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

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

For the Quarter Ended September 30, 1998

[ ] 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 incorporation or organization)	(I.R.S. Employer Identification No.)

193 Middle Street, Suite 201
Portland, Maine 04101

- --

(Address of Principal Executive Offices)

(207) 772-7234

- --

(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 September 30, 1998 was 4,041,598 shares.

NATURAL HEALTH TRENDS CORP.

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NATURAL HEALTH TRENDS CORP.

CONSOLIDATED BALANCE SHEET

September 30, 1998

(UNAUDITED)

ASSETS

CURRENT ASSETS:	
Cash	$1,021,626
Accounts Receivable	19,031
Inventories	436,915
Prepaid Expenses	514,413

TOTAL CURRENT ASSETS	1,991,985
PROPERTY, PLANT AND EQUIPMENT	46,265
PATENTS AND CUSTOMER LISTS	4,733,363
GOODWILL	844,780
DEPOSITS AND OTHER ASSETS	249,951

	$7,866,344
	==========

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	
Accounts Payable	$989,589
Accrued Expenses	789,833
Accrued Expenses for Discontinued Operations	314,593
Current Portion of Long-Term Debt	587,184
Accrued Consulting Contract	360,131
Other Current Liabilities	104,939

TOTAL CURRENT LIABILITIES	3,146,269
COMMON STOCK SUBJECT TO PUT	380,000
STOCKHOLDERS' EQUITY:	
Preferred Stock, $.001 par value; 1,500,000 shares authorized; 4,330 shares issued and outstanding at September 30, 1998	3,789,525
Common Stock, $.001 par value; 50,000,000 shares authorized; 4,041,598 shares issued and outstanding at September 30, 1998	4,042
Additional Paid-in Capital	14,530,911
Retained Earnings (Accumulated Deficit)	(13,604,403)
Common Stock Subject to Put	(380,000)

TOTAL STOCKHOLDERS' EQUITY	4,340,075

$7,866,344
==========

See Notes to Consolidated Financial Statements

<TABLE>
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NATURAL HEALTH TRENDS CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

<S>	Three Months Ended September 30 1998 <C>	1997 <C>	Nine Months Ended September 30 1998 <C>	1997 <C>
REVENUES	$168,650	$535,202	$1,001,481	$535,202
COST OF SALES	59,852	125,073	283,206	125,073
GROSS PROFIT	108,798	410,129	718,275	410,129
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	772,862	1,810,771	2,470,312	2,092,885
OPERATING INCOME (LOSS)	(664,064)	(1,400,642)	(1,752,037)	(1,682,756)
OTHER INCOME (EXPENSE):				
Interest (net)	(67,261)	(80,481)	(336,314)	(715,542)
LOSS FROM CONTINUED OPERATIONS BEFORE INCOME TAXES	(731,325)	(1,481,123)	(2,088,351)	(2,398,298)
PROVISION FOR INCOME TAXES	0	0	0	0
LOSS FROM CONTINUED OPERATIONS	(731,325)	(1,481,123)	(2,088,351)	(2,398,298)
DISCONTINUED OPERATIONS:				
Loss From Discontinued Operations	31,154	(2,107,366)	(33,289)	(2,655,412)
Gain (Loss) on Disposal	595,379	(613,406)	595,379	(613,406)
GAIN (LOSS) FROM DISCONTINUED OPERATIONS	626,533	(2,720,772)	562,090	(3,268,818)
LOSS BEFORE EXTRAORDINARY GAIN	(104,792)	(4,201,895)	(1,526,261)	(5,667,116)
EXTRAORDINARY GAIN - FORGIVENESS OF DEBT	(638,576)	0	869,516	0
NET INCOME (LOSS)	($743,368)	($4,201,895)	($656,745)	($5,667,116)
INCOME (LOSS) PER COMMON SHARE:				
Continued Operations	($0.45)	($3.11)	($2.30)	($6.57)
Discontinued Operations	0.22	(5.71)	0.31	(8.95)
Extraordinary Gain	(0.23)	0.00	0.49	0.00
Net Income (Loss)	($0.46)	($8.82)	($1.50)	($15.52)
WEIGHTED AVERAGE COMMON SHARES USED	2,828,559	476,499	1,786,500	365,116

</TABLE>

See Notes to Consolidated Financial Statements

<TABLE>
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NATURAL HEALTH TRENDS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

