

FORM 10-QSB
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended June 30, 1997

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-25238

NATURAL HEALTH TRENDS CORP.

(Exact name of Small Business Issuer as specified in its charter)

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

2001 West Sample Road, Suite 318
Pompano Beach, FL 33064

(Address of Principal Executive Offices)

(954) 969-9771

(Issuer's telephone number)

Check whether the issuer: (1) filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act of 1934 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

The number of shares outstanding of the issuer's Common Stock, \$.001
par value, as of June 30, 1997 was 12,811,261 shares.

NATURAL HEALTH TRENDS CORP.

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Signature 11

NATURAL HEALTH TRENDS CORP.

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CONSOLIDATED BALANCE SHEET

June 30, 1997

(UNAUDITED)

ASSETS

<S>

<C>

CURRENT ASSETS:

Cash	\$	172,393	
Restricted cash		250,000	
Accounts receivable		1,582,486	
Inventories		335,003	
Due from officers		141,379	
Due from affiliate		23,724	
Prepaid expenses and other current assets			318,443

TOTAL CURRENT ASSETS			2,823,428

NOTES RECEIVABLE		1,964,000	
PROPERTY, PLANT AND EQUIPMENT			3,206,377
GOODWILL		1,504,798	
DEPOSITS AND OTHER ASSETS			370,936

\$ 9,869,539
=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$	548,114
Accrued expenses		140,911

Current portion of long term debt	56,468
Deferred revenue	758,200
Current portion of accrued consulting contract	246,607
Other current liabilities	244,726

TOTAL CURRENT LIABILITIES	1,995,026

LONG-TERM DEBT	1,876,704
DEBENTURES PAYABLE	1,000,000
ACCRUED CONSULTING CONTRACT	149,294
COMMON STOCK SUBJECT TO PUT	380,000
STOCKHOLDERS' EQUITY:	
Convertible preferred stock, \$.001 par value, 1,500,000 shares authorized; 2,200 shares issued and outstanding	1,900,702
Common stock, \$.001 par value; 40,000,000 shares authorized; 12,811,261 shares issued and outstanding at June 30, 1997	12,811
Additional paid-in capital	6,617,013
Retained earnings (accumulated deficit)	(3,627,011)
Common stock subject to put	(380,000)
Prepaid stock compensation	(55,000)

TOTAL STOCKHOLDERS' EQUITY	4,468,515

	\$ 9,869,539
	=====

See notes to consolidated financial statements.

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NATURAL HEALTH TRENDS CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three months ended June 30		Six months ended June 30	
	1997	1996	1997	1996
	-----	-----	-----	-----
	<C>	<C>	<C>	<C>
REVENUES	\$ 1,987,089	\$ 1,889,193	\$ 4,060,922	\$ 3,670,430
COST OF SALES	1,143,988	1,079,190	2,186,476	2,090,870
	-----	-----	-----	-----
GROSS PROFIT	843,101	810,003	1,874,446	1,579,560
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,051,181	1,009,164	2,064,154	1,819,120
COST OF SEVERING EMPLOYMENT AGREEMENT	-	-	497,246	-
LITIGATION SETTLEMENT	6,689	-	118,206	-
NON-CASH IMPUTED COMPENSATION EXPENSE	-	-	25,000	-
	-----	-----	-----	-----
OPERATING INCOME (LOSS)	(214,769)	(199,161)	(830,160)	(239,560)
OTHER INCOME (EXPENSE):				
Interest (net)	(139,779)	(57,671)	(201,728)	(105,626)

INCOME (LOSS) BEFORE INCOME TAXES	(354,548)	(256,832)	(1,031,888)	(345,186)
PROVISION FOR INCOME TAXES	-	-	-	-
NET INCOME (LOSS)	\$ (354,548)	\$ (256,832)	\$ (1,031,888)	\$ (345,186)
EARNINGS (LOSS) PER COMMON SHARE	\$ (0.03)	\$ (0.02)	\$ (0.08)	\$ (0.03)
WEIGHTED AVERAGE COMMON SHARES USED	12,811,261	11,189,108	12,611,868	11,132,441

See notes to consolidated financial statements.

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NATURAL HEALTH TRENDS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

<TABLE>

<CAPTION>

Six months ended
June 30

	1997	1996
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,031,888)	\$ (345,186)
Adjustments to reconcile net loss to net		
Depreciation and amortization	162,038	112,842
Non-cash imputed compensation expense	25,000	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(100,897)	(270,429)
(Increase) decrease in inventories	(79,821)	(92,776)
(Increase) decrease in prepaid expenses	(272,128)	(5,027)
(Increase) decrease in deposits and other assets	(288,683)	(6,352)
Increase (decrease) in accounts payable	100,736	245,408
Increase (decrease) in accrued expenses	10,572	81,554
Increase (decrease) in deferred revenue	(5,680)	76,967
Increase (decrease) in other current liabilities	(9,955)	11,713
Increase (decrease) in accrued consulting contract	395,900	-
TOTAL ADJUSTMENTS	(62,918)	153,900

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,094,806)	(191,286)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(161,494)	(399,406)
Acquisition expenses	-	(20,000)
Purchase of marketable securities	-	(252,584)
Loan to Global Health Alternatives, Inc.	(1,964,000)	-
NET CASH USED IN INVESTING ACTIVITIES	(2,125,494)	(671,990)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in due from officer	(4,884)	-
Increase in due to related parties	-	(13,958)
Increase in due to bank	-	14,343
Decrease in restricted cash	8,932	-
Proceeds from sale of debenture	3,262,528	-
Proceeds from notes payable and long-term debt		577,342
Payments of debt	(968,548)	(197,092)
Payments of dividends	-	(184,173)
Issuance of common stock	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,875,370	170,852
NET INCREASE (DECREASE) IN CASH	(344,930)	(692,424)
	517,323	994,816
CASH, END OF PERIOD	\$ 172,393	\$ 302,392

See notes to consolidated financial statements.
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NATURAL HEALTH TRENDS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 1997

(UNAUDITED)

1. BASIS OF PRESENTATION

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

2. EARNINGS (LOSS) PER SHARE

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

3. LITIGATION SETTLEMENT

Litigation settlement resulted from the settlement of the litigation brought about by the landlord in connection with the property leased by the Company in Lauderhill, Florida (the former location of the Company's Pompano school), which lease was to expire in July 1997. The settlement resulted in an additional charge of approximately \$112,000 during the quarter ended March 31, 1997 in excess of amounts previously accrued.

