

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended. Accordingly, these securities may not be offered, sold or delivered in the United States and this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

Initial Public Offering

January 20, 1999

ALIVE INTERNATIONAL INC.



\$1,900,000 Maximum (2,000,000 Units)
 \$950,000 Minimum (1,000,000 Units)
 (Each Unit is comprised of one common share and
 one-half common share purchase warrant)
 and 386,100 Common Shares issuable upon the exercise
 of previously issued Special Warrants

This prospectus qualifies for distribution to the public a minimum of 1,000,000 and a maximum of 2,000,000 units (the "Units") by Alive International Inc. ("Alive" or the "Company") for \$0.95 per Unit (the "Offering"). Each Unit is comprised of one common share ("Common Share") in the capital of Alive and one-half of one common share purchase warrant ("Warrant") of Alive. Each whole common share purchase warrant will entitle the holder thereof to purchase one Common Share at a price of \$1.50 per share at any time on or before 5:00 p.m. (Toronto time) on January 31, 2001 after which date the Warrants will be null and void. This prospectus also qualifies the distribution of 386,100 common shares issuable upon the exercise of certain previously issued special warrants. This prospectus also qualifies the distribution of a non-transferable option granted the Agent (the "Over-Allotment Option") and the Units issuable on the exercise of the Over-Allotment Option and the common shares issuable upon the exercise of the common share purchase warrants forming part of the Units. On the closing of this Offering, the Agent will also be granted a non-transferable option (the "Compensation Option") to purchase such number of Units as is equal to 10% of the Units sold at the initial public offering price, exercisable in whole or in part, from time to time, for a period of 24 months following the date of closing at a price of \$0.95 per Unit. This prospectus qualifies the distribution of half of the Units issuable upon exercise of the Compensation Option and also qualifies the distribution of half of the common shares issuable upon the exercise of the broker's warrants issued to the Agent in connection with the private placement of the Special Warrants (the "First Broker's Warrants"). The Units are being offered through Rampart Securities Inc. (the "Agent") on a "best efforts" basis pursuant to the terms of an agency agreement between Alive and the Agent dated January 20, 1999 (the "Agency Agreement"). See "Plan of Distribution".

Price: \$0.95 Per Unit

	Price to the Public	Agent's Fee⁽²⁾	Net Proceeds to the Company⁽³⁾
Per Unit ⁽¹⁾	\$0.95	\$0.095	\$0.855
Minimum Offering	\$950,000	\$95,000	\$855,000
Maximum Offering	\$1,900,000	\$190,000	\$1,710,000

(1) Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant will entitle the holder thereof to purchase one common share at a price of \$1.50 per share at any time on or before 5:00 p.m. (Toronto time) on January 31, 2001 after which date the Warrants will be null and void.

- (2) The Company will pay the Agent a commission of 10% of the sale price of the Units. The Company has also granted the Agent a non-transferable option (the "Over-Allotment Option") to purchase such number of Units as is equal to 10% of the Units sold exercisable at the public offering price for a period of 60 days from the date of closing of the Offering to cover the Agent's over-allocation position, if any, as at the close of business two days after the date of closing. The Company will pay to the Agent a fee of \$0.095 per unit purchased under the Over-Allotment Option. This prospectus qualifies the distribution of the Over-Allotment Option and the Units issuable on the exercise of the Over-Allotment Option and the common shares issuable upon the exercise of the common share purchase warrants forming part of the Units. On the closing of this Offering, the Agent also will be granted a non-transferable option (the "Compensation Option") to purchase such number of Units as is equal to 10% of the Units sold at the initial public offering price, exercisable in whole or in part, from time to time, for a period of 24 months following the date of closing at a price of \$0.95 per Unit. This prospectus also qualifies the distribution of half of the Units issuable upon exercise of the Compensation Option and half of the common shares issuable upon the exercise of the broker's warrants issued to the Agent in connection with the private placement of the Special Warrants. See "Plan of Distribution".
- (3) Before deducting expenses of this issue estimated at \$80,000, including the preparation costs associated with this prospectus.

There are certain risk factors associated with an investment in the Units. An investment in these securities should be regarded as speculative. An investment in these Units should only be considered by those persons who can afford a total loss of their investment. The Company has a limited history of operations. See "Risk Factors".

There is currently no market through which the securities offered hereby may be sold. The offering price of the Units was established by negotiation between the Company and the Agent. The offering price of a Unit exceeds the net tangible book value thereof as at July 31, 1998 by \$0.69, (assuming the Maximum Offering is completed) and by \$0.78 (assuming the Minimum Offering is completed), in each case after giving effect to the Offering and the issue of Common Shares to be issued upon exercise of the Special Warrants, but without giving effect to the exercise of the Over-Allotment Option, the exercise of the Compensation Option and the exercise of the First Broker's Warrants, representing a dilution of 73% (assuming the Maximum Offering is completed) and 82% (assuming the Minimum Offering is completed) to purchasers of the Units being offered hereby. See "Dilution".

Rampart Securities Inc., as agent, conditionally offers the Units for sale on a best efforts basis, subject to prior sale, if as and when issued by the Company and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Albaum & Associates, Barristers and Solicitors, Toronto, Ontario and on behalf of the Agent by Blake, Cassels & Graydon, Barristers & Solicitors, Toronto, Ontario.

The Offering is subject to a minimum subscription of 1,000,000 Units for gross proceeds of \$950,000. While the closing is expected to take place on or before January 22, 1999 if the minimum number of subscriptions is not received within sixty (60) days of the issuance of a final receipt for this Prospectus by the Ontario Securities Commission or such other time as may be authorized by the Ontario Securities Commission and agreed to by the Agent, all subscription monies relating to this Offering (but not the offering of Special Warrants) will be returned to subscribers without interest or deduction. All subscription funds raised on the sale of the Units as part of this Offering will be held by TD Trust Company pending completion of this Offering. See "Plan of Distribution".

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that certificates representing the Common Shares and Warrants comprising the Units will be available for delivery at the closing, which is expected to occur on or about January 22, 1999, but in any event not later than January 31, 1999, (the "First Closing Date"). Additional Units (up to the maximum number of Units) may be issued after the initial closing until March 21, 1999 (each a "Subsequent Closing Date"). The First Closing Date and each Subsequent Closing Date are collectively referred to as the "Closing Date".

In the opinion of Albaum & Associates, counsel to the Company, the Units will be eligible for investment under certain statutes. See "Eligibility for Investment."

This prospectus also qualifies the distribution of 386,100 Common Shares to be issued without additional payment upon the exercise or deemed exercise of 351,000 Special Warrants issued by the Company on August 31, 1998 (the "Special Warrant Offering"). Each Special Warrant was issued at a price of \$0.50 and entitles the holder upon the exercise or deemed exercise thereof to receive one Common Share for no additional payment after August 31, 1998 and ending at 5:00 p.m. (Toronto time) (the "Expiry Time") on the earlier of: (i) five business days following the date upon which a receipt for this prospectus has been issued by the Ontario Securities Commission; and (ii) August 31, 1999. If a receipt for this prospectus is not obtained from the Ontario Securities Commission before November 29, 1998, Special Warrants exercised thereafter will entitle the holders thereof to receive without additional payment 1.10 Common Shares (in lieu of one Common Share) for each Special Warrant, subject to certain adjustments. See "Plan of Distribution".

		Net Proceeds
Total Price	Agent's	To the

	<u>to the Public</u>	<u>Commission⁽¹⁾</u>	<u>Company⁽²⁾</u>
Per Special Warrant	\$ 0.50	\$ 0.05	\$ 0.45
Total.....	\$ 175,500	\$ 17,550	\$ 157,950

- (1) Pursuant to an agency agreement dated August 31, 1998 (the "First Agency Agreement"), the Company issued to the Agent, as additional compensation, a non-assignable broker compensation warrant (the "First Compensation Warrant") entitling the Agent to acquire, for no additional consideration, broker's warrants (the "First Broker's Warrants"), entitling the Agent to acquire at any time prior to August 31, 2000 up to 35,100 Common Shares at a price of \$0.50 per Common Share. This prospectus also qualifies the distribution of fifty percent of the First Broker's Warrants issuable upon the exercise of the First Compensation Warrant and fifty percent of the Common Shares issuable upon the exercise of the First Broker's Warrants.
- (2) Before deducting expenses of the Special Warrant Offering. The expenses of the Special Warrant Offering amounted to \$35,000 which, together with the Agent's fee, were paid from the proceeds of the Special Warrant Offering.