Nine Months Ended
September 30

	1998	1997
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	($656,745)	($5,667,116)
Adjustments to reconcile Net Loss to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and amortization	513,401	334,660
Non-cash imputed compensation expense	0	425,000
Loss on disposal of fixed assets, net	0	87,191
Interest settled by issuance of stock	112,971	90,650
Write-off of Goodwill	322,219	1,325,605
Amortization of note payable discount	0	433,333
Proceeds from sale of Discontinued Operations	(1,783,333)	0
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	1,960,917	(732,460)
(Increase) Decrease in Inventories	590,084	(175,712)
(Increase) in Prepaid Expenses	(329,837)	(213,155)
Decrease in Property and Equipment	1,197,603	0
(Increase) Decrease in Deposits & Other Assets	202,621	(213,083)
Increase (Decrease) in Accounts Payable	(2,036,847)	861,312
Increase (Decrease) in Accrued Expenses	(410,054)	559,379
Increase (Decrease) in Deferred Revenue	(1,089,647)	596,660
Increase (Decrease) in Other Current Liabilities	(220,176)	31,081
Increase (Decrease) in Accrued Expenses for Discontinued Operations	(41,469)	613,105
Increase in Accrued Consulting Contract	0	360,131
TOTAL ADJUSTMENTS	(1,011,547)	4,383,697
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,668,292)	(1,283,419)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(51,997)	(184,026)
Net cash provided by acquisitions	0	20,240
Proceeds from disposition of Discontinued Operations	4,132,106	0
Pre-acquisition loan to Global Health Alternatives, Inc.	0	(1,964,000)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	4,080,109	(2,127,786)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in due from officer	0	(4,904)
Decrease in Restricted Cash	250,000	8,932
Proceeds from preferred stock	5,283,000	2,200,000
Proceeds from sale of debentures	0	1,626,826
Payments of debentures	0	(355,650)
Loan origination costs - preferred stock	0	(299,299)
Proceeds from note payable and long-term debt	196,517	119,873
Payments of notes payable and long-term debt	(3,506,695)	(286,458)
Cancellation of common stock	(96,197)	0
Redemptions of preferred stock	(3,621,600)	0
NET CASH PROVIDED BY FINANCING ACTIVITIES	(1,494,975)	3,009,320
NET INCREASE (DECREASE) IN CASH	916,842	(401,885)
CASH, BEGINNING OF PERIOD	104,784	517,323
CASH, END OF PERIOD	$1,021,626	$115,438

See notes to consolidated financial statements.

</TABLE>

NATURAL HEALTH TRENDS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 1998

(UNAUDITED)

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.

EARNINGS (LOSS) PER SHARE

Basic per share information is computed based on the weighted average number of shares outstanding during the period. Prior year per share information has been restated to reflect the one for 40 reverse split which was effected in April 1998.

GAIN ON FORGIVENESS OF DEBT

During the three months ended September 30, 1998, the Company's subsidiary Global Health Alternatives, Inc.(GHA) failed to make payments to three large creditors pursuant to settlement agreements entered into earlier in the year. Accordingly, the Company reduced its realized gain on the work-out of various debt and payables of GHA by approximately $639,000 to about $870,000 year-to-date.

PREFERRED STOCK

In February 1998, the Company sold 300 shares of its convertible Series B preferred stock for $1,000 a share realizing proceeds of $261,500. As of September 30, 1998, all 300 shares of the Series B preferred stock had been converted into a total of 541,330 shares of common stock.

In April 1998, the Company sold 4,000 shares of its convertible Series C preferred stock for $1,000 a share realizing proceeds of $3,507,000. The preferred stock pays dividends at the rate of 10% per annum payable in cash or shares of the Company's common stock valued at 75% of the closing bid price. The preferred stock has a liquidation preference of $1,000 per share. The preferred stock is convertible commencing 41 days after issuance at the rate of 75% of the average closing bid price of the common stock over the five days preceding the notice of conversion. From the proceeds raised, the Company paid $2,500,000 to retire $1,568,407 face value of Series A preferred stock outstanding. As of September 30, 1998, 1,320 shares of the Series C preferred stock had been converted into a total of 1,418,912 shares of common stock.

In July 1998, the Company sold 75 shares of its convertible Series D preferred stock for

$1,000 a share realizing proceeds of $75,000. The preferred stock was redeemed at 120 percent of the stated value, plus 8% per annum dividend, in August 1998 upon the sale of the Company's vocational schools (see Note 6).

In August 1998, the Company sold 1,650 shares of its convertible Series E preferred stock for $1,000 a share realizing proceeds of $1,439,000. The preferred stock pays dividends at the rate of 10% per annum payable in cash or shares of the Company's common stock valued at 75% of the closing bid price. The preferred stock has a liquidation preference of $1,000 per share. The preferred stock is convertible commencing 60 days after issuance at the rate of 75% of the average closing bid price of the common stock over the five days preceding the notice of conversion.

CONVERSION OF NOTES PAYABLE

In August 1998, $595,000 of short-term notes payable, plus $104,113 of accrued interest thereon, were converted into 1,195,472 shares of the Company's common stock.

DISCONTINUED OPERATIONS

In August 1998, the Company sold its three vocational schools and certain related businesses. Revenues for the vocational school operations were $ 2,316,028 for the six months ended June 30, 1998 and $ 2,459,429 for the comparable period in 1997.

Following is a calculation of the gain on the disposition of the Company's vocational school operations:

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<S>	<C>	<C>
Proceeds from sale of schools:		
Cash	$1,778,333	
Market value of redeemed NHTC Stock	96,197	

		$1,874,530
Less book value of school assets transferred:		
Cash	$(50,710)	
Restricted Cash	256,577	
Accounts Receivable	1,697,777	
Inventories	398,953	
Prepaid Expenses	110,757	
Property Plant & Equipment	161,335	
Deposits & Other Assets	112,491	

		(2,687,180)
Add liabilities assumed by purchaser:		
Accounts Payable	$578,076	
Accrued Expenses	374,852	
Revolving Credit Line	227,953	
Deferred Revenue	1,115,983	
Other Current Liabilities	110,359	
Long-Term Debt	152,026	

		2,559,249
Less Goodwill written off		(322,220)

Gain from sale of schools		$1,424,379
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</TABLE>

In November 1998, the Company sold an office building located in Pompano Beach, Florida that previously accommodated the Company's corporate headquarters and one of its vocational schools. Following is a calculation of the estimated loss on the disposition of the building:

Proceeds from sale of building	$2,900,000
Less estimated closing costs	(314,000)
Less net book value of assets transferred	(3,261,000)
Less write off of deferred financing costs	(154,000)

Estimated Loss from sale of building	($829,000)
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The Company has realized the estimated loss on building sale during the current quarter under Discontinued Operations. Also, the assets and liabilities related to the building, including the long-term mortgage debt obligation, have been reclassified as Net Assets Held for Disposal of $248,951 and are included in Other Assets as of September 30, 1998.