4. ACCRUED CONSULTING CONTRACT

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 replace 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 rate 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

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payments is accrued in full at June 30, 1997.

5. 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.

In conjunction with the issuance of the Debentures, the Company issued warrants to purchase an aggregate of 200,000 shares of Common Stock. The warrants are exercisable until April 3, 2002. Warrants to purchase 100,000 shares of Common Stock are exercisable at \$2.4375 per share, and the balances are exercisable at \$3.25 per share.

The Company loaned \$600,000 of the net proceeds from the issuance of the Debentures to Global Health Alternatives, Inc. ("Global") pending the closing of the acquisition of Global under the Agreement and Plan of Reorganization (the "Reorganization Agreement") dated July 23, 1997.

6. PREFERRED STOCK

In June 1997, the Company sold 2,200 shares of its convertible series A preferred stock for \$1,000 a share realizing net proceeds of \$1,900,702. The preferred stock pays dividends at the rate of 8% per annum payable in shares of the Company's common stock valued at 80% 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 80% 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.

7. ACQUISITION

On July 23, 1997, the Company closed on the acquisition of the capital stock of Global Health Alternatives, Inc. ("Global"). The note receivable in the amount of \$1,964,000 at June 30, 1997 which

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is due from Global will be eliminated upon consolidation of the two companies. The purchase price for the acquisition of Global was settled

with the issuance of 5,800,000 shares of the Company's common stock.

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ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and notes contained in Item 1 hereof.

Forward-Looking Statements

When used in Form 10-QSB 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 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.

Result of Operations

Revenues:

Total revenues were \$4,060,922 for the six months ended June 30, 1997 compared to \$3,670,430 for the six months ended June 30, 1996. This represents an increase of \$390,492 or 10.6%. The Company believes that the increase is primarily attributable to a \$489,049 increase in tuition revenue by the Company's schools. In addition, revenues from the Company's bookstores increased by \$48,109. Offsetting these increases was a decline in revenues from the Company's natural health care centers of \$178,731 due primarily to a decrease in revenues from the sale of human growth hormone of approximately \$71,000, as well as decreased revenues as a result of the restructuring of the Boca Raton Clinic.

Cost of sales:

Cost of sales for the six months ended June 30, 1997 were \$2,186,476 compared to \$2,090,870 for the comparable period last year. Gross profit as a percentage of revenues was 46.2% for the six months ended June 30, 1997 as compared to 43% for the six months ended June 30, 1996. Management believes that the primary reason for the increase is the increased enrollments at the Company's Oviedo school.

Selling, General and Administrative Expenses:

Selling, general and administrative expenses were \$2,064,154 for the six months ended June 30,

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1997. This represents an increase of \$245,034 over the six months ended June 30, 1996. As a percentage of revenues, these costs were 50.8% for the six months ended June 30, 1997 as compared to 49.6% in the 1996 period. The Company believes that the increase is primarily due to increased expenses in the natural health care center located in Pompano Beach, Florida as well as increased expenses in the Oviedo School to support the increase in student enrollment. The increase of expenses is also attributable to increased investor relations expense as well as retaining an investment banking firm in connection with possible future acquisitions.

Litigation settlement:

The litigation settlement resulted from the settlement of the litigation commenced by the landlord in connection with property leased by the Company in Lauderhill, Florida. 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 the Company's common stock to an employee which amount represents the fair market value of the shares issued.

Interest Expense

Interest expense for the six months ended June 30, 1997 was \$201,728 as compared to \$105,626 for the comparable period of 1996. The increase is primarily due to interest cost associated with the issuance of the convertible debentures in December 1996 and April 1997 offset by less borrowing against available lines of credit as well as the investment of excess funds in higher yield accounts.

Net Loss

For the six months ended June 30, 1997, the net loss was \$1,031,888 compared to a net loss of \$345,186 for the six months ended June 30, 1996. The increase in the loss is primarily 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 is from services rendered at the Company's natural health care centers.

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 of the Company commencing July 1997 at a conversion price equal to the lesser of \$1.4375 or 75% of the average closing bid price for the five trading days immediately preceding the notice of conversion. 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.

On July 23, 1997 the Company acquired all of the capital stock of Global Health Alternatives, Inc. ("Global"). The note receivable in the amount of \$1,964,000 at June 30, 1997 which is due from Global will be eliminated upon consolidation of the two companies. The purchase price for the acquisition of Global was settled with the issuance of 5,800,000 shares of the Company's common stock.

In June 1997, the Company sold 2,200 shares of its convertible series A preferred stock for \$1,000 a share realizing net proceeds of \$1,900,702. The preferred stock pays dividends at the rate of 8% per annum payable in shares of the Company's common stock valued at 80% of the market price. 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 80% of the common stock's market price. The Company has the right to redeem the preferred stock for 240 days after the issuance at

the rate of 125% of the stated value.

At June 30, 1997 the ratio of current assets to current liabilities was 1.42 to 1.0. Working capital was approximately \$828,000.

Cash used in operations for the period ended June 30, 1997 was approximately \$1,094,806, attributable primarily to the net loss of \$1,031,888, adjusted for non cash expenses and changes in operating assets and liabilities aggregating \$62,918.

Capital expenditures, primarily related to the expansion of the alternative health care clinic in Boca Raton, Florida to allow for introduction of new modalities and the transition of the Company's schools to college status used approximately \$161,494 of cash.

The Company anticipates that its net cash flow together with available lines of credit will be sufficient to finance the Company's operations during the next twelve months. However, there can be no assurance that this will be the case. The Company anticipates that additional financing will be required for the Company's expansion, including the acquisition of Global.

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PART II- OTHER INFORMATION

- Item 1 Legal Proceedings - None
- Item 2 Changes in Securities - None

On June 5, 1997, the Company consummated a private placement to four investors of an aggregate of 2,200 shares of Series A Preferred Stock (the "Preferred Stock") at a purchase price of \$100 per share. The shares of Preferred Stock are convertible into shares of Common Stock commencing August 5, 1997 provided that a registration statement covering the resale of such shares of Common Stock is effective. The conversion price of the shares of Preferred Stock is equal to 80% of the average closing bid price of the Common Stock as reported by the NASDAQ SmallCap Market for the five trading days immediately preceding the date of the notice of conversion. Domain Investments, Ltd. received consulting fees of \$264,000 in connection with the private placement. The sale of the shares of Preferred Stock and the shares of Common Stock issuable upon conversion thereof are intended to be exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof and Rule 506 promulgated thereunder.