AGENT:

Rampart Securities Inc.
55 University Avenue, Suite 1000
Toronto, Ontario M5J 2P8
Telephone: (416) 867-6000
Toll Free: 1 800 616-8858
Facsimile: (416) 867-6137

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ELIGIBILITY FOR INVESTMENT

In the opinion of Albaum & Associates, legal counsel to the Company, the Units offered under this prospectus would not, if issued on the date hereof, be precluded as investments, in each case subject to general investment provisions and, in certain cases, subject to prudent investment standards and the satisfaction of additional requirements relating to investment policies, standards, procedures or goals, under or by the following statutes and, where applicable, the regulations thereunder:

Insurance Companies Act (Canada)
Pension Benefits Standards Act (Canada)
Trust and Loan Companies Act (Canada)
Pension Benefits Act (Ontario)

In the opinion of such counsel, if and after the Company becomes a “public corporation” (as defined in the Income Tax Act (Canada)) by filing the appropriate election and complying with the requirements of the Income Tax Act (Canada) as to the dispersal of ownership of Common Shares (including a minimum of 150 shareholders each holding a “block of shares” (as defined) that have an aggregate fair market value of not less than \$500), the Common Shares and Warrants to be issued pursuant to this Offering will after such time be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans under the Income Tax Act (Canada).

There can be no assurance that the Company will become a “public corporation”. Furthermore, the Common Shares and Warrants may or may not be foreign property for purposes of Part XI of the Income Tax Act (Canada) depending upon the relevant facts.

PROSPECTUS SUMMARY

The following information is a summary only and should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this prospectus. Capitalized terms used below and not otherwise defined below have the respective meanings ascribed to them elsewhere in this prospectus.

THE COMPANY

Alive International Inc. develops, packages and markets its own line of nutritional, antioxidant, weight management, anti-arthritis and personal care products and sells these products through a growing network of independent distributors. As at December 31, 1997, the Company has developed a network of approximately 5,000 independent distributors throughout Canada.

The Company commenced its business operations under the direction of Charles Kutner, who has many years experience in network marketing health and nutritional products. Mr. Kutner directed his talents to examining the nutritional requirements of the human body and to developing products that would help improve health and the quality of life. In founding Alive, Mr. Kutner sought to develop a line of health and nutritional products that would ensure the highest quality.

Consumers have been increasingly health conscious over the last decade, as reflected in the surge of activities aimed at maintaining and improving health, including exercising, dieting and quitting smoking.

Alive distributes its products through a network marketing organization. The marketing of products and services through network marketing and other direct selling channels has grown significantly in recent years. The compensation plan developed by the Company for its distributors provides several opportunities for distributors to earn money. Each distributor is required to purchase and sell product in order to earn any compensation. Therefore, a distributor may not simply develop a "downline" sales organization or receive payment based on the recruiting of new distributors.

The distribution of products through the network marketing and other direct selling channels has grown significantly in recent years. The World Federation of Direct Selling Associations reports that, from 1990 to 1996, worldwide direct distribution of goods and services to consumers has increased by 77%, resulting in the sale of nearly \$US80 billion of goods and services in 1996.

The Company believes that it is well positioned to capitalize on the continued growth in the nutritional supplements industry. According to the Packaged Facts Report, the retail market for vitamins, minerals and other supplements (excluding sports nutrition and diet products) has grown at a compound annual growth rate ("CAGR") of 15% from \$US3.7 billion in 1992 to \$US6.5 billion in 1996. A large portion of this growth is attributable to an increase in sales of other supplements (primarily herbal products), which grew from \$US570 million in 1992 to \$US2.3 billion in 1996. According to the Packaged Facts Report, CAGRs from 1992 through 1996 for vitamins, minerals and other supplements were 8.0%, 5.2% and 41.7%, respectively. In addition, the Packaged Facts Report forecasts a 13.6% CAGR in the market for vitamins, minerals and other supplements (excluding sports nutrition and diet products), including a 25% CAGR in the market for other supplements, through 2001.

DETAILS OF THE OFFERING

Issue: A maximum of 2,000,000 Units (the “Maximum Offering”) and a minimum of 1,000,000 Units (the “Minimum Offering”), each Unit being comprised of one Common Share and one-half of one Warrant, one whole Warrant entitling the holder thereof to purchase one Common Share at a price of \$1.50 at any time on or before 5:00 p.m. (Toronto time) January 31, 2001. See “Plan of Distribution”.

The Agent will receive a commission of 10% of the gross proceeds of this Offering. As additional compensation, the Agent will be granted a Compensation Option entitling the Agent to acquire up to 10% of the Units sold at the initial public offering price, exercisable in whole or in part, from time to time, for a period of 24 months following a Closing Date at a price of \$0.95 per Unit. This prospectus qualifies the distribution of half of the Units issuable upon exercise of the Compensation Option. This prospectus also qualifies the distribution of the Over-Allotment Option and the Units issuable on the exercise of the Over-Allotment Option and the Common Shares issuable upon the exercise of the Warrants comprising part of such units. See “Plan of Distribution”.

Gross Proceeds: Maximum \$1,900,000.
Minimum \$950,000.

Price: \$0.95 per Unit.

Dilution: The offering price per Unit of this Offering of \$0.95 exceeds by, in the case of the Minimum offering, \$0.78 and, in the case of the Maximum Offering, \$0.69, the net tangible book value attributable to each Common Share as at July 31, 1998, after this issue of Units and after the issue of Common Shares to be issued upon the exercise of the Special Warrants, but without giving effect to the exercise of the Over-Allotment Option, the Compensation Option and the exercise of the First Broker’s Warrants, representing a dilution factor of 82% in the case of the Minimum Offering and 73% in the case of the Maximum Offering.

DETAILS OF SPECIAL WARRANT OFFERING

Description: 351,000 Special Warrants were issued by the Company on August 31, 1998. Each Special Warrant was issued at a price of \$0.50 and entitles the holder, upon the exercise or deemed exercise thereof, to receive one Common Share for no additional payment after August 31, 1998 and ending at 5:00 p.m. (Toronto time) on the earlier of: (i) five business days following the date upon which a receipt for this Prospectus has been issued by the Ontario Securities Commission; and (ii) August 31, 1999.

Use of Proceeds: The estimated net proceeds to be received by the Company from this offering, after deducting the Agent’s fees and estimated expenses of the Offering, will be approximately \$1,675,000 (assuming the maximum number of Units are sold) and \$775,000 (assuming the minimum number of Units are sold). In the event that the maximum number of Units are sold, the net proceeds will be used as follows: (i) as to approximately \$275,000, to fund marketing and promotion activities; (ii) as to approximately \$200,000 to purchase equipment and raw materials; (iii) as to approximately

\$100,000 to fund salary expenses for employees and the development of additional warehouse and office facilities; (iv) as to approximately \$125,000 for the development of special projects; (v) as to approximately \$50,000 for the protection and registration of intellectual property rights; (vi) as to approximately \$250,000 to enhance existing information technology systems and acquire state-of-the-art information systems; and (vii) as to approximately \$675,000 for general working capital purposes, including to fund capital expenditures in connection with the Company's expansion.

In the event that the minimum number of Units are sold, the net proceeds will be used as follows: (i) as to approximately \$150,000, to fund marketing and promotion activities; (ii) as to approximately \$100,000 to purchase equipment and raw materials; (iii) as to approximately \$50,000 to fund salary expenses for employees and the development of additional warehouse and office facilities; (iv) as to approximately \$75,000 for the development of special projects; (v) as to approximately \$50,000 for the protection and registration of intellectual property rights; (vi) as to approximately \$200,000 to enhance existing information technology systems and acquire state-of-the-art information systems; and (vii) as to approximately \$150,000 for general working capital purposes, including to fund capital expenditures in connection with the Company's expansion.

