQ; Possible Adverse Effect on Trading Market."

\*The shares of Common Stock offered hereby include the resale of such presently indeterminate number of shares of Common Stock as shall be issued in respect of all shares of Common Stock issuable upon (i) conversion of, or as dividends on, 2,200 shares of the Series A Preferred Stock having a face amount of \$2,200,000 issued in a private placement in June 1997 and (ii) the payment of a 2.5%-per-month penalty payable in shares of Common Stock at the option of the holder of Series A Preferred Stock pursuant to a Registration Rights Agreement, between the Company and such holder. The number of shares of Common Stock indicated to be issuable in connection with such transactions and offered for resale hereby is an estimate determined in accordance with a formula based on the market prices of the Common Stock, as described in this Prospectus, and is

subject to adjustment and could be materially less or more than such estimated amount depending upon factors which cannot be predicated by Company at this time. If, however, all 2,200 shares of Series A Preferred Stock and the dividends thereon and the applicable penalty were converted, the Company would be obligated to issue a total of approximately 117,306,073 shares of Common Stock. This presentation is not intended to constitute a prediction as to the future market price of the Common Stock or as to the number of shares of Common Stock into which the shares of Series A Preferred Stock will be converted. See "RISK FACTORS - Effect of Conversion of the Debentures and Series A Preferred Stock."

THIS OFFERING INVOLVES SUBSTANTIAL INVESTMENT RISKS, AND SECURITIES SHOULD BE PURCHASED ONLY BY PERSONS WHO CAN AFFORD TO SUSTAIN THE LOSS OF THEIR ENTIRE INVESTMENT. SEE "RISK FACTORS" ON PAGE 6.

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

The date of this Prospectus is January 12, 1998.

- 2 -

#### AVAILABLE INFORMATION

A Registration Statement on Form S-3 (the "Registration Statement"), under the Securities Act, relating to the securities offered hereby has been filed by the Company with the Securities and Exchange Commission (the "Commission"), Washington, D.C. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. Certain financial and other information relating to the Company is contained in the documents indicated below under "Incorporation of Certain Documents by Reference" which are not presented herein or delivered herewith. For further information with respect to the Company and the securities offered hereby, reference is made to such Registration Statement, exhibits and schedules. Statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as exhibits to the Registration Statement, each such statement being qualified in all respects by such reference. A copy of the Registration Statement may be inspected without charge or may be obtained from the Commission upon the payment of certain fees prescribed by the Commission at the public reference facilities maintained by the Commission in Washington, D.C. at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's Regional Offices in New York at 7 World Trade Center, 13th Floor, New York, New York 10048 and in Chicago at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661.

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

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, which have been filed by the Company with the Commission, are incorporated herein by reference:

1. The Company's Annual Report on Form 10-KSB for the year ended December 31, 1996.
2. The Company's Current Report on Form 8-K dated January 7, 1997.
3. The Company's Current Report on Form 8-K dated January 31, 1997.

- 3 -

4. The Company's Current Report on Form 8-K dated February 19, 1997.
5. The Company's Quarterly Report on Form 10-QSB for the period ended March 31, 1997.
6. The Company's current report on Form 8-K filed August 7, 1997, as amended on October 6, 1997, December 24, 1997 and January 8, 1998.
7. The Company's Quarterly Report on Form 10-QSB for the period ended June 30, 1997, as amended on December 24, 1997 and January 8, 1998.
8. The Company's Quarterly Report on Form 10-QSB for the period ended September 30, 1997, as amended on December 24, 1997 and January 8, 1998.
9. The description of the Company's Common Stock contained in the Company's Registration Statement on Form 8-A filed on June 20, 1995, pursuant to Section 12(g) of the Exchange Act.

All reports and other documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in and to be a part of this Prospectus from the date of filing of such reports and documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in the Registration Statement containing this Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person who receives this Prospectus, upon the request of such person, a copy of any or all of the foregoing documents referred to above which have been or may be incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into the information that this Prospectus incorporates). Requests for such documents should be directed to: Natural Health Trends Corp. 2001 West Sample Road, Pompano Beach, Florida 33064. Telephone Number (954) 969-9771.

- 4 -

The Company

The Company develops and operates businesses to promote human wellness. The Company owns and operates three vocational schools as a junior college in

Orlando, 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 holistic skin care. Through its wholly owned subsidiary, Health Wellness Nationwide Corp. ("HWNC"), the Company owns a natural health care center in Pompano Beach, Florida (the "Natural Health Care Center"), which provides multi-disciplinary complementary health care in the areas of alternative and nutritional medicine. The Company intends to sell the Natural Health Care Center by January 1998.

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, 1996, 650 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, 1996, the Schools derived approximately 61% of their revenues from financial aid provided under Federal or state assistance programs.

The Company plans to expand its business operations by increasing the enrollment of the Schools, as well as acquiring, developing and marketing proprietary lines of health care products. However, there can be no assurance that the Company will be able to successfully expand its operations.

On July 23, 1997, the Company, Global Health Alternatives, Inc. ("Global") and the stockholders of Global (the "Global Stockholders") entered into an Amended and Restated Agreement and Plan of Reorganization (the "Reorganization Agreement"). Pursuant to the Reorganization Agreement, the Company acquired all of the outstanding stock of Global from the Global Stockholders in exchange for 5,800,000 shares of the Company's Common Stock. Additional shares of the Company's Common Stock are issuable to the Global Stockholders based upon the earnings of Global following the acquisition (the "Global Acquisition"). Global is a company which acquires, develops and markets health care products. In connection with the Global Acquisition, Hiram Knott and Sir Brian Wolfson joined the Company's Board of Directors and Sir Brian Wolfson was named Chairman of the Board of the Company. Sir Brian Wolfson is also the Chairman of the Board and President of Global. In addition, Robert C. Bruce, the Senior Vice President, Chief Financial Officer and Treasurer of Global was named Chief Financial Officer of the Company.