- Item 3 Defaults Upon Senior Securities - None
- Item 4 Submission of Matters to a Vote of Security Holders - None
- Item 5 Other Information - None
- Item 6 Exhibits and Reports on Form 8-K

The Company filed a current report on Form 8-K on August 7, 1997 with respect to the Company's acquisition of all of the shares of capital stock of Global Health Alternatives, Inc.

SIGNATURES

Pursuant to the requirements 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.

NATURAL HEALTH TRENDS CORP.

By: /s/ Neal Heller
President and Chief Executive Officer

Date: August 18, 1997

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<TABLE>
<CAPTION>

Exhibit Index

Number Description of Exhibit
<S> <C>

- 2.1 Agreement and Plan of Reorganization dated as of July 23, 1997 among the Company, GHA Holdings, Inc. and Global Health Alternatives, Inc.****
- 3.1 Amended and Restated Certificate of Incorporation of the Company.*
- 3.2 Amended and Restated By-Laws of the Company.*
- 4.1 Specimen Certificate of the Company's Common Stock.*
- 4.2 Form of Class A Warrant.*
- 4.3 Form of Class B Warrant.*
- 4.4 Form of Warrant Agreement between the Company and Continental Stock Transfer & Trust Company.*
- 4.5 Form of Underwriter's Warrants.*
- 4.6 1994 Stock Option Plan.*
- 4.7 Form of Debenture.***
- 4.8 Articles of Amendment of Articles of Incorporation of the Company
- 10.1 Form of Employment Agreement between the Company and Neal R. Heller.*
- 10.2 Form of Employment Agreement between the Company and Elizabeth S. Heller.*
- 10.3 Lease, dated April 29, 1993, between Florida Institute of Massage Therapy, Inc., as tenant, and MICC Venture, as landlord, as amended.*
- 10.4 Lease, dated April 10, 1991, between Florida Institute of Massage Therapy, Inc., as tenant, and Superior Investment & Development Corporation, as agent, for SIDCOR 50/50 Associates.*
- 10.5 Department of Education, Office of Postsecondary Education, Office of Student Financial Assistance Program Participation Agreement, dated March 28, 1994, between the Company and the USDOE.*
- 10.6 Purchase and Sale Agreement between Merrick Venture Capital, Inc., as seller, and the Company, as buyer.*
- 10.7 First Mortgage Loan Documents between the Company and TransFlorida Bank in connection with the purchase of the Pompano Property.*
- 10.8 Second Mortgage Loan Documents between the Company and Merrick Venture Capital, Inc.*
- 10.9 Agreement dated June 7, 1995 between Natural Health Trends Corp. and Justin Real Estate Corp.*

Number	Description of Exhibit
10.10	Property Management Agreement dated June 7, 1995 between Natural Health Trends Corp. and Justin Real Estate Corp.*
10.11	Agreement among Natural Health Trends Corp. Health Wellness Nationwide Corp., Samantha Haimes and Leonard Haimes.**
10.12	Employment Agreement between Health Wellness Nationwide Corp. and Kaye Lenzi.**
10.13	Loan Agreements between the Company and Global Health Alternatives, Inc.***
10.14	Employment Agreement dated July 23, 1997 between the Company and Robert Bruce
27.1	Financial Data Schedule.

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

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

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

**** Previously filed with the company's Form 8-K dated August 7,1997

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ARTICLES OF AMENDMENT OF
ARTICLES OF INCORPORATION

OF

NATURAL HEALTH TRENDS CORP.

Pursuant to the provisions of section 607.1006, Florida Statutes, Natural Health Trends Corp. (the "Corporation") adopts the following articles of amendment to its articles of incorporation:

I. ARTICLE IV is hereby amended by adding the following as Part C.

PART C
Series A Preferred Stock

Two thousand two hundred (2,200) of the 1,500,000 authorized shares of Preferred Stock of the Corporation shall be designated Series A Preferred Stock (the "Series A Preferred Stock") and shall possess the rights and privileges set forth below:

A. Par Value, Stated Value, Purchase Price and Certificates.

1. Each share of Series A Preferred Stock shall have a par value of \$.001, and a stated value (face amount) of One Thousand Dollars (\$1,000) (the "Stated Value").

2. The Series A Preferred Stock shall be offered at a purchase price of One Thousand Dollars (\$1,000) per share.

3. Certificates representing the shares of Series A Preferred Stock purchased shall be issued by the Corporation to the purchasers immediately upon acceptance of the subscriptions to purchase such shares.

B. Dividends.

Holder of the shares of Series A Preferred Stock shall be entitled to receive out of the assets of the Corporation legally available therefor cash dividends at the rate of 8% of the Stated Value per annum, payable upon the conversion of the shares of Common Stock. Such dividend shall be payable in Common Stock of the Corporation, at the option of the Corporation. If such dividends are paid in shares of Common Stock, then the number of shares of Common Stock to be issued on account of the accrued dividends shall be equal to the amount of the dividend divided by 80% of the Closing Bid Price, as hereinafter defined, for the five (5) trading days preceding the Notice Date, as hereinafter defined.

C. Liquidation Preference.

47336.3

1. In the event of any liquidation, dissolution or winding-up of the Corporation, either voluntary or involuntary (a "Liquidation"), the Holders of shares of the Series A Preferred Stock then issued and outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders, whether from capital, surplus or earnings, before any payment shall be made to the Holders of shares of the Common Stock or upon any other series of Preferred Stock of the Corporation, an amount per share equal to the sum of (i) the Stated Value and (ii) an amount equal to eight percent (8%) of the Stated Value multiplied by the fraction $N/365$, where N equals the number of days elapsed since full payment for the shares of Series A Preferred Stock. If, upon any Liquidation of the Corporation, the assets of the Corporation available for distribution to its shareholders shall be insufficient to pay the Holders of shares of the Series A

Preferred Stock and the Holders of any other series of Preferred Stock with a liquidation preference equal to the liquidation preference of the Series A Preferred Stock the full amounts to which they shall respectively be entitled, the Holders of shares of the Series A Preferred Stock and the Holders of any other series of Preferred Stock with a liquidation preference equal to the liquidation preference of the Series A Preferred Stock shall receive all the assets of the Corporation available for distribution and each such Holder of the Series A Preferred Stock and the Holders of any other series of preferred stock with a liquidation preference equal to the liquidation preference of the Series A Preferred Stock shall share ratably in any distribution in accordance with the amounts due such shareholders. After payment shall have been made to the Holders of shares of the Series A Preferred Stock of the full amount to which they shall be entitled, as aforesaid, the Holders of shares of the Series A Preferred Stock shall be entitled to no further distributions thereon and the Holders of shares of the Common Stock and of shares of any other series of stock of the Corporation shall be entitled to share, according to their respective rights and preferences, in all remaining assets of the Corporation available for distribution to its shareholders.