Based on the following, management of the Company is confident that all of the foregoing uses can be implemented with the net proceeds from either the minimum or maximum Offering: (i) marketing and promotional activities can be readily altered in order to conform to budgetary requirements; (ii) the purchase of equipment and raw materials can be varied depending on the Company's product development cycles; (iii) the addition of personnel and the expansion of office and warehouse facilities can be managed to satisfy the Company's ongoing needs; and (iv) the equipment available for information technology systems can be acquired on a gradual basis to satisfy the Company's needs and is readily available.

The Company may also use the net proceeds from the Offering to acquire companies or product lines that complement the Company's existing business.

In the event that more than the minimum but less than the maximum number of Units are sold, the net proceeds will be allocated between each of the above-noted items in approximately the same proportions as indicated above. See "Use of Proceeds".

The net proceeds received by the Company from the Special Warrant Offering after deducting the Agent's fees and expenses were used as follows: (i) \$5,000 for marketing production; (ii) \$10,000 for marketing materials; (iii) \$30,000 for inventory; and (iv) \$103,000 for general working capital purposes.

Dividend Policy: The Company currently intends to retain future earnings to finance the development of its business and, accordingly, does not anticipate paying dividends on its Common Shares in the foreseeable future. The payment of dividends in the future will depend upon the earnings and financial condition of the Company and such other factors as the Company's board of directors considers appropriate. See "Dividend Policy".

Risk Factors: An investment in these securities should be considered highly speculative. There is currently no market for the securities offered hereby and purchasers may not be able to resell them. An investment in the Units is subject to a number of risk factors including that the Company is in the

early stages of development and, accordingly, its business operations are subject to all the risks inherent in the establishment and maintenance of an expanding business enterprise, the Company's dependence on a small number of key management personnel, and the need for further capital to finance the maintenance and expansion of its business. An investment in the Units is also subject to a number of risk factors specific to the network marketing industry, including the risks associated with a distributor network, the reliance upon independent distributors and the high turnover rate of distributors, the Company's reliance upon distributors, the regulation and management of distributors, the actions of distributors, the effect of adverse developments in the nutritional supplements industry, product competition, the absence of any firm contracts with suppliers or manufacturers, industry competition, government regulations in the United States and Canada, the potential effects of adverse publicity, product liability, the limited availability of conclusive clinical studies, the risks associated with information technology and there can be no assurance of future industry growth. In addition, there are risks associated with the Company's narrow product line and its dependence on new products, the effect of exchange rate fluctuations, the uncertainty related to acquisitions, the control by the existing shareholders of the Company, management's ability to manage growth and variations in the operating results of the Company. There are risks associated with the Company's trademarks and other proprietary rights. The Company does not anticipate paying any dividends in the immediate future. See "Risk Factors".

Selected Financial Information

The following table sets forth selected financial information for the Company which has been derived from the financial statements of the Company. The table should be read in conjunction with the financial statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Operating Results" included elsewhere in this Prospectus.

	STATEMENT OF OPERATIONS DATA				
	Seven Months Ended			Year Ended	
	<u>31-Jul-98</u>	<u>31-Jul-97</u>	<u>31-Dec-97</u>	<u>31-Dec-96</u>	<u>31-Dec-95</u>
	(Unaudited)			(Audited)	
	\$	\$	\$	\$	\$
Revenues					
Sales	829,099	988,483	1,559,024	1,207,462	173,539
Cost of Sales	<u>190,007</u>	<u>228,269</u>	<u>336,134</u>	<u>264,122</u>	<u>49,313</u>
Gross Profit	<u>639,092</u>	<u>760,214</u>	<u>1,222,890</u>	<u>943,340</u>	<u>124,226</u>
Expenses					
Administrative	325,192	234,477	381,657	320,757	82,299
Selling	380,630	465,118	737,905	582,537	82,458
Financial	<u>15,256</u>	<u>17,092</u>	<u>25,991</u>	<u>20,812</u>	<u>4,093</u>
Net Earnings (Loss)	<u>(81,986)</u>	<u>43,527</u>	<u>77,337</u>	<u>19,234</u>	<u>(44,624)</u>

BALANCE SHEET DATA

	As at				
	<u>31-Jul-98</u>	<u>31-Jul-97</u>	<u>31-Dec-97</u>	<u>31-Dec-96</u>	<u>31-Dec-95</u>
	(Unaudited)		(Audited)		
Current Assets	161,451	145,812	180,762	168,912	85,101
Total Assets	201,064	186,105	234,504	194,795	112,847
Current Liabilities	93,967	132,205	128,633	184,422	41,126
Total Liabilities	112,842	167,868	164,296	220,085	157,371
Shareholders Equity (Capital deficiency)	88,222	18,237	70,208	(25,290)	(44,524)

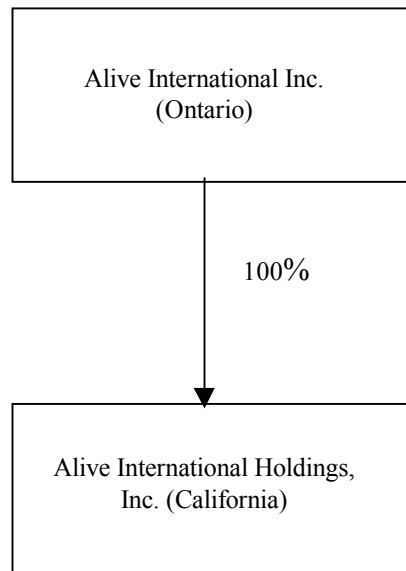
THE COMPANY

Alive International Inc. (“Alive” or the “Company”) was incorporated under the *Business Corporations Act* (Ontario) by articles of incorporation dated July 15, 1994, under the name 1089633 Ontario Limited with an authorized capital of an unlimited number of common shares and an unlimited number of preference shares. By Articles of Amendment dated April 21, 1995, the Company changed its name to Alive International Inc. By Articles of Amendment dated July 21, 1998, the Common Shares of the Corporation were subdivided on the basis of 19,700 Common Shares for each pre-split Common Share. By Articles of Amendment dated August 27, 1998, the “private company” restrictions were removed. The Company’s registered office is located at 234 Galaxy Blvd., Etobicoke, Ontario, M9W 5R8. The Company’s telephone number is (416) 674-0470 and its facsimile number is (416) 674-0471. The Company’s Web site address is www.aliveinternational.com.

Pursuant to an agreement dated September 15, 1998, the Company acquired all the issued and outstanding common stock of Alive International Holdings, Inc. (“California”), a company incorporated under the laws of the State of California, in consideration of the sum of \$US12,700. This amount was payable as to \$US2,000 on the closing date and the balance of \$US10,700 due on September 14, 2000. Charles Kutner was the principal shareholder of California. See “Principal Holders of Securities” and “Interest of Management and Others in Material Transactions”.

For purposes of this prospectus, unless the context indicates otherwise, “Alive” or the “Company” refers to Alive International Inc. together with its subsidiaries.

The following chart sets out the Company’s corporate structure, its jurisdiction of incorporation and its wholly-owned operating subsidiary:



BUSINESS OF THE COMPANY

General

Alive was established to develop a network marketing structure for the marketing and sale of its health and nutrition and personal care products as part of the large market for health and fitness items in North America. Alive develops, markets and sells its own line of nutritional, antioxidant, weight management, wellness and personal care products. The Company’s

product philosophy is to combine the best of science and nature in developing premium quality, innovative health and nutritional products which are specifically designed for the network marketing distribution channel. The Company's products include nutritional supplements, nutritious and healthy snacks, sports and fitness nutritional products and botanical supplements, as well as a line of personal care creams and cleansers.

More specifically, the Company distributes its own nutrition bars, multi-vitamins (Essentials Plus™), colon cleanser (Renew™), meal replacement shake (SuperShake™), antioxidant (GraPONOL™), weight loss supplement (HCA Max™), colon cleanser (Prevail™), GlucosaFlex™, a cartilage building supplement to help sufferers from arthritis and Ultrasoy™, a woman's care product. The Company also distributes its own facial care, body care and cleansing cream, Amino Therapy™.