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 publicly release the result of any revisions which may be made to any forward- looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

Results of Operations

NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

Prior to August 1997, the Company's operations consisted entirely of medical clinics and vocational schools. Upon the acquisition of Global Health Alternatives, Inc. (GHA) on July 23, 1997, the Company began to market and distribute a line of natural, over-the-counter homeopathic pharmaceutical products. The Company subsequently discontinued its medical clinic line of business during the third quarter of 1997, and sold the schools in August 1998.

For most of the nine month period ended September 30, 1997, the Company's current ongoing line of business (GHA natural products) was not in operation, not having been acquired until July 1997. Accordingly, comparison of year-to-date Revenues, Cost of Sales, and Selling, General & Administrative Expenses between 1998 and 1997 is not meaningful. The discussion below includes comparisons of operations for the quarter ended September 30, 1998 with the three immediately preceding quarters - the only previous quarters which include a full three months of GHA operations.

Revenues:

Total revenues for continued operations for the quarter ended September 30, 1998 were $168,650, as compared to quarterly revenues of $402,947, $429,884 and $455,969 (excluding the $142,555 proceeds from a truck theft settlement) for the three preceding quarters. The current quarter's decrease of 61 percent from the prior three quarters' average is primarily attributable to a decrease in sales of the Company's Natural Relief 1222 product to mass market and major drug chain stores. Prior to the current quarter, sales of Natural Relief 1222 had been comprised primarily of major account customers' opening fill orders, which typically are significantly larger than reorders. Unlike in previous quarters, there were no opening fill order sales of Natural Relief 1222 to major account customers during the third quarter of 1998.

Cost of Sales:

Cost of Sales for the quarter ended September 30, 1998 were $59,852 (35.5% of revenues), as compared to $111,255 (27.6% of revenues), $112,099 (26.1% of revenues) and $249,961 (41.8% of revenues) for the three preceding quarters. The increase in Cost of Sales as a percentage of revenues that occurred in the most recent quarter is attributable to a substantial decrease in sales of Natural Relief 1222, which has a higher margin than the Company's other products, and higher shipping costs as a percentage of revenues. Cost of Sales in the quarter ended December 31, 1997 were significantly higher due to higher royalty costs and year end inventory write-downs.

Selling, General and Administrative Expenses:

Selling, general and administrative expenses for the quarter ended September 30, 1998 were $772,862, as compared to $858,325 $839,125 and $1,826,870 for the three preceding quarters. The decrease in the most recent quarter is due primarily to reduced spending on advertising, selling and promotion, and to lower overhead costs. The higher cost structure in place during the quarter ended December 31, 1997 included operations in the United Kingdom and a retail operation that were discontinued in December 1997 and January 1998, respectively, as well as significantly higher advertising costs (by approximately $525,000) and minimum royalty charges (of $139,661) that were eliminated effective December 31, 1997.

Interest Expense:

Interest expense for the nine months ended September 30, 1998 was $336,314 as compared to $715,542 for the comparable period in 1997. Excluding the amortization of notes payable discount (related to the Company's convertible debentures) which amounted to $433,333 in 1997, interest expense increased by 19 percent. The increase is due to the interest payable on GHA's pre-acquisition notes, partially offset by a reduction in the parent company's interest expense, resulting from the conversion of its convertible debentures in the fourth quarter of 1997 and January 1998.

Discontinued Operations:

In October 1997, the Company closed its medical clinic located in Boca Raton, Florida. In February 1998, the Company sold its remaining medical clinic in Pompano Beach, Florida. All anticipated losses on these discontinued operations were reflected in the fiscal year ended December 31, 1997. In August 1998, the Company sold its three vocational schools and certain related businesses, recognizing a gain of $1,424,379 from the sale. In November 1998, the Company sold an office building which previously accommodated its corporate headquarters and one of its schools, realizing an estimated loss of $829,000 which was reflected in the quarter ended September 30, 1998.

Gain on Forgiveness of Debt:

During the three months ended September 30, 1998, the Company's subsidiary Global Health Alternatives, Inc.(GHA) failed to make payments to three large creditors pursuant to settlement agreements entered into earlier in the year. Accordingly, the Company reduced its realized gain on the work-out of various debt and payables of GHA by approximately $639,000 to approximately $870,000.

Net Income (Loss):

For the nine months ended September 30, 1998, the net loss was $656,745, as compared to a net loss of $5,667,116 for the corresponding period in 1997. The decrease in net loss is primarily attributable to lower interest expense, Discontinued Operations and the Extraordinary Gain.

Liquidity and Capital Resources

The Company has funded its working capital and capital expenditure requirements from cash provided through borrowing from institutions and individuals, and from the sale of the Company's securities in private placements. The Company's other ongoing source of cash receipts has been from the sale of GHA's products.

In February 1998, the Company issued $300,000 face amount of Series B convertible preferred stock, net of expenses of $38,500.

