

K48563

CAPITOL SERVICES d/b/a
PARALEGAL & ATTORNEY SERVICE BUREAU, INC.

(Requestor's Name)

1406 Hays Street, Suite 2

(Address)

Tallahassee, FL 32301 (904) 656-3992

(City, State, Zip)

(Phone #)

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CORPORATION NAME(S) & DOCUMENT NUMBER(S) (if known):

1. Natural Health Trends Corp. K48563
(Corporation Name) (Document #)
2. _____
(Corporation Name) (Document #)
3. _____
(Corporation Name) (Document #)
4. _____
(Corporation Name) (Document #)

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<input type="checkbox"/>	Domestication
<input type="checkbox"/>	Other

AMENDMENTS	
<input checked="" type="checkbox"/>	Amendment
<input type="checkbox"/>	Resignation of R.A., Officer/Director
<input type="checkbox"/>	Change of Registered Agent
<input type="checkbox"/>	Dissolution/Withdrawal
<input type="checkbox"/>	Merger

02-18-98

OTHER FILINGS	
<input type="checkbox"/>	Annual Report
<input type="checkbox"/>	Fictitious Name
<input type="checkbox"/>	Name Reservation

REGISTRATION/ QUALIFICATION	
<input type="checkbox"/>	Foreign
<input type="checkbox"/>	Limited Partnership
<input type="checkbox"/>	Reinstatement
<input type="checkbox"/>	Trademark

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Examiner's Initials

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ARTICLES OF AMENDMENT OF
ARTICLES OF INCORPORATION
OF
NATURAL HEALTH TRENDS CORPORATION

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

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

PART D
Series B Preferred Stock

Three hundred (300) of the 1,500,000 authorized shares of Preferred Stock of the Company shall be designated Series B Preferred Stock (the "Series B Shares") and shall possess the rights and privileges set forth below:

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

1. Each Series B Share 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 B Shares shall be offered at a purchase price of One Thousand Dollars (\$1,000) (the "Stated Value").

3. Certificates representing the Series B Shares purchased shall be issued by the Company to the purchasers immediately upon acceptance of the subscriptions to purchase such shares.

B. Voting Rights. Except as otherwise required by law, the holders of the Series B Shares shall not be entitled to vote separately, as a series or otherwise, on any matter submitted to a vote of the shareholders of the Company. Notwithstanding the foregoing, without the prior written consent of the holders of the Series B Shares:

(i) the Company shall not amend, alter, or repeal (whether by amendment, merger, or otherwise) any of the provisions related to the Series B Shares of its Articles of Incorporation, as amended, any resolutions of the board of directors or any instrument establishing and designating the Series B Shares in determining the relative rights and preferences thereof so as to affect any materially adverse change in the rights, privileges, powers, or preferences of the holders of Series B Shares; or

(II) the Company shall not create or designate any additional preferred stock senior in right as to dividends, voting rights, redemptions or liquidation to the Series B Shares.

C. Dividends. The holders of the Series B Shares shall be entitled to receive a 10% cumulative dividend payable at the earlier of the one year anniversary of the issuance of the Series B Shares or the date of each conversion (the "Dividend Payment Date"). The dividend shall be payable in shares of Common Stock of the Company. In the event that the Shares of Common Stock may be issued pursuant to the exemption from registration under Regulation S, then the Company will issue such shares of Common Stock thereunder and the holder shall furnish the Company with representations and warranties necessary to comply with the requirements of Regulation S. Such dividends shall be payable in preference to dividends on any Common Stock or stock of any class ranking, as to dividend rights, junior to the Series B Shares. The number of shares of the Company's Common Stock to be received shall be determined by dividing the dollar amount of the dividend by the then applicable Market Price, as of the Dividend Payment Date. "Market Price" shall mean the lesser of (i) the two day average closing bid price, as reported by Bloomberg, LP for the two trading days immediately preceding the Closing Date or (ii) seventy percent (70%) of the 3 day average closing bid price, as reported by Bloomberg, LP for the 3 trading days immediately preceding the applicable Dividend Payment Date (the "Conversion Price"). The Common Stock shall be delivered to the holder, or per holder's instructions, within 5 business days of the Dividend Payment Date. Dividends shall be fully cumulative and shall accrue (whether or not declared and whether or not there shall be funds legally available for the payment of dividends), without interest, and shall be payable on the Dividend Payment Date.