The Company's current network consists of approximately 5,000 distributors who, management believes, service approximately 20,000 customers. While servicing these customers on a regular basis, distributors are actively developing and expanding new potential customer sources.

In rewarding its distributors, the Company employs a binary compensation system whereby a distributor establishes a business income centre with a left and a right branch to derive direct income from group volume. See "Business of the Company – Company System". Management believes that the binary system is the most effective because it pays the leader well, establishes a direct relationship between preferred customers and the Company and its distributors and the Company. In addition, management has determined that consumers increasingly wish to purchase products directly and welcome the opportunity to purchase direct from the manufacturer.

Overview

Alive is a rapidly growing network marketing company involved in the distribution and sale of premium quality, innovative health and nutritional products and personal care items.

The Company commenced its business operations under the direction of Charles Kutner, who has many years' experience in network marketing health and nutritional products. Mr. Kutner directed his talents to examining the nutritional requirements of the human body and to developing products that would help improve health and the quality of life. In founding Alive, Mr. Kutner sought to develop a line of health and nutritional products and personal care products that would ensure the highest quality.

Alive distributes its products through a network marketing organization. The marketing of products and services through network marketing and other direct selling channels has grown significantly in recent years. The compensation plan developed by the Company for its distributors provides several opportunities for distributors to earn money. Each distributor is required to purchase and sell product in order to earn any compensation. Therefore, a distributor may not simply develop a "downline" sales organization or receive payment based on the recruiting of new distributors. The first method of earning commission is through retail mark-up on product sales. Distributors purchase product from the Company and resell the product at retail prices to consumers. The difference between the price paid by the distributor to the Company to purchase the product and the price received from the distributor's customer is profit or compensation to the distributor. The second method of earning money through the distribution of the Company's products is to receive commissions on sales volume generated by the distributor's sales organization or "business income centre", which can consist of as few as two additional distributors introduced to the Company by the distributor, and by meeting certain personal sales volumes. See "Business of the Company – Company System".

A Business Income Centre ("BIC") is the industry term for providing a distributor with an opportunity to generate income. Each position in the organization (that is, in the downline structure) is a BIC from which a right leg and a left leg are built below. This structure proceeds through subsequent distributors. See "Business of the Company - Description of Compensation Plan".

The distribution of products through the network marketing and other direct selling channels has grown significantly in recent years. The World Federation of Direct Selling Associations reports that, from 1990 to 1996, worldwide direct distribution of goods and services to consumers has increased by 77%, resulting in the sale of nearly \$US80 billion of goods and services in 1996.

The Company develops products that are designed for health-conscious consumers and sells those products to consumers through its network of independent distributors. The Company has developed a network of approximately 5,000 distributors. The Company offers a product line of six products that encompasses nutritional supplements and weight management items as well as three products in its personal care line.

The Company believes that its network marketing system is ideally suited to its products, which emphasize a healthy lifestyle, because sales of such products are strengthened by ongoing personal contact between retail consumers and distributors, many of whom use the Company's products themselves.

The Company develops products that it believes will have market appeal to its distributors and their customers, and assists its distributors in building their own businesses. The Company assists new distributors in starting their own business without the normal start-up costs and other difficulties usually associated with new ventures. The Company provides product development, marketing aids, customer service and essential record-keeping functions for its distributors. The Company also provides support programs to distributors, including international teleconferencing calls, international and regional seminars, a proprietary "seasonal" magazine, business training systems and a site on the Worldwide Web of the Internet (www.aliveinternational.com).

Management sees Alive's recently established a web site at <http://www.aliveinternational.com> as critical to competing in the marketplace. This source will provide better customer service, a ready and current source of information and another means of securing orders as well as recruiting prospective distributors.

Distributors actively recruit interested people to become new distributors for the Company. These recruits are placed beneath the recruiting distributor in the "network" and are referred to by the Company as that distributor's "downline". Distributors earn commissions on sales generated by the distributors in their downline as well as on the sales they generate directly.

The Company's marketing program is designed to provide incentives for distributors to build an organization of recruited distributors in their downline to maximize their earning potential.

The Company purchases its raw materials (that is, ingredients) which are then encapsulated and packaged by licensed pharmaceutical companies the Company then sells the products to its independent distributors located in all ten Canadian provinces and has recently expanded into the United States. The Company expects to expand its efforts in both countries with particular emphasis in expanding and developing a strong American presence.

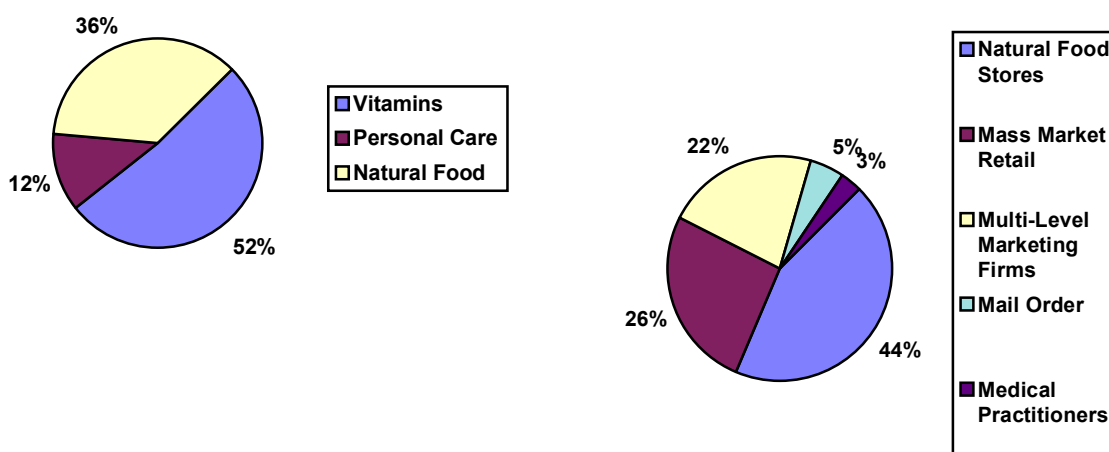
The Company intends to pursue its business strategy of increasing sales and profitability by (1) attracting and retaining distributors for its network marketing system; (2) increasing product sales; and (3) expanding its marketing activities by pursuing the American market. The Company also intends to pursue potential opportunities for growth through mergers and acquisitions of complementary businesses provided that such acquisitions have the necessary synergies and profit potential.

Nutrition Industry

Consumers have become increasingly health conscious over the last decade, as reflected in the surge of activities aimed at maintaining and improving health, including exercising, dieting and quitting smoking.

The nutritional supplements industry is highly fragmented and intensely competitive. It includes companies that manufacture and distribute products which are generally intended to enhance the body's performance and well being. Nutritional supplements include vitamins, minerals, dietary supplements, herbs, botanicals and compounds derived therefrom. Opportunities in the nutritional supplements industry were enhanced by the enactment of the Dietary Supplement Health and Education Act of 1994 ("DSHEA") in the United States. Under DSHEA, vendors of dietary supplements are now able to educate consumers regarding the effects of certain component ingredients. See "Government Regulation – United States".

According to a recent survey conducted by Nutrition Business International, Inc., overall 1995 sales of nutritional products in the United States was estimated at \$US17.2 billion. Three primary business segments make up the \$US17 billion health and nutrition industry:



Source: *Whole Foods Magazine*, February 1997.

According to The U.S. Market for Vitamins, Supplements, and Minerals, a 1997 market report prepared by Packaged Facts (the "Packaged Facts Report"), an independent consumer marketing research firm, published by Find/SVP, Inc. (New York, NY), the retail market for vitamins, minerals and other supplements (excluding sports nutrition and diet products) has grown at a compound annual growth rate ("CAGR") of 15% from \$US3.7 billion in 1992 to \$US6.5 billion in 1996. A large portion of this growth is attributable to an increase in sales of other supplements (primarily herbal products), which grew from \$US570 million in 1992 to \$US2.3 billion in 1996. Growth in this category has been fueled by the popularity of such herbs as echinacea, garlic, ginseng, ginkgo and, more recently, saw palmetto and St. John's wort. According to the Packaged Facts Report, CAGRs from 1992 through 1996 for vitamins, minerals and other supplements were 8.0%, 5.2% and 41.7%, respectively. In addition, the Packaged Facts Report forecasts a 13.6% CAGR in the market for vitamins, minerals and other supplements (excluding sports nutrition and diet products), including a 25% CAGR in the market for other supplements, through 2001.