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.

- 5 -

The Company's principal offices are located at 2001 West Sample Road, Pompano Beach, Florida 33064 and its telephone number is (954) 969-9771.

#### Recent Developments

In October 1997, the Company closed the Company's Natural Health Care Center in Boca Raton, Florida, which had not been profitable. The Company has also decided not to open additional Natural Health Care Centers and intends to sell its remaining Natural Health Care Center by January 1998.

On August 4, 1997 Samantha Haimés 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 Haimés and Leonard Haimés. 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.

## RISK FACTORS

AN INVESTMENT IN THE COMPANY INVOLVES SUBSTANTIAL INVESTMENT RISKS AND SECURITIES SHOULD BE PURCHASED ONLY BY PERSONS WHO CAN AFFORD TO SUSTAIN THE LOSS OF THEIR ENTIRE INVESTMENT. IN EVALUATING AN INVESTMENT IN THE COMPANY AND ITS BUSINESS PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS AMONG OTHERS.

### Historical Losses

For the nine months ended September 30, 1997 and 1996, the Company had an unaudited net loss of \$5,667,116 (on revenues of \$4,752,995) and \$554,285 (on revenues of \$3,582,317), respectively. The Company had a net loss of \$889,539 (on revenues of \$7,218,841) for the year ended December 31, 1996. For the year ended December 31, 1995, the Company had a net loss of \$1,838,548 (on revenues of \$3,941,259). In addition, as of September 30, 1997 the Company had a working capital

- 6 -

deficit of \$2,599,640. There is no assurance that the Company can generate net income, increase revenues or successfully expand its operations in the future. The Company is subject to all of the problems, expenses, delays and other risks inherent in a business with a relatively short history of operations and in a business seeking to expand its operations, including the Company's lack of experience in connection with operating a business offering products and services to the public and the establishment of new businesses in undeveloped and evolving industries. Therefore, the Company cannot predict with certainty the success or failure of its future operations.

### Discontinuance of Operation of Natural Health Care Centers

During the third quarter of 1997, the Company reached a decision to discontinue the business of the Natural Health Care Centers. Revenues from the Natural Health Care Centers were \$1,516,967 (24% of total revenue) for the nine months ended September 30, 1997 and \$1,881,663 (30% of total revenue) for the nine months ended September 30, 1996. The Company has accrued an estimated loss on the disposal of the Natural Health Care Centers of approximately \$613,000 representing primarily accrued employment contract terminations.

### Dependence Upon Proposed Expansion Program

The Company's expansion plans are based upon the Company's acquisition of additional alternative health care product companies, and increasing student enrollment at the Schools.

The Company through its acquisition of additional alternative health care product companies, of which there can be no assurance, and the recent acquisition of Global, intends to develop and market a proprietary line of alternative health care products. The Company's growth will be dependent, in part, upon the development of an alternative health care product line which will be dependent upon a number of factors, including: (i) the Company's ability to identify and acquire suitable alternative health care product companies; (ii) achieving market acceptance of the Company's products; (iii) regulatory constraints; (iv) the ability of the Company to market and produce the alternative health care products on a cost-effective basis; and (v) whether anticipated performance levels of new alternative health care products will be achieved.

The success of the Company's plans to increase revenue from the Schools will be dependent upon the ability of the Schools to enroll students, as well as the ability of the Schools' students to qualify for financial aid, the ability of the Schools to maintain its accreditation and to comply with government regulations, the development of additional programs of study and the transferability of credits from the Schools to four year colleges and universities. There can be no assurance that the Company will be able to

maintain or increase the enrollment of the Schools and increase revenue.

- 7 -

Many of the factors required for the various new operations to succeed will be beyond the Company's control. These include, but are not limited to, the effectiveness of the Company's marketing efforts in the sale of the Company's products and in attracting students for the Schools and clients for the alternative health care practice.

The Company's growth depends to a significant degree on its ability to carry out its proposed expansion program, including identifying and acquiring acquisition candidates. There can be no assurance that the Company will be able to hire, train and integrate employees, and adapt its management, information and other operating systems, to the extent necessary to grow in a profitable manner. In addition, the costs associated with the Company's planned expansion may be significantly greater than anticipated and may have a materially adverse impact upon the Company's results and prospects. In the event that the Company's plans for expansion are not successful, there could be a materially adverse effect on the Company's business.

#### Uncertainty of Market Acceptance

The Company's expansion plans are based on offering alternative health care products and services. The Company does not believe that the market for products and services related to alternative health care, subject to certain limited exceptions, is either well-developed or has an established history. Management believes that, as is typical in an undeveloped industry, demand and market acceptance for the services and products that the Company intends to market will be subject to a high level of uncertainty. The Company does not intend to conduct any formal marketing or other concept feasibility studies to predict the commercial viability of its concepts. The Company has limited financial, personnel and other resources to undertake marketing activities. The Company's success will be dependent on, among other things, its ability to identify and acquire potential acquisition candidates in connection with the Company's products business; to maintain the necessary licenses and accreditation to operate as a degree-granting junior college; to achieve a sufficient level of enrollment in the Schools; and to qualify for, receive and maintain any licenses necessary to operate, and to obtain a sufficient level of acceptance of the services of the Natural Health Care Center. In light of the relatively undeveloped markets for the Company's services and products and the lack of significant funds for marketing, there can be no assurance that substantial markets will develop and, if so, whether the Company can exploit them profitably.

#### Need for Additional Financing

The Company will require additional financing for its operations and to pursue its expansion plans. If the Company secures such financing, there can be no assurance that such financing will be sufficient. If the Company's revenues are not adequate to fund its operations, or to enable the Company to implement its present plans for expansion, then the Company will have to seek further financing. In addition, the Company intends to seek to acquire additional alternative health care product companies, of which there can be no assurance. As it is likely that revenues from the Company's operations at such time will not be sufficient, the Company will be required to raise additional capital to make such acquisitions and finance the operations of

- 8 -

such new businesses. Such additional financing may be in the form of indebtedness from institutional lenders or other third parties or as equity financing. There can be no assurance that such financing will be available and, if so, on acceptable terms. Any such financing may result in significant dilution to the Company's shareholders or cause the Company to become overly leveraged.