In April 1998, the Company issued $4,000,000 face amount of Series C convertible preferred stock, net of expenses of $493,000. The preferred stock pays a dividend of 10% per annum and is convertible into common stock at 75% of the market value of the common stock, commencing 41 days after issuance. From the proceeds raised, the Company paid $2,500,000 to retire $1,568,407 face value of Series A preferred stock outstanding.

In July 1998, the Company issued $75,000 face amount of Series D convertible preferred stock .

In August 1998, the Company issued $1,650,000 face amount of Series E convertible preferred stock, net of expenses of $211,000. The preferred stock pays dividends of 10% per annum and is convertible into common stock valued at 75% of the market value of the common stock.

In August 1998, the Company sold its three vocational schools and certain related businesses for $1,778,333 and other consideration. From the school sale proceeds, the Company paid $1,030,309 to retire the remaining $631,593 face value of Series A preferred stock outstanding, and $91,291 to redeem all of the Series D preferred stock outstanding. The remaining proceeds were used to pay down notes payable.

At September 30, 1998 the ratio of current assets to current liabilities was .63 to 1.0. There was a working capital deficit of $1,154,284.

Cash used by operations for the nine months ended September 30, 1998 was $1,668,292, attributable to the net loss of $656,745 and significant reductions in accounts payable and accrued expenses. Capital expenditures used $51,997 of cash.

The Company anticipates that further additional financing will be required to finance the Company's continued operations during the next six months, principally to fund the continued development and growth of GHA's product sales and to finance any acquisitions. Management has revised its business plan of marketing development and support for GHA's products, decreasing its emphasis on mass market advertising. Instead, the Company plans to use its resources for the development of other less capital-intensive distribution channels (e.g., multi-level marketing), possibly via acquisition. If the Company is successful in completing an acquisition, of which there can be no assurance, management expects that an additional $1.0 to $2.0 million in debt or equity financing will need to be obtained. The Company is in the process

of negotiating debt settlements with several of GHA's creditors. If the Company is unable to reduce these debt obligations, an additional $0.5 to $1.0 million in financing will need to be obtained. There can be no assurance that the Company will be able to secure such additional debt or equity financing. The failure of the Company to obtain additional financing would have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On July 13, 1998, Preferred Real Estate Investments, Ltd. commenced an action in the Circuit Court of Florida, in and for Palm Beach County, for unpaid rent against the Company and its wholly-owned subsidiary. The Company claims that there was a settlement and that there are no additional amounts due to the landlord.

Item 2. Changes in Securities and Use of Proceeds

In February 1998, the Company sold 300 shares of its convertible Series B preferred stock for $1,000 a share realizing net proceeds of $261,500 pursuant to Regulation S. As of September 30, 1998, all 300 shares of the Series B preferred stock had been converted into a total of 541,330 shares of common stock.

In April 1998, the Company sold 4,000 shares of its convertible Series C preferred stock for $1,000 a share realizing net proceeds of $3,507,000 pursuant to Regulation S. From the proceeds raised, the Company paid $2,500,000 to retire $1,568,407 face value of Series A preferred stock outstanding. As of September 30, 1998, 1,320 shares of the Series C preferred stock had been converted into a total of 1,418,912 shares of common stock. On October 1, 1998, an additional 975 shares of Series C preferred stock were converted into 832,182 shares of common stock.

In July 1998, the Company sold 75 shares of series D preferred stock to two investors in a private placement under section 4(2) and/or Regulation D of the Securities Act of its convertible Series D preferred stock for $1,000 a share realizing net proceeds of $75,000. The preferred stock was redeemed at 120 percent of the stated value, plus 8% per annum dividend, in August 1998 upon the sale of the Company's vocational schools. The proceeds were used for working capital.

In August 1998, $595,000 of short-term notes payable, plus $104,113 of accrued interest thereon, were converted into 1,195,472 shares of common stock.

In August 1998, the Company sold 1,650 shares of its convertible Series E preferred stock for $1,000 a share realizing net proceeds of $1,439,000 in a private placement under section 4(2) and/or Regulation D of the Securities Act. The preferred stock pays dividends at the rate of 10% per annum payable in cash or shares of the Company's common stock valued at 75% of the closing bid price. The preferred stock has a liquidation preference of $1,000 per share. The preferred stock is convertible commencing 60 days after issuance at the rate of 75% of the average closing bid price of the common stock over the five days preceding the notice of conversion. The proceeds were utilized for working capital.

Item 3. Defaults upon Senior Securities

None.

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

On July 24, 1998, the Company held an annual meeting of its stockholders. The stockholders voted to approve and ratify the following:

The election of Sir Brian Wolfson, Neal R. Heller, Elizabeth S. Heller, Martin C. Licht and Dirk D. Goldwasser to the Board of Directors.

The retention of Feldman Sherb Ehrlich & Co., P.C. as the Company's independent auditors for the year ended December 31, 1998. The shares of Common Stock were voted as follows: 1,154,400 voted for ratification; 5,736 voted against ratification; and 310 abstained.

The Company's 1998 Stock Option Plan. The shares of Common Stock were voted as follows: 650,541 voted for approval; 16,856 voted against approval; and 858 abstained.

The sale of the Company's three vocational schools and certain related businesses to a Florida corporation controlled by Neal R. Heller and Elizabeth S. Heller, both of whom are officers, directors and principal stockholders of the Company, for a purchase price of approximately $1,800,000. The shares of Common Stock were voted as follows: 658,666 voted for ratification; 9,327 voted against ratification; and 262 abstained.