The Company believes that growth in the nutritional supplements industry has been driven by (i) the aging of the “baby boom” generation combined with consumers’ tendency to purchase more nutritional supplements as they age, (ii) the publication of research findings supporting the positive health effects of certain nutritional supplements, (iii) increased media attention on the use and efficacy of nutritional supplements, (iv) the nationwide trend toward preventive medicine in response to rising healthcare costs, (v) increased consumer interest in herbs and herb-related supplements and (vi) increased interest in healthier lifestyles and the connection between diet and health.

The number of adults over the age of 35 is increasing rapidly in North America. Statistics Canada projects that between 1996 and 2001 the number of adults between the ages of 35 to 54 will grow by 12% and the number of adults over 54 will grow by 13%. The U.S. Census Bureau projects that between 1996 and 2001 the number of adults between the ages of 35 to 54 will grow by 9.5% and the number of adults over 54 will grow by 7.6%. Since these demographic groups are the most frequent purchasers of the Company’s type of products, the Company believes the aging population will increase the number of ultimate consumers of the Company’s products.

Network Marketing

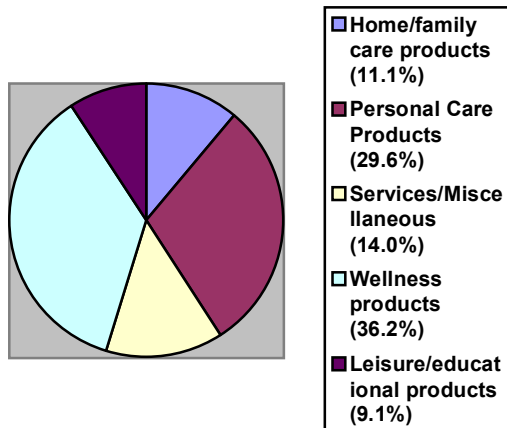
Overview

Nutritional supplements are sold primarily through mass market retailers, including mass merchandisers, drug stores, supermarkets and discount stores; health food stores; mail order companies; and direct sales organizations. Direct selling, of which network marketing is a significant segment, has been enhanced in the past decade as a distribution channel due to advancements in technology and communications resulting in improved product distribution and faster dissemination of information. The distribution of products through network marketing has grown significantly in recent years. The World Federation of Direct Selling Associations reports that, from 1990 through 1996, worldwide direct distribution of goods and services to consumers increased approximately 77%, resulting in the sale of nearly \$US80 billion of goods and services in 1996. According to the “Survey of Attitudes toward Direct Selling,” commissioned by the Direct Selling Association and conducted and prepared by Wirthlin Worldwide (the “Wirthlin Report”), the three categories experiencing the greatest gains in the direct selling industry since 1976 are food, nutrition and wellness products.

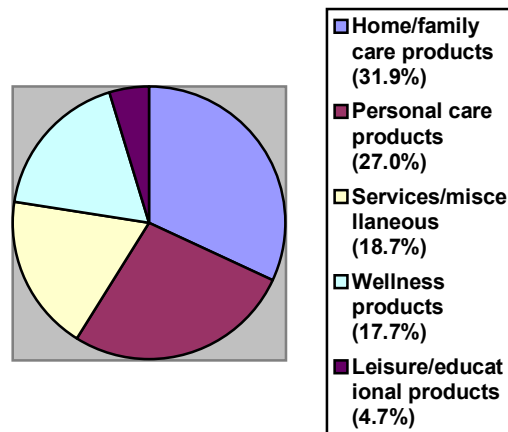
According to the Wirthlin Report, approximately 51% of the American public has purchased products or services from a direct selling company at some point in the past, with 29% of those having made such a purchase in the last 12 months. Almost four in 10 adult Americans have expressed an interest in direct selling as a method of buying products and services and 23% of those who have never purchased products and services from direct selling companies are interested in direct selling. The Company believes it is positioned to capitalize on the trends of growth in direct sales and demand for nutritional supplement products.

According to the Direct Sellers Association of Canada, estimated 1996 Canadian retail sales by direct selling sources was \$1.3 billion. According to the Direct Sellers Association, estimated 1997 U.S. retail sales by direct selling sources was \$US22.21 billion. The percent of sales by major product groups for each country was the following:

Canada



United States



Product Group

Canada

United States

1. Home/family care products (cleaning products, cookware, cutlery, etc.)	11.1%	31.9%
2. Personal care products (cosmetics, jewellery, skin care, etc.)	29.6%	27.0%
3. Services/miscellaneous/other	14.0%	18.7%
4. Wellness products (weight loss products, vitamins, etc.)	36.2%	17.7%
5. Leisure/educational products (books, encyclopaedias, toys/games, etc.)	9.1%	4.7%

Difference with Pyramid Schemes

Pyramid schemes are illegal scams in which large numbers of people at the bottom of the pyramid pay money to a few people at the top. Each new participant pays for the chance to advance to the top and profit from payments of others who might join later. Each time a level rises to the top, a new level must be added to the bottom, each one twice as large as the one before. In order for all participants to profit in a pyramid scheme, there would have to be a never-ending supply of new participants. In reality, however, the supply of participants is limited, and each new level of participants has less chance of recruiting others and a greater chance of losing money.

Some pyramid promoters try to make their schemes look like multilevel marketing methods. Multilevel marketing is a lawful and legitimate business method which uses a network of independent distributors to sell consumer products. To look like a multilevel marketing company, a pyramid scheme takes on a line of products and claims to be in the business of selling them to consumers. However, little or no effort is made to actually market the products. Instead, money is made in typical pyramid fashion, from recruiting. New distributors are pushed to purchase large and costly amounts of inventory when they sign up.

Multilevel marketing is a popular way of retailing in which consumer products are sold not in stores by sales clerks, but by independent business persons (distributors). Distributors are free to set their own hours and earn money by selling consumer products supplied by an established company.

In a multilevel structure, one can also build and manage one's own sales force by recruiting, motivating, supplying and training others to sell those products. A distributor's compensation then includes a percentage of the sales of the entire sales group as well as earnings on his or her own sales to retail customers. This opportunity and method has made multilevel marketing an attractive way for individuals to start a business with comparatively little money.

There is no legislative regime which governs the operation of multilevel marketing companies in Canada. Under the *Competition Act* (Canada), section 55 contains measures directed against the deceptive practices common to certain multilevel marketing and pyramid selling schemes. In connection with this regime, the Company submitted its marketing plan for review in relation to these provisions and has been advised that that plan did not provide a basis for the initiation of any inquiry under the *Competition Act* (Canada). See "Government Regulation – Canada."

Company System

The foundation of the Company's sales philosophy and distribution system is network marketing. The Company believes network marketing is an effective vehicle to distribute the Company's products for the following reasons: (i) the benefits of the Company's products are more readily explained on an individual, educational basis, which emphasizes the manner in which its products work, and is more direct than the use of television and print advertisements; (ii) direct sales allow for actual product testing by a potential consumer; (iii) the impact of distributor and consumer testimonials is enhanced; and (iv) as compared to other distribution methods, distributors can provide higher levels of customer service and attention by, among other things, following up on sales to ensure proper product usage and customer satisfaction, and encouraging repeat purchases.

Alive has created an environment that values people first, and to bring health and opportunity to all people through a network marketing system that enables distributors to become involved on a part-time or full-time basis. Alive concentrates its efforts on encouraging individuals to develop their own business at their own pace without the costly expense inherent in franchise operations or other start-up enterprises. Network marketing offers individuals the opportunity to go into business without significant risk, yet offers the individual significant upside potential, albeit wholly dependent upon their efforts.