## Competition

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

The Company's Natural Health Care Center competes with doctors, hospitals and medical clinics offering traditional forms of health care and other practicing therapists offering traditional forms of health care, as well as with other providers of holistic forms of health care and health maintenance. Many of these competitors will have established practices and greater financial resources than the Company. In addition, the services offered by the Company's competitors may be covered by medical insurance or other third party reimbursement.

The sales of vitamin, minerals and other alternative health care related products which the Company intends to offer are highly competitive, and the Company expects competitive pressures to continue in the future. In the vitamin and mineral supplement line, the Company will compete on a regional basis directly with specialty health retailers and also with mass merchandisers such as drug stores and supermarkets. Many of the Company's competitors are larger and have greater resources than the Company. The Company's future performance will be subject to a number of factors beyond its control, including any future economic downturns and any cyclical variations in the retail market for vitamin, mineral and other alternative health care related products, as well as the publication of positive or negative product safety and efficacy studies by the U.S. Department of Health and Human Services and other health and medical authorities.

## Government Regulation of Alternative Health Care Products

The processing, formulation, packaging, labeling and advertising of the Company's alternative health care products will be subject to regulation by one or more federal agencies, including the Food and Drug Administration (the "FDA"), the Federal Trade Commission (the "FTC"), the Consumer Product Safety Commission and the United States Department of Agriculture and the Environmental Protection Agency. These activities are also regulated by various agencies of the states and localities. The FDA, in particular, regulates the advertising, labeling and sales of vitamin and mineral supplements if the FDA believes they are unapproved

- 9 -

drugs or food additives rather than food supplements. Compliance with the rules and regulations of such agencies is complex and entails continued diligence.

The Company cannot determine what effect additional legislation, rule-making, or other governmental regulations or administrative orders, when and if promulgated, would have on its business in the future. They could require, among other things, the reformulation of certain products to meet new standards, the recall or discontinuance of certain products not capable of reformation, additional record keeping, expanded documentation of the properties of certain products, or expanded or different labeling or scientific substantiation. Any or all of such requirements could adversely affect the Company's operations and its financial condition.

## Regulation of Natural Health Care Center

The specialists whose services are offered at the Natural Health Care Center, such as acupuncturists, chiropractors, physicians, nutritionists, skin care professionals and aestheticians, are subject to ongoing professional licensing requirements. The failure of such persons to practice in accordance

with professional licensing requirements could have a material adverse effect on the Company.

Moreover, the Natural Health Care Center may be subject to scrutiny by state or federal health care enforcement officials. Although the Company believes its Natural Health Care Center does not violate applicable federal or state health care regulatory requirements, there can be no assurance that health care enforcement officials will not take a contrary view. Investigations or prosecutions by such enforcement officials could have a material adverse effect on the Company, even if the operation of the Company's Natural Health Care Center were subsequently determined lawful.

#### Reliance on Alternative Health Care Practitioners

The Company's revenue is dependent, in part, on revenue generated by the Natural Health Care Center which is operated on a daily basis by alternative health care practitioners. The profitability of the Natural Health Care Center will be dependent on the abilities of the alternative health care practitioners to operate the clinics effectively. However, the Company intends to sell the remaining Natural Health Care Center by January 1998.

#### Health Care Reform

The Company anticipates that Congress and state legislatures will continue to review and assess health care delivery and payment systems and may in the future propose and adopt legislation effecting fundamental changes in the health care delivery system, which may affect the Company's Natural Health Care Center. Also, Congress is expected to consider major reductions in the rate of increase of Medicare and Medicaid spending as part of efforts to balance the budget of the United States. The Company cannot predict the ultimate timing, scope or effect of any legislation concerning health care reform, including legislation affecting the Medicare and

- 10 -

Medicaid programs. Any proposed federal legislation, if adopted, could result in significant changes in the availability, delivery, pricing and payment for health care services and products.

Various state agencies also have undertaken or are considering significant health care reform initiatives. Although it is not possible to predict whether any health care reform legislation will be adopted or, if adopted, the exact manner and the extent to which the Company will be affected, it is likely that the Company will be affected in some fashion, and there can be no assurance that any health care reform legislation, if and when adopted, will not have a material adverse effect on the Company.

#### State Laws Regarding Prohibition of Corporate Practice of Medicine

The Company's Natural Health Care Center is wholly-owned by the Company. Corporations such as the Company are not permitted under certain state laws to practice medicine or exercise control over the medical judgments or decisions of practitioners. Corporate practice of medicine laws and their interpretations vary from state to state and are enforced by the courts and by regulatory authorities with broad discretion. The Company believes that it performs only non-medical services, does not represent to the public or its clients that it offers medical services, but instead offers non-medical alternative health care services. Although the Company believes its operations as currently conducted are in material compliance with existing applicable laws, there can be no assurance that the Company's structure will not be challenged as constituting the unlicensed practice of medicine. If such a challenge were made successfully the Company could be subject to civil and criminal penalties. Such results could have a material adverse effect upon the Company.

#### Lack of Third Party Reimbursable Insurance Coverage

The Company anticipates that medical insurance coverage and other third party reimbursement will not be available for most of the services offered by the Company's Natural Health Care Center and to the extent that such services are covered, coverage may be limited. The lack of medical insurance coverage or other third party reimbursement for all of the services performed at the Natural



Health Care Center may affect the ability to attract and retain patients.