An increase in the number of authorized shares of Common Stock from 5,000,000 to 50,000,000 shares. The shares of Common Stock were voted as follows: 649,407 voted for approval; 20,470 voted against approval; and 835 abstained.

The conversion of 4,000 shares of Series C Preferred Stock issued in the Company's April 1998 private placement into shares of Common Stock pursuant to the terms of such preferred stock, to the extent that the number of shares of Common Stock issued exceeds 20 percent of the total number of Common shares then outstanding. The shares of Common Stock were voted as follows: 651,099 voted for approval; 14,470 voted against approval; and 2,686 abstained.

The conversion of $595,000 of the Company's 12.5% promissory notes and the interest thereon into the number of shares of Common Stock equal to the principal and accrued interest thereon divided by 85% of the closing bid price of the Common Stock for five consecutive trading days ending on May 15, 1998. The shares of Common Stock were voted as follows: 662,209 voted for approval; 5,736 voted against approval; and 310 abstained.

Item 5. Other Information

On August 4, 1998, the Company sold three vocational schools pursuant to the agreement dated April 29, 1998 by and among Natural Health Trends Corp., Neal R. Heller and Elizabeth S. Heller and Florida College of Natural Health, Inc. for a purchase price of $1,783,333 plus 79,175 shares of Company common stock with a market value of $96,197, together with the assumption of certain liabilities. See Note 6 to Financial Statements.

In October 1998, the Company received notification from NASDAQ that the Company's common stock will continue to be listed on the NASDAQ Small Cap market, subject to the Company demonstrating continued compliance with the NASDAQ listing requirements through February 1, 1999.

In November 1998, the Company sold an office building located in Pompano Beach, Florida for a purchase price of $2.9 Million.

Item 6. Exhibits and Other Reports on Form 8-K

The Company filed a current report of form 8-K on September 8, 1998, disclosing the signing of a letter of intent between the Company and Kaire International, Inc., in which the Company has agreed to acquire all of the assets of Kaire for a contemplated purchase price of $6,610,000. The closing of the acquisition is subject to, among other conditions, the Kaire assets being in satisfactory condition to Company management.

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/Roger Guerin
Roger Guerin
Chief Financial Officer

Date: November 19, 1998

<TABLE>
<CAPTION>
NATURAL HEALTH TRENDS CORP. EXHIBIT INDEX

<S> <C>

Number	Description of Exhibit
2.1	Assets Purchase Agreement dated April 29, 1998 by and among Natural Health Trends Corp., Neal R. Heller & Elizabeth S. Heller and Florida College of Natural Health, 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	Registration Rights Agreement dated July 23, 1997 by and among the Company, Global and the Global Stockholders.+
4.9	Agreement as to Transfers dated July 23, 1997 by and between Capital Development, S.A. and the Company.+
4.10	Articles of Amendment of Articles of Incorporation of the Company.***
4.11	Florida Statutes Sections 607.1301, 607.1302, 607.1320 Regarding Appraisal Rights. #
4.12	Articles of Amendment of Articles of Incorporation Series C Preferred Stock. ##
4.13	Articles of Amendment of Articles of Incorporation Series E Preferred Stock. ##
10.1	Agreement among Natural Health Trends Corp. Health Wellness Nationwide Corp., Samantha Haimes and Leonard Haimes.++
10.10	Agreement among Natural Health Trends Corp. Health Wellness Nationwide Corp., Samantha Haimes and Leonard Haimes.

Number	Description of Exhibit
27.1	Financial Data Schedule.

* Previously filed with the Company's Registration Statement No. 33-991184.

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

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

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

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

+++ Previously filed with the Company's Registration Statement No. 333-35935.

\# Previously filed with the Company's Proxy Statement on Schedule 14A, dated May 14, 1998 .

\## filed here with.

</TABLE>

EXHIBIT A

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 G.

PART G
Series E Preferred Stock

One Thousand Seven Hundred Twenty (1,720) of the 1,500,000 authorized shares of Preferred Stock of the Corporation shall be designated Series E Preferred Stock (the "Series E 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 E 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 E Preferred Stock shall be offered at a purchase price of One Thousand Dollars ($1,000) per share.

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

B. Dividends.

Holders of the shares of Series E Preferred Stock shall be entitled to receive out of the assets of the Corporation legally available therefor cash dividends at the rate of 10% of the Stated Value per annum, payable upon the conversion of the shares of Common Stock. Such dividend shall be payable in shares of 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 the lower of (i) the Closing Bid Price, as hereinafter defined, on the date of issuance (the "Fixed Conversion Price") or (ii) 75% of the Closing Bid Price, for the five (5) trading days preceding the Notice Date, as hereinafter defined.

C. Liquidation Preference.

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 E 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 junior to the Series E Preferred Stock, an amount per share equal to the sum of (i) the Stated Value and (ii) an amount equal to ten percent (10%) 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 E 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 E Preferred Stock and the Holders of any other series of Preferred Stock with a liquidation preference equal to the liquidation preference of the Series E Preferred Stock the full amounts to which they shall respectively be entitled, the Holders of shares of the Series E Preferred Stock and the Holders of any other series of Preferred Stock with a liquidation preference equal to the liquidation preference of the Series E Preferred Stock shall receive all the assets of the Corporation available for distribution and each such Holder of the Series E Preferred Stock and the Holders of any other series of preferred stock with a liquidation preference equal to the liquidation preference of the Series E 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 E Preferred Stock of the full amount to which they shall be entitled, as aforesaid, the Holders of shares of the Series E 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 E Preferred Stock.