D. Conversion Rights.

(a) Series B Shares. Upon the Company's receipt of a facsimile or original of holder's signed Notice of Conversion, the Company shall instruct its transfer agent to issue one or more Certificates representing that number of shares of Common Stock into which the Series B Shares are convertible in accordance with the provisions regarding conversion set forth in the Subscription Agreement. The Company's transfer agent or attorney shall act as Registrar and shall maintain an appropriate ledger containing the necessary information with respect to each Series B Share.

(b) Conversion Date. Such conversion shall be effectuated by surrendering to the Company, or its attorney, the Series B Shares to be converted together with a facsimile or original of the signed Notice of Conversion which evidences holder's intention to convert those Series B Shares indicated. The date on which the Notice of Conversion is effective ("Conversion Date") shall be deemed to be the date on which the holder has delivered to the Company a facsimile or original of the signed Notice of Conversion, as long as the original Series B Shares to be converted are received by the Company or its designated attorney within 5

business days thereafter. As long as the Series B Shares to be converted are received by the Company within 5 business days after it receives a facsimile or original of the signed Notice of Conversion, the Company shall deliver to the holder, or per the holder's instructions, the shares of Common Stock, with restrictive legends as set forth in this Agreement, within 3 business days of receipt of the Series B Shares to be converted.

(c) *Common Stock to be Issued Without Restrictive Legend.* Upon the conversion of any Series B Shares and upon receipt by the Company or its attorney of a facsimile or original of holder's signed Notice of Conversion, the Company shall instruct Company's transfer agent to issue Stock Certificates without restrictive legends in the name of holder (or its nominee) and in such denominations to be specified at conversion representing the number of shares of Common Stock issuable upon such conversion, as applicable. Company warrants that no instructions, other than these instructions, have been given or will be given to the transfer agent and that the Common Stock shall otherwise be freely transferable on the books and records of Company.

(d) *Conversion Rate.* Commencing sixty days from the date of issuance, holder is entitled to convert the entire face amount of the Series B Shares, plus accrued interest at the lesser of (i) the two day average closing bid price, as reported by Bloomberg, LP for the two trading days immediately preceding the Closing Date or (ii) seventy percent (70%) of the 3 day average closing bid price, as reported by Bloomberg, LP for the 3 trading days immediately preceding the applicable Conversion Date (the "Conversion Price"). No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded up or down, as the case may be, to the nearest whole share.

The Series B Shares are subject to a mandatory, 24 month conversion feature at the end of which all Series B Shares outstanding will be automatically converted, upon the terms set forth in this section ("Mandatory Conversion Date").

(e) Nothing contained in the Subscription Agreement shall be deemed to establish or require the payment of interest to the holder at a rate in excess of the maximum rate permitted by governing law. In the event that the rate of interest required to be paid exceeds the maximum rate permitted by governing law, the rate of interest required to be paid thereunder shall be automatically reduced to the maximum rate permitted under the governing law and such excess shall be returned with reasonable promptness by the holder to the Company.

(f) It shall be the Company's responsibility to take all necessary actions and to bear all such costs to issue the certificates of Common Stock as provided herein, including the responsibility and cost for delivery of an opinion letter to the transfer agent, if so required. The person in whose name the certificate of Common Stock is to be registered shall be treated as a shareholder of record on and after the

conversion date. Upon surrender of any Series B Shares that are to be converted in part, the Company shall issue to the holder a new Series B Shares equal to the unconverted amount, if so requested by holder.

(g) In the event the Common Stock is not delivered per the written instructions of the holder, within 5 (five) business days after the Conversion Date, then in such event the Company shall pay to holder one percent (1%) in cash, of the dollar value of the Series B Shares being converted per each day after the fifth business day following the Conversion Date that the Common Stock is not delivered.

The Company acknowledges that its failure to deliver the Common Stock within 5 business days after the Conversion Date will cause the holder to suffer damages in an amount that will be difficult to ascertain. Accordingly, the parties agree that it is appropriate to include in the Subscription Agreement a provision for liquidated damages. The parties acknowledge and agree that the liquidated damages provision represents the parties' good faith effort to qualify such damages and, as such, agree that the form and amount of such liquidated damages are reasonable and will not constitute a penalty. The payment of liquidated damages shall not relieve the Company from its obligations to deliver the Common Stock pursuant to the terms of the Subscription Agreement.