#### Ability to Increase Enrollment at the Schools

In January 1997, the Company was granted a license to operate its Schools as a degree-granting junior college. However, the success of the Company's plans to operate the Schools as a degree-granting junior college will be dependent upon, among other things, the ability of the Schools to enroll students, the development of additional programs of study and the transferability of credits from the Schools to four year colleges and universities.

The transferability of credits from one educational institution to another, absent an articulation agreement between the two schools, is generally at the discretion of the receiving institution. The factors that receiving institutions typically consider include, but are not limited to, the similarity of accrediting commissions, the licensing status of the two institutions and the

- 11 -

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

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

The Company and its Schools must comply with a variety of Federal and state regulations in order for eligible students to qualify for government financial aid for tuition and related expenses. These include requirements that the Schools offer a mandated minimum tuition refund to students who leave the Schools before completing their programs of study and that the percentage of students enrolled without a high school or general equivalency diploma be below specified levels. In addition, under USDOE regulations, educational institutions with annual student loan default rates in excess of 25% (30% prior to 1994) for three consecutive years may lose their eligibility for student loans. The Schools' student loan default rates for 1993 and 1994 were determined to be 10% and 9.9%, respectively. The default rates for 1995 and 1996 will not be available from the USDOE until the fourth quarters of 1997 and 1998, respectively. Moreover, under Federal regulations, a student drop-out rate in excess of 33% may impair an institution's ability to administer financial aid programs and is one factor in determining whether to deny an institution's certification to participate in Federal student aid programs. A student drop-out rate exceeding 33%, however, is not alone sufficient to disqualify an institution from such participation, but must be viewed in conjunction with other factors such as loss of state licensing, loss of accreditation, poor periodic reviews or high student loan default rates. The Schools' dropout rate in 1996 was approximately 12%. The Schools may also be deemed ineligible to participate in financial aid programs if the USDOE determines that 85% or more of the Schools' operating revenue is derived from Title IV financial aid programs (the "85-15 Rule"). According to the Company's preliminary calculations, the Schools derived approximately 61% of their revenues for 1996 from Title IV Federal financial aid programs. The official determination of the Company's compliance for the year ended December 31, 1996 with the 85-15 Rule will likely be made in the second quarter of 1998. There can be no assurance that the Schools will be able to meet the standards set by USDOE regulations or otherwise remain eligible to participate in Federal financial aid programs.

Federal regulations require the accreditation of a school by a private commission recognized by the USDOE. The accreditation commission, in turn, sets additional standards relating to curricula, teacher qualifications and other

matters. When a school wishes to participate in student aid programs, the school applies for accreditation from an accrediting body

- 12 -

and a designation from the USDOE that it is an approved educational institution where eligible students may participate in government-sponsored student financial aid programs. The Company's Schools are accredited by the Accrediting Commission of the Career Schools and Colleges of Technology and the Schools' Therapeutic Massage Training Program is accredited by the Commission on Massage Training Approval/Accreditation of the American Massage Therapy Association. There can be no assurance that the Company's Schools will be able to maintain their accreditation.

The loss of accreditation would result in the loss of the Company's ability to offer Federal financial aid under Title IV of the Higher Education Act of 1965, as amended ("Title IV") (Federal Pell Grants and/or Federal Family Educational Loan Programs), and would severely restrict the Company's ability to attract substantial numbers of students. During the year ended December 31, 1996 the Company's Schools depended on government funding under Federal student financial aid programs for approximately 61% of its revenues, respectively. Numerous Federal projects, including Title IV financial aid programs, that provide funds for student loans and grants, are currently under scrutiny by the U.S. Congress. There can be no assurance that these Federal programs, or other state programs, will not be reduced or eliminated. The loss of accreditation or a reduction of Federal student financial aid programs would have a material adverse effect on the Company.

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

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

- 13 -

additional shares of Common Stock, including the shares of Common Stock issuable upon the conversion of the Debentures and the Series A Preferred Stock, the issue of whether there was a change of control, if raised by the USDOE, the Florida State Board or the accrediting commission, would be determined pursuant to the standards set forth above, on the basis of the facts then existing, including the percentage ownership of the present shareholders, officers and directors, as compared with the holdings of others and other factors relating to

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

#### Dependence on State Licensing of the Schools

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

The present state licenses for the Company's Schools in Miami, Pompano Beach and Orlando expire on September 30, 1998, March 31, 1998 and November 30, 1998, respectively, and are subject to renewal at such times. The license for the Miami School and the Orlando School must be renewed on an annual basis. The license for the Pompano Beach School must be renewed on a biennial basis since it has been licensed and in good standing for more than five years. There can be no assurance that the Florida State Board will renew the licenses of each of the Schools. The failure of the Florida State Board to renew each of the Schools' licenses would have a material adverse effect on the Company.

#### Potential Liability; Insurance

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

- 14 -

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

#### Dependence on Key Personnel

The Company believes that its success depends to a significant extent on the efforts and abilities of Neal R. Heller, President and a director of the Company, and on Elizabeth S. Heller, Secretary, and a director of the Company. Mr. and Mrs. Heller have each entered into employment agreements with the Company that expire in December 1997. The success of the Company's alternative health care products depends primarily upon Sir Brian Wolfson of Global. The success of the Company's Natural Health Care Center depends upon Kaye Lenzi, its administrator, and other alternative care practitioners. The loss or curtailment of the services of any of such employees would have a materially adverse effect on the Company. The ability of the Company to realize its business strategy might be jeopardized if any of such individuals becomes incapable of fulfilling his or her obligations to the Company and a qualified successor is not found promptly. The Company's success also depends upon its ability to attract and retain qualified personnel, including both instructors and practitioners of other holistic health care services. While the Company believes there are

numerous qualified holistic health care practitioners currently available, competition for such personnel may increase.