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

1. Right to Convert. Each share of Series E 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 E Preferred Stock each Holder of Series E 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 shares of Series E Preferred Stock for which conversion is elected, shall accompany 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 E 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.

3. Lost or Stolen Certificates. Upon receipt by the Corporation of evidence of the loss, destruction, theft or mutilation of any Series E 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 E Preferred Stock Certificates of like tenor and date. However, the Corporation shall not be obligated to re-issue such lost or stolen Series E Preferred Stock Certificates if the Holder thereof contemporaneously requests the Corporation to convert such Series E Preferred Stock into Common Stock, in which event the Corporation shall be entitle to rely on an affidavit of loss, destruction or theft of the Series E 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 E Preferred Stock shall become convertible into shares of Common Stock at any time commencing sixty (60) days after the issuance of the shares of Series E Preferred Stock.

5. Conversion Formula/Conversion Price. Each share of Series E Preferred Stock shall be convertible into the number of Conversion Shares based upon a conversion price (the "Conversion Price") equal to the lower of (i) the Closing Bid Price of the Common Stock on the date of issuance of the shares of Series E Preferred Stock or (ii) 75% 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") as reported by Bloomberg, LP, or if no longer traded thereon, the closing bid price on the principal national securities exchange on which the Common Stock is so traded.

(a) In the event that the Corporation shall at any time after the date of issuance of the Series E Preferred Stock: (i) declare a dividend on the outstanding Common Stock payable in shares of its capital stock; (ii) subdivide the outstanding Common Stock; (iii) combine the outstanding Common Stock into a smaller number of shares; or (iv) issue any shares of its capital stock by reclassification of the Common Stock (including any such reclassification in connection with a consolidation or merger in which the Corporation is the

continuing corporation), then, in each case, the Fixed Conversion Price per share in effect at the time of the record date for the determination of stockholders entitled to receive such dividend or distribution or of the effective date of such subdivision, combination, or reclassification shall be adjusted so that it shall equal the price determined by multiplying such Fixed Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such action, and the denominator of which shall be the number of shares of Common Stock outstanding after giving effect to such action. Such adjustment shall be made successively whenever any event listed above shall occur and shall become effective at the close of business on such record date or at the close of business on the date immediately preceding such effective date, as applicable.

6. Automatic Conversion. Each share of Series E Preferred Stock outstanding twenty four (24) months from the date of issuance automatically shall be converted into Common Stock based upon 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 E 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. Limitation on the Issuance of shares of Common Stock. In no event shall the Corporation be required to issue more than 20% of the number of shares of Common Stock outstanding on the date of issuance of the Series E Preferred Stock upon the conversion of the shares of Series E Preferred Stock unless the stockholders of the Corporation approve the issuance of additional shares of Common Stock upon the conversion of the shares of Series E Preferred Stock or The NASDAQ Stock Market, Inc. ("NASDAQ") waives the requirements of Market Place Rule 4460(i)(1)(D). In the event that 20% of the number of shares of Common Stock outstanding on the date of issuance of the Series E Preferred Stock have been issued upon the conversion of the Series E Preferred Stock, and (i) NASDAQ has not waived the requirements of Market Place Rule 4460(i)(1)(D) or (ii) the stockholders have not approved the issuance of additional shares of Common Stock, then any shares of Series E Preferred Stock that remain unconverted shall, at the election of the Holder, be redeemed by the Corporation at a redemption price equal to 133% percent of the sum of (i) the face amount of the shares of Series E Preferred Stock and (ii) an amount equal to any accrued and unpaid dividends thereon, within five (5) business days of the Holder's election. The Corporation agrees to take such corporate action as may be necessary to obtain the approval of the stockholders to issue additional shares

of Common Stock upon the conversion of the shares of Series E Preferred Stock.

9. Conversion Defaults.

(a) In the event that the Conversion Shares are not delivered per the written instructions of the Holder, within five (5) business days after the Notice Date, then in such event the Corporation shall pay to Holder one percent (1%) of the Stated Value in cash or shares of Common Stock, based upon the Conversion Price, at the option of the Purchaser, of the

shares of Series E Preferred Stock being converted per each day after the fifth business day following the Notice Date that the certificates for 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 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 cash payments in immediately available funds or issue such shares of Common Stock incurred under this Section 9 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 or cancel the conversion for the Corporation's failure to issue and deliver Common Stock to the Holder within ten (10) 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.

10. Lack of Authorized Shares. 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 E 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 E 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 E 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 E Preferred Stock payments for a Conversion Default ("Conversion Default Payments") in the amount of (N/365) x (.24) x the initial Stated Value of the outstanding and/or tendered but not converted shares of Series E 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 E 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 E 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 shares of

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 of the calendar month following the month in which the Authorization Notice was received, until the expiration of the twenty four month (24) 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. Limitation on Conversion. 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 E Preferred Stock in excess of that number of shares of Series E Preferred Stock upon conversion of which the sum of(l) 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 E Preferred Stock), and (2) the number of shares of Common Stock issuable upon the conversion of the shares of Series E 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 E 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 E Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series E 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 E Preferred Stock shall have no voting power whatsoever, and no Holder of Series E 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 E Preferred Stock are outstanding, the Corporation shall not, without first obtaining the approval (by vote or written consent, as provided by Jaw) of the Holders of at least seventy-five percent (75%) of the then outstanding shares of Series E Preferred Stock:

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

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 E 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

3. enter into a merger in which the Corporation is not the surviving corporation; provided, however, that the provisions of this subparagraph (3) shall not be applicable to any such merger if the authorized capital stock of the surviving corporation immediately after such merger shall include only

classes or series of stock for which no such consent or vote would have been required pursuant to this section if such class or series had been authorized by the Corporation immediately prior to such merger or which have the same rights, preferences and limitations and authorized amount as a class or series of stock of the Corporation authorized (with such consent or vote of the Series E Preferred Stock) prior to such merger and continuing as an authorized class or series at the time thereof.