To the extent that the failure of the Company to issue the Common Stock pursuant to this Section 4 is due to the unavailability of authorized but unissued shares of Common Stock, the provisions of this Section 3D(g) shall not apply but instead the provisions of Section 3D(h) shall apply.

The Company shall make any payments incurred under this Section 3D(g) in immediately available funds within three (3) business days from the date of issuance of the applicable Common Stock. Nothing herein shall limit a holder's right to pursue actual damages or cancel the conversion for the Company's failure to issue and deliver Common Stock to the holder within tenth (10) business days after the Conversion Date.

(h) The Company shall at all times reserve and have available all Common Stock necessary to meet conversion of the Series B Shares by all holders of the entire amount of Series B Shares then outstanding. If, at any time holder submits a Notice of Conversion and the Company does not have sufficient authorized but unissued shares of Common Stock available to effect, in full, a conversion of the Series B Shares (a "Conversion Default", the date of such default being referred to herein as the "Conversion Default Date"), the Company shall issue to the holder all of the shares of Common Stock which are available, and the Notice of Conversion as to any Series B Shares requested to be converted but not converted (the "Unconverted Series B Shares"), upon holder's sole option, may be deemed null and void. The Company shall provide notice of such Conversion Default ("Notice of Conversion Default") to all existing holders of outstanding Series B Shares, 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 Company by facsimile within five 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 Company agrees to pay to all holders of outstanding Series B Shares payments for a Conversion Default ("Conversion Default Payments") in the amount of $(N/365) \times (.24) \times$ the initial issuance price of the outstanding and/or tendered but not converted Series B Shares held by each holder where N = the number of days from the Conversion Default Date to the date (the "Authorization Date") that the Company authorizes a sufficient number of shares of Common Stock to effect conversion of all remaining Series B Shares. The Company shall send notice ("Authorization Notice") to each holder of outstanding Series B Shares 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 shall be paid in cash or shall be convertible into Common Stock at the Conversion Rate, 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 of outstanding Series B Shares by the fifth day of the following calendar month, or (ii) in the event holder elects to take such payment in stock, the holder may convert such payment amount into Common Stock at the conversion rate set forth in section 4(d) at anytime after the 5th day of the calendar month following the month in which the Authorization Notice was received, until the expiration of the mandatory 36 month conversion period.

The Company acknowledges that its failure to maintain a sufficient number of authorized but unissued shares of Common Stock to effect in full a conversion of the Series B Shares will cause the holder to suffer damages in an amount that will be difficult to ascertain. Accordingly, the parties agree that it is appropriate to include in the Subscription Agreement a provision for liquidated damages. The parties acknowledge and agree that the liquidated damages provision represents the parties' good faith effort to quantify such damages and, as such, agree that the form and amount of such liquidated damages are reasonable and will not constitute a penalty. The payment of liquidated damages shall not relieve the Company from its obligations to deliver the Common Stock pursuant to the terms of the Subscription Agreement.

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

(i) Certain Adjustments. In the event of any change in one or more classes of capital stock of the Company by reason of any stock dividend, stock split-up, recapitalization, reclassification, or combination, subdivision or exchange of shares or the like, or in the event of the merger or consolidation of the Company or the sale or transfer by the Company of all or substantially all of its assets, then all liquidation preference, conversion and other rights and

privileges appurtenant to the Series B Shares shall be promptly and appropriately adjusted by the Board of Directors of the Company so as to fully protect and preserve the same (such preservation and protection to be to the same extent and effect as if the subject event had not occurred, or the applicable right or privilege had been exercised immediately prior to the occurrence of the subject event, or otherwise as the case may be), it being the intention that, following any such adjustment, the holders of the Series B Shares shall be in the same relative position with respect to their rights and privileges as they possessed immediately prior to the event that precipitated the adjustment.

(j) Costs. The Company shall pay all documentary, stamp, transfer or other transactional taxes attributable to the issuance or delivery of shares of Common Stock upon conversion of any Series B Shares; provided that the Company shall not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares in a name other than that of the holder of the Series B Shares in respect of which such shares are being issued.