#### Risk of Foreclosure of Mortgaged Property

The Company's property in Pompano Beach, Florida, (the "Pompano Property") is encumbered by mortgages securing repayment of loans. In the event that the Company defaults on its obligations under such mortgage loans, the mortgagee could foreclose on the mortgages encumbering the Pompano Property. A foreclosure of the mortgage loans on the Pompano Property would have a material adverse effect on the Company.

#### Indemnification of Officers and Directors

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

- 15 -

even though such an action, if successful, might otherwise benefit the Company and its shareholders.

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

The current officers and directors of the Company beneficially own an aggregate of approximately 23.6% of the Company's Common Stock, excluding the shares of Common Stock which are issuable upon the exercise of outstanding options, warrants and conversion rights held by person other than officers and directors, and are in a position to influence the election of the Company's directors and otherwise essentially control the outcome of all matters requiring shareholder approval including election of the Company's directors.

#### No Dividends

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

#### Shares Eligible for Future Sale

Of the 28,050,262 shares of Common Stock outstanding, as of January 5, 1998, 11,956,802 are "restricted securities" as that term is defined in Rule 144 under the Securities Act and may only be sold pursuant to a registration statement filed under the Securities Act or in compliance with Rule 144 or another exemption from the registration requirements of the Securities Act. In addition, an aggregate of 127,638,773 shares of Common Stock are issuable upon the conversion of the Debentures and the Series A Preferred Stock as of January 5, 1998. On the date of this Prospectus all of such shares will be registered for resale under the Securities Act. In general, under Rule 144, subject to the satisfaction of certain other conditions, a person, including an affiliate of the Company, who has beneficially owned restricted shares of Common Stock for at least one year is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of 1% of the total number of outstanding shares of the same class, or if the Common Stock is quoted on NASDAQ or a stock exchange, the average weekly trading volume during the four calendar weeks immediately preceding the sale. A person who presently is not and who has not been an affiliate of the Company for at least three months immediately preceding

the sale and who has beneficially owned the shares of Common Stock for at least three years is entitled to sell such shares under Rule 144 without regard to any of the volume limitations described above.

In addition, 3,666,666 shares of Common Stock are reserved for issuance upon the exercise of options which have been granted or may be granted under the Company's Stock Option Plans and an additional 6,943,344 shares of Common Stock are issuable upon the exercise of outstanding options, warrants and conversion rights, excluding the Debentures and the Series A Preferred Stock. To the extent that options are exercised, dilution to the interests of the Company's shareholders may occur. Moreover, the terms upon which the Company will be able to obtain additional equity capital may be adversely affected, since the holders of the outstanding

- 16 -

options, warrants, or conversion rights can be expected to exercise them, to the extent they are able to, at a time when the Company would, in all likelihood, be able to obtain any needed capital on terms more favorable to the Company than those provided in the options, warrants or conversion rights.

#### Limited Prior Public Market; Potential Volatility of Stock Price

The Company's Common Stock has been traded on NASDAQ since June 21, 1995. There can be no assurance that an active public market will continue for the Common Stock, or that the market price for the Common Stock will not decline below its current price. Such price may be influenced by many factors, including, but not limited to, investor perception of the Company and its industry and general economic and market conditions. The trading price of the Common Stock could be subject to wide fluctuations in response to announcements of business developments by the Company or its competitors, quarterly variations in operating results, and other events or factors. In addition, stock markets have experienced extreme price volatility in recent years. This volatility has had a substantial effect on the market prices of companies, at times for reasons unrelated to their operating performance. Such broad market fluctuations may adversely affect the price of the Common Stock.

#### Possible Delisting of Common Stock on NASDAQ; Possible Adverse Effect on Trading Market

The Common Stock is quoted on the NASDAQ SmallCap Market. There are a number of continuing requirements that must be met in order for the Common Stock to remain eligible for quotation on NASDAQ. In order to continue to be quoted on NASDAQ, a company must maintain \$2 million in total assets, a \$200,000 market value of the public float, \$1 million in total capital and surplus and a minimum of 300 shareholders. In addition, continued quotation requires two marketmakers and a minimum bid price of \$1.00 per share; provided, however, under an alternative test if a company falls below such a minimum bid, it will remain eligible for continued quotation on NASDAQ if the market value of the public float is at least \$1 million and the company has \$2 million in capital and surplus. The bid price of the Company's Common Stock is presently less than \$1.00, however the Company presently has capital and surplus in excess of \$2 million. The failure to meet these maintenance criteria in the future could result in the delisting of the Company's Common Stock from NASDAQ. In such event, trading, if any, in the Common Stock may then continue to be conducted in the non-NASDAQ over-the-counter market. As a result, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, the Common Stock.

In August 1997, NASDAQ approved changes to its quantitative and qualitative standards for issuers listing on NASDAQ, the changes will apply to the Company commencing in February 1998. For continued listing, pursuant to the recent changes the Company, generally, must have (i) net tangible assets of at least \$2,000,000, a market capitalization of at least \$35,000,000 or net income in two of the last three years of at least \$500,000, (ii) a minimum of 500,000 shares

- 17 -

publicly held, (iii) a minimum of \$1,000,000 market value of public float, (iv) a minimum bid price of \$1.00 per share and (v) a minimum of 300 shareholders.

The Company presently has a minimum bid price of less than \$1.00 per share. The Company intends to effect a reverse stock split in order to increase the minimum bid price. However, there can be no assurance that the Company will effect a reverse stock split or that the reverse stock split will have the desired effect. In addition, NASDAQ may claim that the Company's net tangible assets are less than \$2,000,000. However, the Company believes that it has net tangible assets of at least \$2,000,000 for NASDAQ purposes. As a result of the new rule changes, in the event that the minimum bid price of the Common Stock is less than \$1.00, the Common Stock would be subject to delisting in February 1998, since the alternative test will no longer be applicable.