2. A merger or consolidation of the Corporation with or into any other corporation, or a sale, lease, exchange, or transfer of all or any part of the assets of the Corporation which shall not in fact result in the liquidation (in whole or in part) of the Corporation and the distribution of its assets to its shareholders shall not be deemed to be a voluntary or involuntary liquidation (in whole or in part), dissolution, or winding-up of the Corporation.

D. Conversion of Series A Preferred Stock.

The Holders of Series A Preferred Stock shall have the following conversion rights:

1. Right to Convert. Each share of Series A Preferred Stock shall be convertible, on the Conversion Dates and at the Conversion Prices set forth below, into fully paid and nonassessable shares of Common Stock (sometimes referred to herein as "Conversion Shares").

2. Mechanics of Conversion. Commencing sixty (60) days after the issuance of the shares of Series A Preferred Stock and provided that the Conversion Shares have been registered under the Securities Act of 1933, as amended (the "Act"), each Holder of Series

47336.3

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A Preferred Stock who desires to convert the same into shares of Common Stock shall provide notice (the "Conversion Notice") via telecopy (or an original) to the Corporation. The certificate or certificates representing the Series A Preferred Stock for which conversion is elected, shall be delivered to the Corporation within five (5) business days of the delivery of the Conversion Notice. The date upon which a Conversion Notice is received by the Corporation shall be a "Notice Date."

The Corporation shall use all reasonable efforts to issue and deliver within five (5) business days after the Notice Date, to such Holder of Series A Preferred Stock at the address of the Holder on the stock books of the Corporation, a certificate or certificates for the number of shares of Common Stock to which the Holder shall be entitled as aforesaid; provided that the original shares of Series A Preferred Stock to be converted are received by the transfer agent or the Corporation within five (5) business days after the Notice Date and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record Holder or Holders of such shares of Common Stock on such date. If the original certificate(s) representing the shares of Series A Preferred Stock to be converted are not received by the transfer agent or the Corporation within five (5) business days after the Notice Date, the Conversion Notice shall become null and void at the option of the Corporation.

3. Lost or Stolen Certificates. Upon receipt by the Corporation of evidence of the loss, destruction, theft or mutilation of

any Series A Preferred Stock certificates (the "Certificates") and (in the case of loss, theft or destruction) of indemnity or security reasonably satisfactory to the Corporation, and upon surrender and cancellation of the Certificates, if mutilated, the Corporation shall execute and deliver new Series A Preferred Stock Certificates of like tenor and date. However, the Corporation shall not be obligated to re-issue such lost or stolen Series A Preferred Stock Certificates if the Holder thereof contemporaneously requests the Corporation to convert such Series A Preferred Stock into Common Stock, in which event the Corporation shall be entitled to rely on an affidavit of loss, destruction or theft of the Series A Preferred Stock Certificate or, in the case of mutilation, tender of the mutilated certificate, and shall issue the Conversion Shares.

4. Conversion Period. The Series A Preferred Stock shall become convertible into shares of Common Stock at any time commencing on the later of (i) the effective date of a registration statement filed under the Act covering the Conversion Shares; or (ii) sixty (60) days following the date of issuance of the shares of Series A Preferred Stock to be converted.

5. Conversion Formula/Conversion Price. Each share of Series A Preferred Stock shall be convertible into the number of Conversion Shares based upon a conversion price (the "Conversion Price") equal to 80% of the average Closing Bid Price of the Common Stock for the five (5) trading days immediately preceding the Notice Date. For purposes hereof, the term "Closing Bid Price" shall mean the closing bid price on the NASDAQ SmallCap Stock Market ("NASDAQ"), or if no longer traded thereon, the closing bid price on the principal national securities exchange on which the Common Stock is so traded. In the event that the registration statement for the Conversion Shares has not been declared effective within

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sixty (60) days of the date of issuance of the Series A Preferred Stock then (i) the Conversion Price shall be reduced to 75% of the average Closing Bid Price for the five (5) trading days immediately preceding the Notice Date and (ii) the Holder shall be entitled to the amounts due pursuant to the Registration Rights Agreement entered into between the Holder and the Corporation.

6. Automatic Conversion. Each share of Series A Preferred Stock outstanding thirty six (36) months from the date of issuance automatically shall be converted into Common Stock on such date in accordance with the Conversion Formula and the Conversion Price then in effect, and such date shall be deemed to be the Notice Date with respect to such conversion.

7. No Fractional Shares. If any conversion of the Series A Preferred Stock would create a fractional share of Common Stock or a right to acquire a fractional share of Common Stock, such fractional share shall be disregarded and the number of shares of Common Stock issuable upon conversion, if the aggregate, shall be the next higher number of shares.

8. Redemption Terms. The Corporation shall have the right, at its sole option, to redeem all or part of the Series A Preferred Stock within 240 days of the date of issuance. In the event the Corporation exercises such right of redemption it shall pay to the Holder (i) if within sixty (60) days of the date of issuance, One Hundred Twenty Five Percent (125%) of the Stated Value of the redeemed shares of Series A Preferred Stock, or (ii) if within sixty one (61) days and two hundred forty (240) days of the date of issuance, One Hundred Thirty (130%) percent of the Stated Value of the redeemed shares of Series A Preferred Stock and the Holder shall be entitled to the amounts due pursuant to the Registration Rights Agreement entered into between the Holder and the Corporation. Redemption by the Corporation shall be effected by the Corporation notifying the Holder by facsimile of the Corporation's intention to exercise its right of redemption. The Corporation shall state in such notice the number of shares of Series A Preferred Stock it intends to redeem, the amount that it will pay to effectuate such redemption and the date by which the Holder must deliver the shares of Series A Preferred Stock redeemed. The Corporation shall give the Holder at least two (2) business days' notice of the above information with respect to the shares of Series A Preferred Stock for which a Conversion Notice has not been received by the Corporation.

The Holder shall not be entitled to send a Conversion Notice to the Corporation with respect to the shares of Series A Preferred Stock being redeemed during such period.

9. (a) If the Conversion Shares have been registered and have not been delivered within ten (10) business days after the Notice Date, then and in such event the Corporation shall pay to Holder one percent (1%) in cash, of the Stated Value of the Series A Preferred Stock being converted per each day after the tenth business day following the Notice Date that the Conversion Shares are not delivered.