(k) Concerning the Securities. The issuance, sale and delivery of the Series B Shares and Warrants have been duly authorized by all required corporate action on the part of Company, and when issued, sold and delivered in accordance with the terms hereof and thereof for the consideration expressed herein and therein, will be duly and validly issued and enforceable in accordance with their terms, subject to the laws of bankruptcy and creditors' rights generally.

E. Prior to conversion of all the Series B Shares, if at anytime the conversion of all the Series B Shares outstanding would result in an insufficient number of shares of Common Stock being available to cover all the conversions of the balance of the remaining Series B Shares, then in such event, the Company will move to call and hold a shareholder's meeting within 45 days of such event for the sole purpose of authorizing additional Series B Shares to facilitate the conversions. In such an event the Company shall: (1) recommend its current or future officers, directors and other control people to vote their shares in favor of increasing the authorized number of shares of Common Stock and (2) recommend to all shareholders to vote their shares in favor of increasing the authorized number of shares of Common Stock. Company represents and warrants that under no circumstances will it deny or prevent holder's right to convert the Series B Shares as permitted under the terms of the Subscription Agreement entered into between the Company and the holders of the Series B Shares.

F. Liquidation.

(i) Series B Preference. Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of Series B Shares shall be entitled, before any distribution or payment is made upon any shares of Common Stock or any Preferred Stock, other than Series A Preferred Stock, junior in rank to the Series B Shares, to be paid an amount per share equal to the liquidation value described in this Section 3.E(i)

(the "Liquidation Value"). The per share Liquidation Value of the Series B Shares on any date is equal to the sum of the following:

- (A) \$1,000, plus
- (B) an amount equal to any accrued and unpaid dividends from the date of issuance of the Series B Shares.

Neither the consolidation nor merger of the Company with or into any other corporation or other entities, nor the sale, transfer or lease of all or substantially all of the assets of the Company shall itself be deemed to be a liquidation, dissolution or winding-up of the Company within the meaning of this Section 3.F. Notice of liquidation, dissolution, or winding-up of the Company shall be mailed, by overnight courier, postage prepaid, not less than 20 days prior to the date on which such liquidation, dissolution, or winding-up is expected to take place or become effective, to the holders of record of the Series B Shares at their respective addresses as the same appear on the books of the Company or supplied by them in writing to the Company for the purpose of such notice, but no defect in such notice or in the mailing thereof shall affect the validity of the liquidation, dissolution or winding-up.

(II) General.

(A) All of the preferential amounts to be paid to the holders of the Series B Shares pursuant to Section 3F(1) shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any assets of the Company to, the holders of the Common Stock or any preferred stock junior in rank to the Series B Shares in connection with such liquidation, dissolution or winding-up.

(B) After setting apart or paying in full the preferential amounts aforesaid to the holders of record of the issued and outstanding Series B Shares as set forth in Section 3F(1), the holders of record of Common Stock and any preferred stock junior in rank to the Series B Shares shall be entitled to participate in any distribution of any remaining assets of the Company, and the holders of record of the Series B Shares shall not be entitled to participate in such distribution.

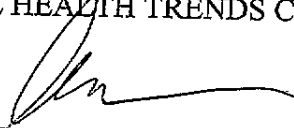
G. Reacquired Shares. Any Series B Shares redeemed, purchased, converted, or otherwise acquired by the Company in any manner whatsoever shall not be reissued as part of such Series B and shall be retired promptly after the acquisition thereof. All such Series B Shares upon their retirement and the filing of any certificate required in connection therewith pursuant to the Florida law shall become authorized but unissued shares of Preferred Stock.

H. Equality. All Series B holders shall be subject to the same terms and conditions as set forth herein. No Series B holders shall be

Signed on 17 February , 1998

NATURAL HEALTH TRENDS CORP.

By:


Name: Neal R. Heller
Title: President

entitled to or receive terms that are more favorable than those given to any other Series B holder. In the event a Series B holder is given or receives terms more favorable than those given to or received by any other Series B holder, then in such event all Series B holders shall be given and entitled to those more favorable terms.

I. Copies of Agreements, Instruments, Documents. Copies of any of the agreements, instruments or other documents referred to in this Certificate shall be furnished to any stockholder upon written request to the Company at its principal place of business.

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.

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