Network marketing uses word of mouth advertising to grow and capture market share. It is people talking to other people, sharing something they believe in. In addition, network marketing allows an individual to leverage his/her time, talent and energy to earn commissions from the sales of all the people that are introduced to the business by them.

There are three major marketing plans that are common to network distribution organizations. These are: (i) stair-step (for example, Amway Corporation and Tupperware Corp.); (ii) unilevel/matrix (for example, Melaleuca, Inc. and Nutrition for Life International, Inc.); and (iii) binary system. Developed approximately 5 years ago, the Company utilizes the binary system. Management believes that this form of marketing plan will dominate the network marketing industry in the future.

Management estimates that approximately 70% of industry revenues are derived from stair-step marketing plans, largely through long-established network marketing companies including Avon Products, Amway Corporation, Mary Kay Cosmetics, NSA Inc., Tupperware Corp., Reliv' International, Inc. and Herbalife International, Inc. A stair-step marketing plan is characterized by having a manager at the top of the sales ladder, with a number of salespeople below him. Management has determined that people today wish to deal directly with the manufacturer and believes that there is little growth potential in the stair-step compensation segment. This fact is evident in that there have been very few new stair-step network marketing companies and those stair-step organizations which are in existence were founded some time ago and have been operating for a significant period of time.

The unilevel/matrix marketing plan has less of a retail orientation and relies heavily on consumption. There is

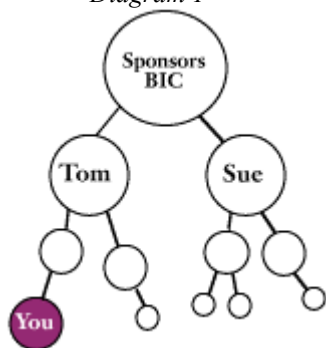
greater contact between the company and the consumer in this segment.

The binary system establishes a direct relationship between preferred customers and the Company and its distributors and the Company. Through the binary compensation system a distributor establishes a business income centre with a left and a right branch to derive direct income from group volume. See “Business of the Company – Description of Compensation Plan”.

Description of Compensation Plan

The Company’s compensation plan focuses on volume - not levels. The plan allows a distributor to earn income on the volume that is generated by the whole group, no matter how many levels are below the distributor. While compensation plans in other organizations often require distributors to sponsor up to 30 people, Alive’s plan allows a distributor to sponsor as few as two people and still generate income.

Diagram 1



In addition to purchasing the Company’s information kit package, to become a distributor, one must purchase the Company’s products having a value of at least \$215 in order to become activated. A distributor is first placed in a sponsor’s organization (see Diagram 1) and begins to earn income immediately. Each position is called a Business Income Center (BIC). Each BIC has only two legs, a left leg and a right leg. All sales volume generated on both legs count toward a distributor’s accumulated sales volume for his BIC.

The left and right legs of a BIC represent, respectively, the sponsorship of another distributor. Instead of sponsoring new distributors vertically in order, new distributors are established on a left and right leg (that is a binary arrangement) in order to provide the sponsoring distributor with the flexibility in creating his downline and the opportunity to maximize his business income, since the original sponsor’s commissions are affected by the sales of his downline sponsors. As a distributor sponsors more people (that is, filling available slots downline) he builds sales volumes for both the distributor and his downline. Those under the sponsor appreciate the assistance, as the sponsor appreciates the help from his sponsor. As sales are generated in both legs, the volume accumulates towards the sponsor’s commission.

Diagram 2



This volume may be purchased in a single order or may be accumulated over any time period. Once a distributor’s position is in place, either the distributor or his upline may sponsor a new person and place him under either the left or right leg (see Diagram 2). Since a distributor has “Sam” on the left and “Jane” on the right, any person sponsored by the distributor, or who is placed by the distributor’s upline below that distributor, must go below Sam or Jane.

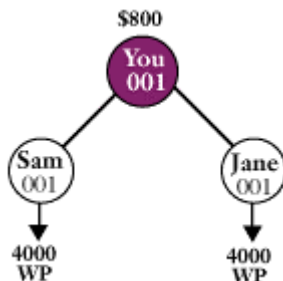
As sales are generated in both legs, the volume accumulates towards commission overrides. Weekly calculations of World Points (WP) on the left and right sides of each BIC are calculated and commissions are paid according to the schedule below. Distributors are paid weekly when a distributor is qualified and both the left and the right leg have accumulated 1,000 WP or more. In order to be qualified, a distributor must purchase 70 WP (that is, \$100) every four weeks.

If one side is greater than the other, the sales volume that is not used is banked, and will continue to accumulate

to be used in a following pay week (up to 5,000 WP) (for example, if the left side had 4,000 WP and the right side had 3,000 WP, a distributor would be paid \$600 that week and 1,000 WP on the left would carry over to be used later). If a distributor were to sponsor two people, one on the left and one on the right, and then they do the same and so on until the sales volume on both legs reach 5,000 WP weekly, a distributor would receive \$1,000 every week. Therefore, the potential income could exceed \$52,000 per year per BIC.

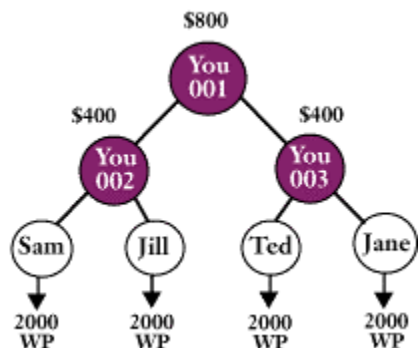
BUSINESS INCOME COMMISSION SCHEDULE			
	Left Side WP	Right Side WP	Total Commissions*
Step 1	1,000	1,000	\$200
Step 2	2,000	2,000	\$400
Step 3	3,000	3,000	\$600
Step 4	4,000	4,000	\$800
Step 5	5,000	5,000	\$1,000
<i>Leadership Bonus:</i> Have one Step 5 Qualifier (achieving Steps 1 to 5 in one week) in each leg in the same pay period and receive an additional \$250. • 1 World Point (WP) = 1 U.S. Dollar * Commissions shown are in U.S. Dollars			

ADVISOR – One Business Income Center



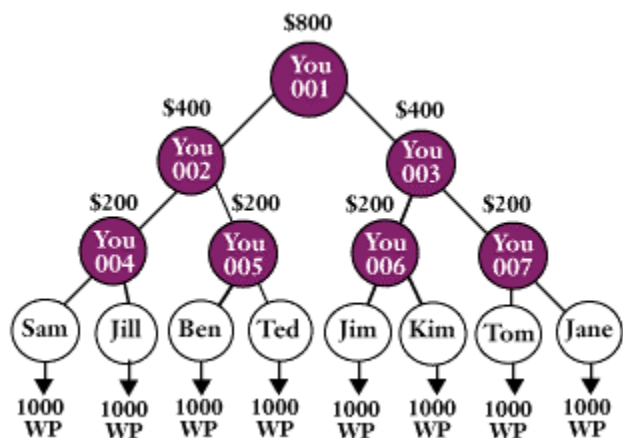
In the example on the left, 8000 WP are being generated – 4,000 WP on the Left under Sam and 4,000 WP on the Right under Jane. BIC 001 will receive commission for that week of \$800.

SENIOR ADVISOR - Three Business Income Centers



In the example on the left, 8,000 WP is being generated, but because a distributor has 3 BICs instead of 1, he can potentially double his income without doubling his volume. BIC 002 and BIC 003 will each receive \$400 that week, and BIC 001 will receive \$800. That represents a total of \$1,600 for the week.

EXECUTIVE ADVISOR - Seven Business Income Centers



In the example on the left, 8,000 WP is being generated, but because the distributor has 7 BICs instead of 1, a distributor can potentially triple his income. BIC 004, 005, 006 and 007 will each receive \$200 that week = \$800 total. BIC 002 and 003 would each receive \$400 = \$800 total. BIC 001 would also receive \$800. That represents a combined total of \$2,400 for that week.