(b) To the extent that the failure of the Corporation to issue the Conversion Shares is due to the unavailability of authorized but unissued shares of Common

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Stock, the provisions of this Section 9 shall not apply but instead the provisions of Section 10 shall apply.

(c) The Corporation shall make any payments incurred under this Section 9 in immediately available funds within three (3) business days from the date of issuance of the applicable shares of Common Stock. Nothing herein shall limit a Holder's right to pursue actual damages for the Corporation's failure to issue and deliver Common Stock to the Holder within five (5) business days after the Notice Date.

(d) If the original certificate(s) representing the Conversion Shares have not been delivered to the Holder within ten (10) business days after the Notice Date, the Conversion Notice shall become null and void at the option of the Holder. In the event that the Holder does not declare the Conversion Notice null and void, then paragraph 9(a) shall apply.

10. If, at any time a Holder submits a Notice of Conversion and the Corporation does not have sufficient authorized but unissued shares of Common Stock available to effect, in full, a conversion of the shares of Series A Preferred Stock (a "Conversion Default"), the date of such default being referred to herein as the "Conversion Default Date"), the Corporation shall issue to the Holder all of the shares of Common Stock which are available, and the Notice of Conversion as to any shares of Series A Preferred Stock requested to be converted but not converted (the "Unconverted Shares"), upon Holder's sole option, may be deemed null and void. The Corporation shall provide notice of such Conversion Default ("Notice of Conversion Default") to all existing Holders of outstanding shares of Series A Preferred Stock, by facsimile, within one (1) business day of such default (with the original delivered by overnight or two day courier), and the Holder shall give notice to the Corporation by facsimile within five (5) business days of receipt of the original Notice of Conversion Default (with the original delivered by overnight or two day courier) of its election to either nullify or confirm the Notice of Conversion.

The Corporation agrees to pay all Holders of outstanding shares of Series A Preferred Stock payments for a Conversion Default ("Conversion Default Payments") in the amount of $(N/365) \times (.24) \times$ the initial Stated Value of the outstanding and/or tendered but not converted shares of Series A Preferred Stock held by each Holder where N = the number of days from the Conversion Default Date to the date (the "Authorization Date") that the Corporation authorizes a sufficient number of shares of Common Stock to effect conversion of all remaining shares of Series A Preferred Stock by the fifth day of the following calendar month. The Corporation shall send notice ("Authorization Notice") to each Holder of outstanding shares of Series A Preferred Stock that additional shares of Common Stock have been authorized, the Authorization Date and the amount of Holder's accrued Conversion Default Payments. The accrued Conversion Default Payments shall be paid in cash or shall be convertible into Common Stock at the Conversion Price, at the Holder's option, payable as follows: (i) in the event Holder elects to take such payment in cash, cash payments shall be made to such Holder or (ii) in the event that the Holder elects to take such payment in Common Stock, the Holder may convert

such payment amount into Common Stock at the Conversion Price at anytime after the fifth day

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of the calendar month following the month in which the Authorization Notice was received, until the expiration of the thirty six month (36) conversion period.

Nothing herein shall limit the Holder's right to pursue actual damages for the Corporation's failure to maintain a sufficient number of authorized shares of Common Stock.

11. Except in the case of the provisions contained in Section 6, in no event shall the Holder be entitled to convert any shares of Series A Preferred Stock in excess of that number of shares of Series A Preferred Stock upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the shares of Series A Preferred Stock), and (2) the number of shares of Common Stock issuable upon the conversion of the shares of Series A Preferred Stock with respect to which the determination of this provision is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.9% of the outstanding shares of Common Stock of the Corporation. For purposes of this provision, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13 D-G thereunder, except as otherwise provided in clause (1) above.

12. Reservation of Stock Issuable Upon Conversion.

The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Series A Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all then outstanding shares of Series A Preferred Stock; and if at any time the number of authorized but unissued share of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Preferred Stock, the Corporation will take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

E. Voting. Except as otherwise provided below or by the Florida Statutes, the Holders of the Series A Preferred Stock shall have no voting power whatsoever, and no Holder of Series A Preferred Stock shall vote or otherwise participate in any proceeding in which action shall be taken by the Corporation or the shareholders thereof or be entitled to notification as to any meeting of the Board of Directors or the shareholders.

F. Protective Provisions. So long as shares of Series A Preferred Stock are outstanding, the Corporation shall not, without first obtaining the approval (by vote or written consent, as provided by law) of the Holders of at least seventy-five percent (75%) of the then outstanding shares of Series A Preferred Stock:

1. alter or change the rights, preferences or privileges of the Series A Preferred Stock so as to affect adversely the Series A Preferred Stock;

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2. do any act or thing not authorized or contemplated by this Article IV which would result in taxation of the Holders of shares of the Series A Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (or any comparable provision of the Internal Revenue Code as hereafter from time to time amended); or

THIS EMPLOYMENT AGREEMENT (as the same may be modified, amended, supplemented and/or restated from time to time, this "Agreement"), dated as of April 1, 1997 (the "As of Date"), is made and entered into by and between Natural Health Trends Corp., a Florida corporation (the "Company"), and Robert C. Bruce (the "Executive").

Background

The Company wishes to employ the Executive and the Executive wishes to be employed by the Company, on the terms and conditions set forth below in this Agreement.

Prior to the effective date of this Agreement (as specified in Section 2 below), the Executive had been employed by Global Health Alternatives, Inc., a Delaware corporation ("GHA"). The terms and conditions such employment were governed by that certain Employment Agreement, dated as of October 15, 1996 (the "GHA Employment Agreement"), by and between GHA and the Executive.

The Company and GHA are entering into an Amended and Restated Agreement and Plan of Reorganization, dated as of July 23, 1997 (the "Acquisition Agreement"), among the Company, the stockholders of GHA and GHA, providing for (among other things) the assignment and transfer by the stockholders of GHA of all or substantially all of the common stock of GHA to the Company (the "Acquisition Transaction"). This Agreement is being executed and delivered by the Company in partial satisfaction of the condition set forth in Section 6.02(k) of the Acquisition Agreement.