In addition, if the Common Stock were delisted from trading on NASDAQ and the trading price of the Common Stock were less than \$5.00 per share, trading in the Common Stock would also be subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934, which require additional disclosure by broker-dealers in connection with any trades involving a stock defined as a penny stock (generally, any non-NASDAQ equity security that has a market price of less than \$5.00 per share, subject to certain exceptions). Such rules require the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith, and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors (generally institutions). For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. The additional burdens imposed upon broker-dealers may discourage broker-dealers from effecting transactions in penny stocks, which could reduce the liquidity of the shares of Common Stock and thereby have a material adverse effect on the trading market for the securities.

#### Dilution

The proforma net tangible book value attributable to the common stock as of September 30, 1997, was (\$4,559,290) or \$(.16) per share. Upon the conversion of the Debentures and the shares of Series A Preferred Stock on January 5, 1998, the proforma net tangible book value as of September 30, 1997, as adjusted for the conversion of the Debentures, the Series A Preferred Stock and the acquisition of Global would be (\$1,749,625) or \$(.01) per share. Since the Company had a negative net tangible book value prior to the conversion of the Debentures and the Series A Preferred Stock, such conversion is not dilutive to existing shareholders. However, in the event that the Company has a positive net tangible book value prior to the conversion of the Debentures and the Series A Preferred Stock, such conversion would have a dilutive effect. Moreover, the conversion of other outstanding options, warrants and conversion rights may have a dilutive effect to existing stockholders.

- 18 -

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

The Company's Articles of Incorporation authorize the issuance of 1,500,000 shares of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by the Board of Directors. Accordingly, the Board of Directors is empowered, without shareholder approval, to issue preferred stock with dividends, liquidation, conversion, voting or other rights which could decrease the amount of earnings and assets available for distribution to holders of Common Stock and adversely affect the relative voting power or other rights of the holders of the Company's Common Stock. In the event of issuance, the preferred stock could be used, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company.

#### Risks Associated with Forward-Looking Statements

This Prospectus contains certain forward-looking statements regarding the plans and objectives of management for future operations, including plans and objectives relating to the development of Natural Health Care Center, the operation of the Schools and the acquisition of companies that offer alternative health care products. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. The Company's plans and objectives are based on a successful execution of the Company's expansion strategy and assumptions that Company's operations will be profitable, that the alternative health care industry will not change materially or adversely, and that there will be no unanticipated material adverse change in the Company's operations or business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that its assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included herein will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, particularly in view of the Company's early stage of operations in various new businesses, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

#### Effect Of Conversion Of The Debentures and Series A Preferred Stock

The exact number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock offered hereby and the Company's outstanding convertible debentures in the original principal amount of \$1,000,000 (the "Debentures") will vary inversely with the market price of the Common Stock. The holders of Common Stock may be materially diluted by conversion of the Debentures and the shares of Series A Preferred Stock depending on the future market price of the Common Stock. The Debentures and the shares of Series A Preferred Stock are convertible into Common Stock based upon the average of the closing bid price on NASDAQ for the five days preceding notice of conversion at a discount. On January 5,

- 19 -

1998, the five day average of the closing bid price of the Common Stock on NASDAQ was \$.03125 per share. If such price were used to determine the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock and the Debentures then outstanding including interest and dividends thereon, the Company would issue a total of approximately 127,638,773 shares of Common Stock, if all of the shares of Series A Preferred Stock and Debentures were converted on such date. To the extent the average closing bid price is lower or higher than \$.03125 on any date on which shares of Debentures and Series A Preferred Stock are converted, the Company would issue more or fewer shares of Common Stock than reflected in such estimate, and such difference could be material "DESCRIPTION OF SECURITIES - Debentures."

#### USE OF PROCEEDS

Since this Prospectus relates to the offering of Shares by the Selling Stockholders, the Company will not receive any proceeds from the sale of the Shares offered hereby. See "SELLING STOCKHOLDERS."

#### SELLING STOCKHOLDERS

The following table sets forth the name and the number of shares of Common Stock beneficially owned by each Selling Stockholder as of January 5, 1998, the number of Shares to be offered by each Selling Stockholder pursuant to this Prospectus and the number of shares to be beneficially owned by each Selling Stockholder after the Offering if all of the Shares offered hereby by such Selling Stockholder are sold as described herein. The Selling Stockholders do not presently own any of such shares of Common Stock, but will acquire the Shares upon the conversion of the Series A Preferred Stock. Except as noted below, the Selling Stockholders have not held any position or office with, been

employed by, or otherwise had a material relationship with, the Company, other than as stockholders of the Company subsequent to their respective acquisition of shares of Common Stock. The Shares are being registered to permit public secondary trading of the Shares, and the Selling Stockholders may offer the Shares for resale from time to time. See "PLAN OF DISTRIBUTION."

Certain Shares being offered hereby by the Selling Stockholders may be acquired, from time to time, upon (i) conversion of, or as dividends on, 2,200 shares of the Series A Preferred Stock with a face amount of \$2,200,000 issued in a private placement in June 1997 and (ii) the payment of a 2.5%-per-month penalty payable in shares of Common Stock at the option of the holder of Series A Preferred Stock pursuant to a Registration Rights Agreement between the Company and such holder. If, however, all 2,200 shares of Series A Preferred Stock and the dividends thereon were converted, the Company would be obligated to issue a total of approximately 117,306,073 shares of Common Stock. Once the Commission has declared effective the Registration Statement of which this Prospectus forms a part, the Series A Preferred Stock is convertible into Common Stock at a conversion price equal to 75% of the

- 20 -

average closing bid price of the Common Stock as reported on the NASDAQ for the five consecutive trading days immediately preceding the date of conversion. Pursuant to the terms of the Series A Preferred Stock, no holder can convert any portion of such holder's Series A Preferred Stock if such conversion would increase such holder's beneficial ownership of the Common Stock (other than shares so owned through ownership of the Series A Preferred Stock) to in excess of 4.9%.