The Company believes that distributors will be more likely to remain with the Company if they are enrolled with the Company by someone with whom they have an ongoing relationship. The Company also believes that its network marketing system will continue to build a base of potential consumers for additional products. The Company encourages, but does not require, distributors to use the Company's products, nor does the Company require a person to be a distributor in order to be a consumer of the Company's products. The Company believes its network marketing system is particularly attractive to prospective distributors because of the potential for supplemental income and because distributors are not required to purchase any inventory, have no account collection issues, have minimal paperwork requirements and have a flexible work schedule. The sales efforts of distributors are supported through various means, including Company-sponsored events held periodically throughout the year.

The effectiveness of direct selling as a distribution channel has been enhanced in the past decade through advancements in communications, including telecommunications and the proliferation of the use of videotape players, fax machines and personal computers. The Company produces high-quality video tapes and audio tapes for use in product education, demonstrations and sponsoring sessions that project a desired image for the Company and its product line. The Company believes that high quality sales aids play an important role in the success of distributor efforts. The Company is committed to fully utilizing current and future technological advances to continue to enhance the effectiveness of direct selling.

The development of these marketing networks is most commonly achieved through word-of-mouth. Other avenues include classified advertising. Most of the distribution occurs through home-based advisors. These organization methods have proven to be a simple, effective distribution model.

The Company has developed certain other features in order to assist its distributors. A fax on demand service is available to assist distributors with product information, ordering and administration. Regular 1-800 conference calls and regular regional meetings and event meetings help to promote and develop the Company's products and encourage the expansion of the Company's ranks of distributors.

Distributors pay for products prior to shipment. The Company carries no accounts receivable from distributors, except for minor amounts owing to cheque returns or other exceptions. Distributors pay for products primarily by credit card, with cash, money orders and cheques representing a small portion of all payments. Distributors may automatically order product applied to a credit card on a continuous basis and receive a discount. Automatic orders accounted for approximately 45% of sales for the year ended December 31, 1997.

Management believes that because the binary system pays the leader well and provides a relationship between preferred customers and distributors directly with the Company, the opportunities for the successful development and expansion of the Company will be significant. Based on the premise that people wish to purchase directly from the manufacturer and that they do not wish to purchase at wholesale prices, through its binary system, the Company pays approximately 43% of the wholesale price in total commission to its distributors. These commission amounts are inclusive of the Company's bonus programs.

Distributor Development

The Company believes that the key contributing factors to its long-term growth and success are the recruitment of new distributors and retention of existing distributors. The Company is active in the development of distributors, including in the areas of recruitment, support, motivation and compensation.

The Company primarily relies on current distributors to sponsor new distributors. The sponsoring of new distributors creates multiple levels in the network marketing structure. Persons whom a distributor sponsors are referred to as "downline" or "sponsored" distributors. Once a person becomes a distributor, he or she is able to purchase products directly from the Company at wholesale prices for resale to consumers or for personal consumption. The distributor is also entitled to sponsor other distributors in order to build a network of distributors and product users. See "Business of the Company – Company System".

While the Company provides brochures, magazines and other sales materials, the Company also relies heavily on existing distributors to train new distributors.

The Company makes the needs of its distributors a priority, in accordance with its stated corporate philosophy. The Company provides a high level of support services tailored to the needs of its distributors, including motivational meetings, educational and informative conference calls, automated fax services, ordering and distribution systems, personalized customer service via telephone, the Internet and e-mail and a liberal product return policy. The Company's support system includes a current database of all distributors and their upline and downline distributors. The Company also provides business development materials that the Company believes will increase both product sales and recruitment. The Company believes that enhancing a distributor's efforts through effective support mechanisms has been and will continue to be important to the success of the Company.

Based upon its knowledge of other industry-related network marketing compensation plans, the Company believes that its compensation plan is among the most financially rewarding plans offered in the industry, with commissions as a percentage of sales of 36.0%, 42.4%, 44.0% and 39.3% for 1995, 1996, 1997 and the seven months ended July 31, 1998,

respectively.

Management Of Distributors

The Company takes an active role in the management of its distributors. Many multi-level marketing companies encounter difficulty with regulatory authorities due to lack of oversight of distributor activities. Any oversight process is complicated by the fact that distributors are not legally employees of the Company, but are independent contractors. However, the Company seeks to restrict the statements made by and conduct of distributors regarding the Company's business by contractually binding distributors to abide by the Distributor Policies and Procedures (the "Policies and Procedures") promulgated by the Company. Each distributor receives a copy of the Policies and Procedures which must be followed in order to maintain the distributor's status in the organization. Distributors are expressly forbidden from making any representation as to the possible earnings of any distributor, other than through statements of the Company indicating the range of actual earnings by all distributors and other required information prepared in accordance with applicable law. Distributors are also prohibited from creating any marketing literature that has not been approved by the Company.

The Company enforces the Policies and Procedures through its disciplinary procedure, which is instituted through the filing of a complaint against the distributor, followed by a response from the distributor, an investigation of the facts, and the presentation of the facts to a committee of corporate appointed personnel (the "Advisor Review Board") for determination. The distributor is educated as to the nature of the complaint against him or her, the policy alleged to have been violated, and then, without a finding of whether the conduct occurred or not, is asked to confirm in writing that he or she understands the policy in question, agreeing that he or she will thereafter follow all of the Policies and Procedures of the Company.

The Company believes that the Policies and Procedures reflect positively on the Company, helps in the maintenance of distributor ethics and aids the Company's recruiting activities.

Operating Strengths and Growth Strategy

The Company believes that its success to date is due to its reputation and commitment to provide a range of premium quality, innovative health and nutritional products and an appealing business opportunity for persons interested in establishing a direct sales business. Specifically, the Company's operating strengths include: (i) its premium group of products, (ii) an innovative distributor compensation plan which compensates distributors for product sales in downline distribution networks, (iii) a high level of distributor incentives paid to independent distributors, (iv) a market development program, (v) individual distributor attention and other distributor support programs, and (vi) an experienced management team.

The key elements of the Company's growth strategy are as follows: (i) Grow the Company's Existing Products - The Company intends to build upon in its current core products through internal growth; and (ii) pursue strategic acquisitions - a key element of the Company's growth strategy is to pursue strategic acquisitions of companies with products or brands that strengthen or complement the Company's product lines. The Company believes such acquisitions may create opportunities to accelerate sales growth and leverage purchasing and operating expenses.

The Company's primary objective is to capitalize on its operating strengths to become a leading distributor of consumer products in each of its markets. The Company intends to pursue this strategy by: (i) introducing new products, (ii) opening new markets, (iii) attracting new distributors and enhancing distributor productivity, (iv) increasing brand awareness and loyalty and (v) strengthening existing relationships. The Company's customer relationships are based on its commitment to providing high quality, high-purity ingredients in its products and proactive customer service.

The Company is committed to expanding its product line by developing and offering new products. Expansion of product offerings is designed to create enthusiasm among distributors and serve as a promotional tool in selling other

products.

The Company plans to leverage its market knowledge and research capabilities to enter related markets in the natural products industry such as the natural food and cosmetic beauty aids industries, provided management determines that such expansion would be beneficial to the Company. The Company also plans to pursue sales in the United States by recruiting dedicated sales advisors and registering its products and trademarks.

Strategic Acquisitions

The Company plans to capitalize on the highly fragmented nature of the nutritional supplements industry by seeking acquisitions of (i) potential natural ingredient manufacturing companies, (ii) agricultural concerns that produce raw materials and (iii) companies in related industries, such as natural foods and cosmetic beauty aids.

A key element of the Company's growth strategy is to pursue strategic acquisitions of companies with products or brands that strengthen or complement the Company's product lines.

Distribution and Marketing

The Company's products are distributed through a network marketing system consisting of approximately 5,000 distributors. Distributors are independent contractors who purchase products directly from the Company for their own use and for resale to retail consumers. Management believes that its network marketing system is well suited to marketing its nutritional supplements and other products because sales of such products are strengthened by ongoing personal contact between retail consumers and distributors, many of whom use the Company's products themselves. The Company encourages its distributors to use the Company's products. No one distributor directly accounted for more than 5% of the Company's direct wholesale sales in either of the last two fiscal years.