NOW, THEREFORE, in consideration of the mutual benefits to be derived and the covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

1. Employment and Duties. (A) Subject to the terms hereof, the Company hereby employs the Executive with the titles Senior Vice President, Chief Financial Officer and Treasurer of the Company (and/or such other title(s) as the Company and Executive shall mutually agree) and in such other capacities with or for the Company and/or subsidiaries or affiliates of the Company ("Affiliated Companies") as the Company or its Board of Directors, Chairman or President shall designate. The Executive hereby: (i) accepts such employment, (ii) undertakes the responsibilities of such office(s), (iii) as such, agrees to perform such duties and responsibilities with respect to the Company and other Affiliated Companies as are set forth in Annex 1 attached hereto and made part hereof (and/or such other duties and responsibilities consistent with the duties set forth on Annex 1 as the Company or its Board of Directors, Chairman and or President shall reasonably require of the Executive) (the "Assigned Duties"), and (iv) agrees to devote substantially his entire professional time, attention and energies to the performance of the Assigned Duties to the best of his ability.

(B) The Executive shall work at offices of the Company located in or near (from and after no later than October 31, 1997) Pompano Beach, Florida and (prior thereto) Portland, Maine (as the case may be, the "Home Area"). However, (i) during the period that the Home Area is Portland, Maine, the Executive shall travel to and work at the offices of the Company located in or near Pompano Beach, Florida on and as needed basis (but no less frequently than monthly), and (ii) throughout the term of this Agreement, the Executive shall also render services at such other place or places within or without the United States as the Board of Directors may direct from time to time, subject to Section 7; provided that the Company shall employ its reasonable efforts to restrict

the time the Executive shall render such services away from the Home Area to not more than 20 business days per calendar quarter.

2. Term. The effectiveness of this Agreement shall commence

automatically on July, 1997 (being the date of the consummation of the Acquisition Transaction; hereinafter, the "Effective Date") and, unless earlier terminated pursuant to Section 8, shall continue in effect until March 31, 2000 (being the date that is three years after the As of Date) (the "Term").

3. Compensation. During the Term of this Agreement, the Executive's compensation under this Agreement shall be as follows:

(A) Base Salary. Executive shall be paid a base salary ("Base Salary") at a rate of: (i) for the portion of the Term ending on March 31, 1998 (the "Initial Period"), \$120,000 per annum; (ii) for the twelve-month period ending on March 31, 1999 (the "Second Period"), \$135,000 per annum; and (iii) for the twelve-month period ending on March 31, 2000 (the "Third Period"), \$150,000 per annum. The Base Salary shall be paid by the Company in installments in accordance with the Company's normal payment schedule for its senior management, but no less frequently than monthly except that the Base Salary payable for the period between the As Of Date and the Effective Date shall be paid promptly by GHA after the Effective Date, in a single lump sum. All payments hereunder shall be subject to the deduction of payroll taxes and similar assessments as required by law.

(B) Bonus. With respect to the Initial Period, the Executive shall be entitled to a cash bonus of \$20,000, payable within fifteen days of the Executive's having completed the move of his residence from in or near Portland, Maine to a commutable distance from Pompano Beach, Florida (the "Executive's Move"); provided that this Agreement shall not have been terminated for Cause (as defined in Section 8 hereof) or by the resignation of the Executive prior to such move-date (or the following two-week period). In addition, if during the Second Period or Third Period the performance criteria set forth in Annex 2 attached hereto are achieved, then the Executive shall be entitled to receive a cash bonus in an amount equal to \$25,000 (in respect of the Second Period) or \$30,000 (in respect of the Third Period) within 30 days of the end of the respective period; provided that this Agreement shall not have been terminated for Cause or by the resignation of the Executive prior to the end-date of such Second Period or Third Period (respectively). If this Agreement shall be terminated by the Company without Cause or if the Executive terminates this Agreement for Good Reason (as defined in Section 8 hereof) prior to: (i) the Executive's Move or the payable date of the Executive's bonus hereunder with respect to the Initial Period, the Executive shall nevertheless be entitled to the full amount of such bonus, or (ii) the end-date of Second Period or Third Period, then, subject to the subsequent achievement of the performance criteria set forth in Annex 2 attached hereto, the Executive shall be entitled to a portion of the bonus payable hereunder for such period, pro rated for the number of full months that this Agreement was in force during the period with respect to which such bonus is calculated.

(C) Executive's Move. As compensation for the expense of and personal dislocation arising out of the Executive's Move, the Executive shall be entitled to receive a cash

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payment of the greater of: (i) \$10,000, and (ii) the lesser of (x) \$15,000 and (y) the actual expenses incurred by the Executive in connection with the Executive's Move. Such payment shall be made promptly after the submission by the Executive to the Company of the appropriate documentation establishing such expenses of the Executive.

(D) Options. Concurrent with the execution hereof, the Executive is entering into a Stock Option Agreement with the Company, pursuant to which the Executive is being granted the right to purchase 300,000 shares of the Company's Common Stock over 3 years.

4. Company Car. The Executive shall have the use of a suitable executive company car (i) which either (x) will be owned or leased and paid for by the Company or an Affiliated Company, or (y) for which the Executive will be paid a sufficient car allowance and (ii) as to which the Company will reimburse the Executive for insurance, maintenance, registration, excise taxes and business-related gas consumption. The Executive shall keep a detailed mileage log for his company car. Company agrees that Executive's current GHA company car

is a "suitable executive company car".

5. Executive Plans. The Executive (together with his spouse and minor children) shall be covered at the Company's expense by any and all of the Company's United States group health, dental, life and disability insurance plans made available to senior executives of the Company in the United States generally. The Executive shall also be eligible to participate, to the same extent as other senior executives, in any and all of the Company's other executive profit sharing or bonus plans available to senior executives of the Company in the United States generally.

6. Vacation. The Executive shall be entitled to take four weeks of paid vacation during each year of this Agreement. Accrued but unused vacation shall be carried over only in accordance with the Company's standard policies.

7. Expense Reimbursement. In addition to the compensation and benefits provided in Sections 3, 4, 5 and 6 hereof, the Company or an Affiliated Company shall, upon receipt of appropriate documentation, reimburse Executive for his reasonable travel, lodging, entertainment, professional promotion and other ordinary and necessary business expenses incurred in the course of his duties on behalf of the Company or any Affiliated Company.

8. Termination of Employment. (A) The Company may terminate the Executive's employment by the Company (and any Affiliated Company) and this Agreement: (i) by giving the Executive written notice of such termination at least 30 days in advance, and (ii) at any time for Cause.

(B) The Executive's employment hereunder and this Agreement shall terminate immediately upon his death or disability. For purposes of this Section 8(B), Executive shall be deemed to be "disabled" if, on account of illness or other incapacity, he has been unable to perform his duties for 90 consecutive days and, in the good faith judgment of the Company's Board of Directors or its Chairman or President, he shall be unable to perform his duties hereunder for a period of six consecutive months. The Company shall continue to pay the Executive his Base Salary and other employment benefits hereunder prior to the termination by the Board of Directors pursuant to this Section 8(B), even though Executive is disabled during that 90 day period of time.