In recognition of the fact that Selling Stockholders may wish to be legally permitted to sell their Shares when they deem appropriate, the Company has filed with the Commission, under the Securities Act, a Registration Statement on Form S-3, of which this Prospectus forms a part, with respect to the resale of the Shares from time to time on NASDAQ or in privately-negotiated transactions and has agreed to prepare and file such amendments and supplements to the Registration Statement as may be necessary to keep the Registration Statement effective until the Shares are no longer required to be registered for the sale thereof by the Selling Stockholders.

The Company has agreed to pay for all costs and expenses incident to the issuance, offer, sale and delivery of the Shares, including, but not limited to, all expenses and fees of preparing, filing and printing the Registration Statement and Prospectus and related exhibits, amendments and supplements thereto and mailing of such items. The Company will not pay selling commissions and expenses associated with any such sales by the Selling Stockholders. The Company has agreed to indemnify the Selling Stockholders against civil liabilities including liabilities under the Securities Act.

Except as otherwise indicated, to the knowledge of the Company, all persons listed below have sole voting and investment power with respect to their securities. The information in the table concerning the Selling Stockholders who may offer Shares hereunder from time to time is based on information provided to the Company by such security holders, except for the assumed conversion price of shares of Series A Preferred Stock into Common Stock, which is based solely on the assumptions discussed or referenced in footnote (1) to the table. Information concerning such Selling Stockholders may change from time to time and any changes of which the Company is advised will be set forth in a Prospectus Supplement to the extent required. See "PLAN OF DISTRIBUTION."

- 21 -

<TABLE>

Name of Selling Stockholder	Number of Shares of Common Stock Beneficially Owned	Number of Shares of Common Stock Offered Hereby	Number of Shares Beneficially Owned After Offering
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<S>	<C>	<C>	<C>
Sovereign Partners	50,654,910 (1)	50,654,910 (2)	0
	-----	-----	
Limited Partnership			
Dominion Capital	26,660,481 (1)	26,660,481 (2)	0
	-----	-----	
Fund Ltd.			
Canadian Advantage	26,660,481 (1)	26,660,481 (2)	0
	-----	-----	
Limited Partnership			
FT Trading	13,330,201 (1)	13,330,201 (2)	0
	-----	-----	
	-----	-----	
Total	117,306,073	117,306,073	0

</TABLE>

(1) Such beneficial ownership represents the aggregate of (a) the number of shares of Common Stock beneficially owned by each such person and (b) an estimate of the number of the shares of Common Stock issuable upon the conversion of the shares of Series A Preferred Stock beneficially owned by such person, assuming an average closing bid price of .03125 for the five trading days preceding January 5, 1998, the price which would be utilized if the Series A Preferred Stock was converted on January 5, 1998. The actual number of shares of Common Stock offered hereby is subject to adjustment based on the market price of the Common Stock and could be materially less or more than the estimated amount indicated depending upon factors which cannot be predicted by the Company at this time. This presentation is not intended to constitute a prediction as to the future market price of Common Stock. The number of shares of Common Stock beneficially owned prior to the offering assumes conversion of all of the shares of Series A Preferred Stock described in this footnote (1). See "RISK FACTORS --Effect of Conversion the Debentures and Series A Preferred Stock" and "DESCRIPTION OF SECURITIES."

(2) Represents the estimate of the number of shares of Common Stock issuable upon conversion of shares of Series A Preferred Stock beneficially owned by such person as described in Footnote (1) above.

The Selling Stockholders are offering the Shares for their own account, and not for the account of the Company. The Company will not receive any proceeds from the sale of the Shares by the Selling Stockholders.

- 22 -

#### PLAN OF DISTRIBUTION

The Shares may be sold from time to time by the Selling Stockholders. Such sales may be made through ordinary brokerage transactions, the over-the-counter market, or otherwise at prices and at terms then prevailing, at prices related to the then current market price or at negotiated prices. The Shares may be sold by any one or more of the following methods: (a) a block trade in which the broker or dealer so engaged will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction; (b) purchases by a broker as principal and resale by such broker or dealer for its account, (c) ordinary brokerage transactions and transactions in which the broker solicits purchasers; and (d) privately negotiated transactions. In addition, any Shares that qualify for sale pursuant to Rule 144 may be sold under Rule 144 rather than pursuant to this Prospectus.

The Selling Stockholders and any broker-dealers, agents or

underwriters that participate with the Selling Stockholder in the distribution of the Shares may be deemed to be "underwriters" within the meaning of the Securities Act and any commissions received by such broker-dealer, agent or underwriter and any profit on the resale of the Shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

Under the Exchange Act and the regulations thereunder, any person engaged in a distribution of the Shares offered by this Prospectus may simultaneously engage in market making activities with respect to the Common Stock during any applicable "Cooling off" periods prior to the commencement of such distribution. In addition, and without limiting the foregoing, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder including, without limitation, Rules 10b-6 and 10b-7, which provisions may limit the timing of purchases and sales of Common Stock by the Selling Stockholders.

The Company has agreed to indemnify the Selling Stockholders against liabilities incurred by the Selling Stockholders by reason of misstatements or omissions to state material facts in connection with the statements made in this Prospectus and the Registration Statement of which it forms a part. The Selling Stockholders, in turn, have agreed to indemnify the Company against liabilities incurred by the Company by reason of misstatements or omissions to state material facts in connection with statements made in the Registration Statement and Prospectus based on information furnished in writing by the Selling Stockholders. To the extent that such section of the Registration Rights Agreement may purport to provide exculpation from possible liabilities arising under the Federal securities laws, it is the opinion of the Commission that such indemnification is contrary to public policy and unenforceable.