G. Status of Converted Stock. In the event any shares of Series E Preferred Stock shall be converted as contemplated by this Article IV, the shares so converted shall be canceled, shall return to the status of authorized but unissued Preferred Stock of no designated class or series, and shall not be issuable by the Corporation as Series E Preferred Stock.

H. Taxes. All shares of Common Stock issued upon conversion of Series E Preferred Stock will be validly issued, fully paid and nonassessable. The Corporation shall pay any and all documentary stamp or similar issue or transfer taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of Series E Preferred Stock pursuant hereto. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the Series E Preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such transfer has paid to the Corporation the amount of any such tax or has established to the satisfaction of the Corporation that such tax has been paid or that no such tax is payable. The Corporation shall adjust the amount of dividends paid or accrued so as to indemnify the Holders of Series E Preferred Stock against any withholding or similar tax in respect of such dividends.

II. These Articles of Amendment of Articles of Incorporation were adopted by the Board of Directors without shareholder action and shareholder action was not required on August __, 1998.

Signed on August ___, 1998

NATURAL HEALTH TRENDS CORP.

By: Sir Brian Wolfson
Name: Sir Brian Wolfson
Title: Chairman

EXHIBIT A

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 G.

PART G
Series E Preferred Stock

One Thousand Seven Hundred Twenty (1,720) of the 1,500,000 authorized shares of Preferred Stock of the Corporation shall be designated Series E Preferred Stock (the "Series E 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 E 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 E Preferred Stock shall be offered at a purchase price of One Thousand Dollars ($1,000) per share.

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

B. Dividends.

Holders of the shares of Series E Preferred Stock shall be entitled to receive out of the assets of the Corporation legally available therefor cash dividends at the rate of 10% of the Stated Value per annum, payable upon the conversion of the shares of Common Stock. Such dividend shall be payable in shares of 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 the lower of (i) the Closing Bid Price, as hereinafter defined, on the date of issuance (the "Fixed Conversion Price") or (ii) 75% of the Closing Bid Price, for the five (5) trading days preceding the Notice Date, as hereinafter defined.

C. Liquidation Preference.

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 E 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 junior to the Series E Preferred Stock, an amount per share equal to the sum of (i) the Stated Value and (ii) an amount equal to ten percent (10%) 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 E 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 E Preferred Stock and the Holders of any other series of Preferred Stock with a liquidation preference equal to the liquidation preference of the Series E Preferred Stock the full amounts to which they shall respectively be entitled, the Holders of shares of the Series E Preferred Stock and the Holders of any other series of Preferred Stock with a liquidation preference equal to the liquidation preference of the Series E Preferred Stock shall receive all the assets of the Corporation available for distribution and each such Holder of the Series E Preferred Stock and the Holders of any other series of preferred stock with a liquidation preference equal to the liquidation preference of the Series E 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 E Preferred Stock of the full amount to which they shall be entitled, as aforesaid, the Holders of shares of the Series E 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 E Preferred Stock.

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

1. Right to Convert. Each share of Series E 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 E Preferred Stock each Holder of Series E 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 shares of Series E Preferred Stock for which conversion is elected, shall accompany 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 E 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.

3. Lost or Stolen Certificates. Upon receipt by the Corporation of evidence of the loss, destruction, theft or mutilation of any Series E 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 E Preferred Stock Certificates of like tenor and date. However, the Corporation shall not be obligated to re-issue such lost or stolen Series E Preferred Stock Certificates if the Holder thereof contemporaneously requests the Corporation to convert such Series E Preferred Stock into Common Stock, in which event the Corporation shall be entitle to rely on an affidavit of loss, destruction or theft of the Series E 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 E Preferred Stock shall become convertible into shares of Common Stock at any time commencing sixty (60) days after the issuance of the shares of Series E Preferred Stock.

5. Conversion Formula/Conversion Price. Each share of Series E Preferred Stock shall be convertible into the number of Conversion Shares based upon a conversion price (the "Conversion Price") equal to the lower of (i) the Closing Bid Price of the Common Stock on the date of issuance of the shares of Series E Preferred Stock or (ii) 75% 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") as reported by Bloomberg, LP, or if no longer traded thereon, the closing bid price on the principal national securities exchange on which the Common Stock is so traded.