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(C) The Executive may terminate the Executive's employment by the Company (and any Affiliated Company) and this Agreement for Good Reason, after giving the Company written notice of the basis for such termination and the Company's failure to cure such condition after 30 days opportunity to do so.

(D) This Agreement may be terminated with the mutual consent of the parties hereto, and shall terminate at the end of the Term.

(E) If the Executive's employment hereunder is terminated by the Company without Cause pursuant to the foregoing Section 8(A)(i) or by the Executive for Good Reason as provided in the foregoing Section 8(C), the Company shall, within 30 days after the effective date of such termination make a cash payment equal to the Executive's Base Salary for a period of time equal to the lesser of (x) the remaining Term of this Agreement and (y) one year, but in no event less than six (6) months.

(F) If the Executive's employment hereunder and/or this Agreement is terminated for any reason, then all rights and obligations of the parties hereunder shall terminate automatically thereupon, except (i) as to any right which the Executive's estate or dependents may have under "COBRA" or any other federal or state law, (ii) as to any Base Salary or other compensation earned by him prior to such termination, or (iii) to the extent otherwise specifically set forth herein (including under the foregoing Section 8(E)).

(G) For purposes of this Agreement, the terms:

"Cause" means, when used in connection with the termination of the Executive's employment with the Company and/or this Agreement (or the right to effect such termination): (i) the Executive's

continuing inattention to, or neglect of, his Assigned Duties, which inattention or neglect is not the result of illness or accident, (ii) any other material breach by the Executive of this Agreement uncured for five (5) business days, (iii) any willful disloyalty to, misappropriation from or embezzlement of, the Company or any Affiliated Company on the part of the Executive, (iv) the commission by the Executive of any crime involving moral turpitude or any felony (whether or not involving moral turpitude), (v) any habitual drug, alcohol or other substance abuse on the part of the Executive, and/or (vi) the participation by the Executive in any fraud (whether or not directed at the Company or any Affiliated Company).

"Good Reason" means, when used in connection with the termination of the Executive's employment with the Company and/or this Agreement (or the right to effect such termination) any of the following events occurring (x) within six months prior to such termination and (y) without the prior written consent of Executive: (i) the assignment to the Executive of any duties materially inconsistent with his position as an officer of the Company or with the Assigned Duties, except in connection with the termination of the Executive's employment by the Company for Cause; (ii) any reduction by the Company of the Executive's Base Salary or a material reduction in other benefits provided for hereunder taken as a whole (except to the extent such benefits are no longer generally available to members of management of the Company), except in connection with the termination of such Executive's employment by the Company for Cause (it being understood that failure to receive bonus or other incentive payments at the same level as in prior years or periods due

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to the failure to achieve in such later year or period specified performance criteria shall not be deemed to be a reduction in benefits hereunder), or (iii) any other material breach by the Company of this Agreement. It is hereby expressly acknowledged that the foregoing definition of "Good Reason" shall be effective solely for purposes of this Agreement and shall not be applicable to any other agreement or understanding between Executive and the Company. "Good Reason" shall not include a change in the title of the office or offices held by Executive as long as the Assigned Duties associated with such office(s) are not materially altered.

9. Covenant Not to Compete. (A) The Executive agrees that for a period commencing on the date hereof and ending two years after the termination of this Agreement and/or his employment by the Company and any Affiliated Company, he will not, directly or indirectly: (i) unless such termination was without Cause or Good Reason, engage in, or be employed or retained by, give advice to, be a proprietor, principal, agent, representative, officer, director, partner or significant shareholder of, or otherwise be associated with or render assistance to, any business or enterprise that engages in any business at the time of such termination being engaged in by the Company or any Affiliated Company (the "Restricted Business"); (ii) interfere with or disrupt any actual or imminent business relationship between the Company or any Affiliated Company, on the one hand, and any of their respective (including prospective) customers or suppliers, on the other; or (iii) solicit for employment, attempt to employ or assist any other person or entity in employing or soliciting for employment, any employee or executive who is at the time employed by the Company or any Affiliated Company.

(B) Although the Executive acknowledges that the restrictions contained in Section 9(A) are fair and reasonable under the circumstances, it is recognized that restrictions of the nature contained in such Section may fail for technical reasons, and, accordingly, if any of such restrictions shall be adjudged to be void or unenforceable for whatever reason, but would be valid if part of the wording thereof were deleted, or the period thereof reduced or the area dealt with thereby reduced in scope, the restrictions contained in Section 9(A) shall apply, at the election of the Company, with such modifications as may be necessary to make them valid, effective and enforceable in the particular jurisdiction in which such restrictions are adjudged to be void or unenforceable.

10. Confidentiality. Without the specific prior written consent of the Company, the Executive shall not, directly or indirectly, at any time after the date hereof (including after the termination of this Agreement and/or his

employment by the Company and any Affiliated Company), divulge to any person or entity, or use for his own direct or indirect benefit, any information confidential and/or proprietary to the Company or any Affiliated Company concerning their respective business, affairs, products, services, assets, services, liabilities, revenues, condition (financial or otherwise), or prospects, customers or suppliers, including, without limitation, any data or statistical information of or with respect to the Company or any Affiliated Company, whether created or developed by the Company or any Affiliated Company or on its or his behalf, or with respect to which the Executive may have knowledge or access, it being the intent of the parties hereto to restrict the Executive from disseminating or using any such information of or with respect to the Company or any Affiliated Company which is at the time of such use or dissemination unpublished and not readily available or generally known to the public or in the Company's or any Affiliated Company's trade; provided that nothing in this Section 10 shall prohibit such disclosure within the scope of the Executive's employment or in the best interest of the Company.

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11. Amendment and Waivers. This Agreement may be amended, and compliance with any of the terms and provisions hereof may be waived, only by a written document signed by both parties hereto. No waiver of any condition, obligation or term hereof shall constitute a waiver of any other or a waiver of a subsequent right to demand strict compliance with all conditions, obligations and terms hereof.