- 23 -

## DESCRIPTION OF SECURITIES

### General

The total authorized capital stock of the Company is 40,000,000 shares of Common Stock, \$.001 par value per share, and 1,500,000 shares of Preferred Stock, \$.001 par value per share. As of January 5, 1998, the Company had 28,050,262 shares of Common Stock issued and outstanding, which are held by approximately 1,000 shareholders, and an additional 10,610,010 shares of Common Stock issuable upon exercise of outstanding options, warrants and conversion rights, including shares of Common Stock issuable under the Company's Stock Option Plans, but excluding the shares of Common Stock issuable upon the conversion of the Debentures and Series A Preferred Stock.

### Common Stock

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

### Preferred Stock

The Company is authorized by its Articles of Incorporation to issue a maximum of 1,500,000 shares of Preferred Stock, in one or more series and containing such rights, privileges and limitations, including voting rights,

dividend rates, conversion privileges, redemption rights and terms, redemption prices and liquidation preferences, as the Board of Directors of the Company may, from time to time, determine. Except for the 2,200 shares of Series A Preferred Stock, no shares of Preferred Stock have ever been issued.

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

- 24 -

currently intend to seek shareholder approval prior to any issuance of authorized but unissued shares of Preferred Stock or Common Stock, unless otherwise required by law.

#### Series A Preferred Stock

The Company has 2,200 shares of Series A Preferred Stock outstanding with a face amount of \$2,200,000. The shares of Series A Preferred Stock were issued to four investors in a private placement in June 1997.

For a full description of the relative rights, preferences, privileges and restrictions, including among other things, dividend rights, conversion rights, liquidation preferences and terms of redemption, reference is made to the Articles of Amendment of Articles of Incorporation, filed in the office of the Secretary of State of Florida, a copy of which is available from the Company upon request.

#### Conversion

Once the Commission has declared effective the Registration Statement, of which this Prospectus forms a part, each share of Series A Preferred Stock will be convertible into shares of Common Stock at a conversion price equal to 75% (the "Applicable Percentage") of the average closing bid price of the Common Stock as reported by NASDAQ, during the five trading days immediately preceding the date notice of conversion is given to the Company. The holder of each share of Series A Preferred Stock is entitled to a payment of 2.5% per month commencing August 4, 1997, until such Registration Statement becomes effective, payable in cash or shares of Common Stock at the option of the holder. Shares of Series A Preferred Stock are converted automatically into shares of Common Stock on June 4, 2000.

Except in the case of the automatic conversion of the shares of Series A Preferred Stock, the holder can convert any portion of such holder's shares of Series A Preferred Stock if such conversion would not increase such holder's beneficial ownership of Common Stock (other than shares of Common Stock owned through ownership of the Series A Preferred Stock) to in excess of 4.9%.

#### Redemption

The Company has the right through January 31, 1998, in its discretion, to redeem any or all of the shares of Series A Preferred Stock on a pro rata basis from time to time upon not less than two business days prior written notice at a price of \$1,300 per share.

#### Ranking

The Series A Preferred Stock ranks, with respect to dividend rights and with respect to rights of liquidation, dissolution and winding up, senior to the Common Stock.

- 25 -

## Dividends

Eight percent of the face amount of \$1,000 per share of Series A Preferred Stock is payable upon the conversion of the shares in Common Stock or cash. If dividends are paid in shares of Common Stock, the number of shares of Common Stock payable as dividends will be determined by dividing the amount of the accrued dividends by the applicable conversion price.

## Liquidation

In the event of any liquidation, dissolution or winding up of the Company, out of the assets of the Company before any distribution or payment to the holders of Common Stock, the holders of the Series A Preferred Stock will be entitled to be paid \$1,000 per share. In the event of any liquidation, dissolution or winding up of the Company, the Company by resolution of the Board of Directors will, to the extent of any legally available funds therefor, declare a dividend payable only in cash on the Series A Preferred Stock, in an amount equal to the accrued and unpaid dividends, calculated at the dividend rate on the Series A Preferred Stock up to and including the date of such liquidation, dissolution or winding up and, if accrued, an amount payable in cash only equal to any remaining accrued and unpaid dividends, calculated at the dividend rate, will be added to the amount to be received by the holders of the Series A Preferred Stock upon such liquidation, dissolution or winding up.

## Voting Rights

Shares of Series A Preferred Stock have no voting rights.

## Debentures

In April 1997, the Company issued debentures in the original principal amount of \$1,000,000 (the "Debentures"), which bear interest at the rate of 6% per annum and will mature on March 31, 2000. As of January 5, 1998, \$232,466 of Debentures were outstanding. 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 as reported by NASDAQ, during the five trading days immediately preceding the date notice of conversion is given to the Company.

The Company has the right to redeem the Debentures for a redemption price equal to 125% of the principal amount of the Debentures. The holder of the Debentures shall not be entitled to convert any portion of the Debentures to the extent that after such conversion, the number of shares of Common Stock (other than shares of Common Stock owned through ownership of the Debentures which may be deemed to be beneficially owned by the holder) would be in excess of 4.9%.

- 26 -

## LEGAL MATTERS

Certain legal matters with respect to the issuance of the securities offered hereby will be passed upon for the Company by Lane & Mittendorf LLP, 320 Park Avenue, New York, New York 10022. Martin C. Licht, Esq. a member of Lane & Mittendorf LLP, counsel to the Company, owns 50,000 shares of Common Stock and options to purchase 9,000 shares of Common Stock and is a member of the Board of Directors of the Company.

## EXPERTS

The financial statements of the Company incorporated herein by reference to the Company's Annual Report on Form 10-KSB have been audited by Feldman Radin & Co., P.C., independent auditors. The financial statements

referred to above are included in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

- 27 -

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

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TABLE OF CONTENTS

	Page
The Company	5
Recent Developments	6
Risk Factors	6
Use of Proceeds	20
Selling Stockholders	20
Plan of Distribution	23
Description of Securities	24
Legal Matters	27
Experts	27

Until February 6, 1998 (25 days after the date of this Prospectus), all dealers effecting transactions in the securities, whether or not participating in the distribution, may be required to deliver a Prospectus.