(a) In the event that the Corporation shall at any time after the date of issuance of the Series E Preferred Stock: (i) declare a dividend on the outstanding Common Stock payable in shares of its capital stock; (ii) subdivide the outstanding Common Stock; (iii) combine the outstanding Common Stock into a smaller number of shares; or (iv) issue any shares of its capital stock by reclassification of the Common Stock (including any such reclassification in connection with a consolidation or merger in which the Corporation is the

continuing corporation), then, in each case, the Fixed Conversion Price per share in effect at the time of the record date for the determination of stockholders entitled to receive such dividend or distribution or of the effective date of such subdivision, combination, or reclassification shall be adjusted so that it shall equal the price determined by multiplying such Fixed Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such action, and the denominator of which shall be the number of shares of Common Stock outstanding after giving effect to such action. Such adjustment shall be made successively whenever any event listed above shall occur and shall become effective at the close of business on such record date or at the close of business on the date immediately preceding such effective date, as applicable.

6. Automatic Conversion. Each share of Series E Preferred Stock outstanding twenty four (24) months from the date of issuance automatically shall be converted into Common Stock based upon 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 E 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. Limitation on the Issuance of shares of Common Stock. In no event shall the Corporation be required to issue more than 20% of the number of shares of Common Stock outstanding on the date of issuance of the Series E Preferred Stock upon the conversion of the shares of Series E Preferred Stock unless the stockholders of the Corporation approve the issuance of additional shares of Common Stock upon the conversion of the shares of Series E Preferred Stock or The NASDAQ Stock Market, Inc. ("NASDAQ") waives the requirements of Market Place Rule 4460(i)(1)(D). In the event that 20% of the number of shares of Common Stock outstanding on the date of issuance of the Series E Preferred Stock have been issued upon the conversion of the Series E Preferred Stock, and (i) NASDAQ has not waived the requirements of Market Place Rule 4460(i)(1)(D) or (ii) the stockholders have not approved the issuance of additional shares of Common Stock, then any shares of Series E Preferred Stock that remain unconverted shall, at the election of the Holder, be redeemed by the Corporation at a redemption price equal to 133% percent of the sum of (i) the face amount of the shares of Series E Preferred Stock and (ii) an amount equal to any accrued and unpaid dividends thereon, within five (5) business days of the Holder's election. The Corporation agrees to take such corporate action as may be necessary to obtain the approval of the stockholders to issue additional shares

of Common Stock upon the conversion of the shares of Series E Preferred Stock.

9. Conversion Defaults.

(a) In the event that the Conversion Shares are not delivered per the written instructions of the Holder, within five (5) business days after the Notice Date, then in such event the Corporation shall pay to Holder one percent (1%) of the Stated Value in cash or shares of Common Stock, based upon the Conversion Price, at the option of the Purchaser, of the

shares of Series E Preferred Stock being converted per each day after the fifth business day following the Notice Date that the certificates for 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 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 cash payments in immediately available funds or issue such shares of Common Stock incurred under this Section 9 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 or cancel the conversion for the Corporation's failure to issue and deliver Common Stock to the Holder within ten (10) 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.

10. Lack of Authorized Shares. 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 E 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 E 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 E 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 E Preferred Stock payments for a Conversion Default ("Conversion Default Payments") in the amount of (N/365) x (.24) x the initial Stated Value of the outstanding and/or tendered but not converted shares of Series E 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 E 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 E 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 shares of

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 of the calendar month following the month in which the Authorization Notice was received, until the expiration of the twenty four month (24) 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. Limitation on Conversion. 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 E Preferred Stock in excess of that number of shares of Series E Preferred Stock upon conversion of which the sum of(l) 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 E Preferred Stock), and (2) the number of shares of Common Stock issuable upon the conversion of the shares of Series E 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 E 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 E Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series E 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 E Preferred Stock shall have no voting power whatsoever, and no Holder of Series E 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 E Preferred Stock are outstanding, the Corporation shall not, without first obtaining the approval (by vote or written consent, as provided by Jaw) of the Holders of at least seventy-five percent (75%) of the then outstanding shares of Series E Preferred Stock:

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

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 E 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

3. enter into a merger in which the Corporation is not the surviving corporation; provided, however, that the provisions of this subparagraph (3) shall not be applicable to any such merger if the authorized capital stock of the surviving corporation immediately after such merger shall include only

classes or series of stock for which no such consent or vote would have been required pursuant to this section if such class or series had been authorized by the Corporation immediately prior to such merger or which have the same rights, preferences and limitations and authorized amount as a class or series of stock of the Corporation authorized (with such consent or vote of the Series E Preferred Stock) prior to such merger and continuing as an authorized class or series at the time thereof.

G. Status of Converted Stock. In the event any shares of Series E Preferred Stock shall be converted as contemplated by this Article IV, the shares so converted shall be canceled, shall return to the status of authorized but unissued Preferred Stock of no designated class or series, and shall not be issuable by the Corporation as Series E Preferred Stock.

H. Taxes. All shares of Common Stock issued upon conversion of Series E Preferred Stock will be validly issued, fully paid and nonassessable. The Corporation shall pay any and all documentary stamp or similar issue or transfer taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of Series E Preferred Stock pursuant hereto. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the Series E Preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such transfer has paid to the Corporation the amount of any such tax or has established to the satisfaction of the Corporation that such tax has been paid or that no such tax is payable. The Corporation shall adjust the amount of dividends paid or accrued so as to indemnify the Holders of Series E Preferred Stock against any withholding or similar tax in respect of such dividends.

II. These Articles of Amendment of Articles of Incorporation were adopted by the Board of Directors without shareholder action and shareholder action was not required on August __, 1998.

Signed on August ___, 1998

NATURAL HEALTH TRENDS CORP.

By: Sir Brian Wolfson
Name: Sir Brian Wolfson
Title: Chairman

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