12. Governing Law; Arbitration. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (other than the choice of law principles thereof). Any claim, action, suit or other proceeding initiated by either party hereto under or in connection with this Agreement shall (to the exclusion of other forums) be asserted, brought, prosecuted and maintained in an arbitration proceeding held in the City of Pompano Beach, Florida in accordance with the rules of the American Arbitration Association, and both of the parties hereto hereby irrevocably (a) submit to the jurisdiction of any arbitration tribunal established in accordance with the foregoing, (b) waive any and all rights to object to the laying of venue before such tribunal in such location, (c) waive any and all rights to claim that any such tribunal in such location may be an inconvenient forum, and (d) agree that service of process on them in any such arbitration proceeding may be effected by the means by which notices may be given to it under this Agreement. The parties hereto hereby further agree that an arbitration tribunal established in accordance with the foregoing shall have the power to issue an injunction or mandatory relief order, and the parties will be bound by any resulting arbitration ruling or order.

13. Attorneys' Fees. In the event any party finds it necessary to bring an action at law or other proceedings against the other party to enforce any of the terms hereof, the party prevailing in any such action or other proceeding shall be paid by the other party its reasonable attorneys' fees as well as court costs.

14. Severability. Should any provision hereof be deemed, for any reason whatsoever, to be invalid or inoperative, that provision shall be deemed severable and shall not affect the force and validity of all other provisions of this Agreement.

15. Survival. All provisions which may reasonably be interpreted or construed to survive the expiration or termination of this Agreement shall survive the expiration or termination of this Agreement. Without limiting the generality of the foregoing, Sections 9 and 10 shall survive the termination of the Executive's employment by the Company and any Affiliated Company and this Agreement, in accordance with their terms.

16. Notices. All notices, offers, acceptances, requests and other communications under or pursuant to the terms of this Agreement shall be in writing and shall be deemed to have been given when personally delivered, one day after being sent by recognized overnight courier or three days after being sent by United States mail, certified or registered mail, with postage prepaid, to the other party at such party's address set forth below:

If to Executive: Robert C. Bruce
58 Kenwood Street
Portland, ME 04102
Office: (207) 774-0150

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If to the Company: Natural Health Trends Corp.
2001 West Sample Road
Pompano Beach, Florida 33064
Attention: Chairman
Fax: (954) 969-9747
Tel: (954) 969-9771

Any party may change his or its address set forth in this Section, by written notification to the other party hereto. Promptly after the Executive's Move, the Executive shall, by written notification to the Company, advise the Company of his new address for notices, offers, acceptances, requests and other communications under or pursuant to the terms of this Agreement.

17. Successors. This Agreement, including the documents and instruments referred to herein, shall inure to the benefit of and be binding upon and enforceable against the respective heirs, legal representatives, successors, and permitted assigns of the parties hereto.

18. Delegation of Duties. The Executive may not delegate or assign any of his duties or obligations hereunder. With the exception of an assignment to any acquiror in connection with (i) a merger or consolidation of the Company, or (ii) a sale or exchange of all or substantially all of the property or assets of the Company, the Company shall have no right to assign this Agreement without the Executive's prior written consent (which consent shall not be unreasonably withheld or delayed).

19. Remedies. (A) The remedies of each of the parties hereunder shall be cumulative and not exclusive. However, no party shall be obligated to the other for punitive or other forms of speculative or expectancy damages. In addition to any and all such other remedies, the provisions of this Agreement requiring the performance of an affirmative act by a party or requiring a party to refrain from the performance of specific act, shall be enforceable by injunctive proceeding or by a suit for specific performance.

(B) Without limiting the generality of the foregoing Section 19(A), the Executive acknowledges that any violation or threatened violation of Section 9 or 10 hereof will cause irreparable injury to the Company and that the remedy at law for any such violation or threatened violation will be inadequate. The Executive therefore agrees that the Company shall be entitled to temporary and permanent injunctive relief for any such violation or threatened violation without the necessity of proving (i) that the Company will be irreparably injured thereby, (ii) that the remedy at law for such violation or threatened violation is inadequate or (iii) actual damages.

20. Effectiveness. Notwithstanding anything to the contrary set forth herein, this Agreement has force and effect only from and after the Effective Date. The Company and Executive hereby acknowledge and agree that this Agreement is intended to supersede and replace the GHA Employment Agreement, and therefore from and after the Effective Date, the GHA Employment Agreement is and shall be terminated and no longer of any force and effect. The foregoing provisions of this Section 20 are for the benefit of, and may be enforced by GHA (in addition to the Company and the Executive).

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21. Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes all prior arrangements or understandings with respect thereto between

the parties hereto, which arrangements or understandings are merged herein.

[(The remainder of this page is intentionally left blank)]

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IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

The Company:

NATURAL HEALTH TRENDS CORP.

By:

Name:

Title:

The Executive:

By:

Name: Robert C. Bruce

Title:

Acknowledged and Agreed
as to Section 3A:

GLOBAL HEALTH ALTERNATIVES, INC.

By:

Sir Brian Wolfson
President

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Annex 1
(to Employment Agreement)

Assigned Duties

- o Senior Vice President, Chief Financial Officer and Treasurer of the Company reporting directly to the President, CEO and Chairman (whether such offices are held by the same or different persons).
- o Serve as member of the Company's senior management team, including development of strategic plans and financing strategies (Company-wide, and for the individual Global Health and non-Global Health business segments).
- o Responsible for all corporate fiscal planning (Company-wide, and for the individual Global Health and non-Global Health business segments).
- o Oversee all financial accounting and reporting functions for Company financial statements. Assure financial control and accountability.

Monitor and maintain sound internal control structure.

- o Lead financial performance and budget compliance processes. Assure timely and accurate financial reporting and budgetary analysis to management, the Directors and outside parties.
- o Responsible for supervision of accounting personnel and the development and monitoring of all required training.
- o With assistance of Company's tax, legal and audit advisors, insure compliance with IRS regulations and all domestic and international tax filings.
- o Oversee the financial position and performance of any subsidiaries or other operations and provide oversight of the subsidiaries' and other operations' or accounting functions.
- o Evaluate potential acquisition targets, and participate as a key member of the Company's acquisition team.
- o Analyze existing business operations (for the Global Health and non-Global Health business segments) and identify potential improvement strategies.
- o Undertake such special projects reasonably consistent with the duties enumerated above for the Company or any of its Affiliated Companies.

Annex 2
(to Employment Agreement)

Performance Criteria

Satisfactory accomplishment of the Executive's Assigned Duties during the employment period in question, as determined in the sole discretion of the Board of Directors of the Company or the Compensation Committee thereof (which discretion may be delegated to the Chairman of the Company).

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(Replace this text with the legend)

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<NAME> NATURAL HEALTH

<MULTIPLIER> 1

<CURRENCY> DOLLARS

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