The following table indicates the Company's sales presence throughout Canada:

Province	Approximate Number of Distributors	Approximate Percentage of Overall Revenue
Ontario	3,000	55%
Quebec	200	5%
Manitoba	500	10%
Saskatchewan	250	10%
Alberta	250	5%
British Columbia	300	7%
Maritime Provinces	500	8%

The Company's ability to increase sales is significantly dependent on its ability to attract, motivate and retain distributors. The Company utilizes an innovative marketing program which it believes is superior to programs offered by other network marketing companies. The program provides financial incentives, distributor training and support, a low priced starter kit, no inventory requirements and low monthly purchase requirements. Management intends to reach potential new distributors through advertising, the Company's site on the World Wide Web, teleconferencing and regional sales meetings.

The Company participates in rallies in key cities in Canada, with plans to expand throughout the United States, and participates in motivation and training events, all of which are designed to inform large numbers of prospective and existing distributors about the Company's product line and selling techniques. Distributors give presentations relating to their experience with the Company's products and the methods by which they develop their distributor organizations. Specific selling techniques are explained and emphasis is placed on the need for consistency in using such techniques. Participants

are encouraged to ask questions regarding selling techniques and product developments and to share information with other distributors attending the rallies. Distributors are also given opportunities to interact with other distributors and to develop confidence in selling and goal-setting techniques. Motivation is offered to participants in the form of recognition and gifts which are intended to foster an atmosphere of excitement throughout the distributor organization.

The Company continues to develop marketing strategies and programs to motivate distributors. These programs are designed to increase distributors monthly product sales and the recruiting of new distributors. Some of the programs that the Company has implemented are as follows:

Car Advantage Program.

The Company offers a car advantage program, whereby it makes car payments of up to \$3,000 per month for qualifying distributors. The Company has no liability relating to the financing or purchasing of the automobile. The car bonus program was initiated in 1997. At December 31, 1997, the Company had four distributors in the program. The requirements for a distributor to qualify for the car advantage program include the following:

- An advisor must earn \$3,000 total monthly income in two consecutive months
- At \$7,500 total monthly commission, the car payment must be no more than the purchase price (or capital cost allowance) divided by 48 months
- At \$10,000 total monthly commission or higher, 25% of the car allowance can be used for insurance, maintenance, etc.
- Monthly car allowance will be paid according to the schedule below for any given month.

Total Monthly Commission	Alive Monthly Car Allowance	Total Monthly Commission	Alive Monthly Car Allowance
\$3,000	Up to \$350	\$12,000	Up to \$1,200
\$5,000	Up to \$500	\$15,000	Up to \$1,500
\$7,500	Up to \$750	\$20,000	Up to \$2,000
\$10,000	Up to \$1,000	\$30,000	Up to \$3,000

Personal Recruiting and Sales Campaigns.

These programs were developed to assist distributors in developing their downlines and increasing product sales.

24 Hour Teleconference and Voicemail.

The Company provides access to a weekly recorded teleconference call to its distributors that includes interviews with successful distributors, current product information, announcements and product specials offered by the Company as well as voicemail accessibility to ensure prompt response to customer and distributor inquiries.

Health & Wealth Trends and Living Well Magazines.

The Company publishes two periodicals, Health & Wealth Trends magazine and Living Well magazine, that provide information on network marketing and the Company. The magazine was developed to recruit new distributors by answering the most commonly asked questions by potential new distributors. Management believes it is one its most effective marketing tools.

Product Literature.

The Company produces for its distributors comprehensive and attractive catalogues and brochures that display and describe the Company's products.

Toll Free Access.

The Company furnishes toll free numbers for placement of orders and faxing of orders and applications.

Internet.

The Company maintains a web site at <http://www.aliveinternational.com>. There the user can read newsletters and learn more about the Company's products. It is anticipated that the web site will become increasingly functional in the next 12 months, enabling distributors to send messages and orders to the Company, thereby potentially allowing distributors to be able to sponsor others and order products 24 hours a day.

The Company currently operates in Canada and has recently expanded into the United States by establishing a warehouse centre in southern California. In connection with this development, the Company may need to modify its distributor manuals, cassette recordings, videocassettes and other training materials as necessary; however, no modifications are contemplated at this time.

PRODUCTS

The foundation of all Alive supplements is the Health Shield Complex™ that encompasses synergistic herbs for maximum potency and availability. Only high quality ingredients are used in making these products and manufacturing is completed under very strict control measures.

The following characteristics highlight the superior quality and commitment to rigorous standards inherent in Alive's supplements:

- Alive products contain no artificial colours or preservatives
- 100% natural herbs and extracts in all supplements
- Rapid dissolution – guaranteed to be absorbed within 30 minutes
- Freshness and potency guaranteed to the expiry date on each bottle
- Unique aqueous coating used for *Essentials Plus*™ tablets (cold-processed)
- Superior raw materials
- Rigorous testing at every stage of processing

Alive's line of nutritional supplement products consists of primarily consumable products that are designed to target the growing consumer interest in natural health alternatives for nutrition and wellness. In developing its product line, the Company has emphasized quality, purity, potency and safety.

Renew™

Renew™ is an advanced proprietary cleansing product formulated to help the body maintain normal regularity and rid itself of accumulated intestinal waste. Renew™ is rich in enzymes, fibre and a multitude of micronutrients which serve to clean the blood, promote better oxygenation and induce the liver, kidneys and other organs to yield up toxins. Renew™ is designed to help relieve this past build-up by gently scrubbing the internal organs clean and introducing very high concentrations of acidophilous bacteria to help digest new food.

Each capsule contains *Lactobacillus Acidophilus* and *Bifidus*– 4 billion active cells, Fructo Oligosaccharides, 170 mg and Fibre, 262 mg. *Lacto Bifidus Acidophilus* is a bacteria that acts in the large intestine to break down protein and change glucose, lactose, maltose and sucrose into lactic acid. *Lactobacillus Bifidus* helps maintain or add normal intestinal flora.

Prevail™

The presence of parasites in the human body may produce many symptoms – symptoms that most people attribute to stress, poor health or just part of “getting older”. As a result, human parasites often go undetected while they continue to feed off the food that an individual eats or even one’s own body tissue.

Medical testing procedures are only available for a select few types of parasites. Since most parasites are not tested for, they therefore can go undetected in the human body for many years. Prevail™ is formulated to help the body eliminate these parasites. Two capsules contain Green Hull Black Walnut Extract (200mg), Clove Extract (100 mg), Garlic Extract (50 mg), Grapefruit Seed Extract (40 mg) and Wormwood (50 mg).

Graponol™

Graponol™ provides a concentrated source of proanthocyanidins (OPC’s) to help protect the body from the ravages of free radical activity. Formulated with Alive’s proprietary HealthShield Complex™ for maximum synergistic potency and absorption, Graponol™ hunts down and rapidly neutralizes free radicals in the cell system.

Free radicals are highly reactive oxygen molecules without an electron in their outer shell. These free radicals will steal electrons from healthy cells. These cells may be difficult to repair as a result and may lead to disease. The damaged cell by releasing its contents, over time, will lead to damaged tissue.

As discussed in “OPC in Practice. The Hidden Story of Proanthocyanidins, Nature’s Most Powerful and Patented Antioxidant” by Bert Schwitters in collaboration with Prof. Jack Masquelier published by Alfa Omega Editrice, Rome, Italy, 1995, the following benefits have been attributed to OPC’s based on the research of certain medical practitioners and institutions:

- Reduces risk of cancer and strokes
- Reduces arthritis pain
- Increases energy, less fatigue
- Helps sluggish memory
- Improves joint flexibility
- Reduces varicose veins
- Lowers cholesterol
- Decreases allergies
- Prevents ulcer formation
- Reduces stress/depression
- Prevents skin wrinkling
- Reduces prostate swelling

Graponol™ contains OPC’s which have been recognized by sources not associated with the Company as a potent antioxidant. Grape seed extract, in the Company’s formulation, is believed to be highly bioavailable and retained in the body for several days. Antioxidants have been shown to be effective in fighting the effects of oxidation on the body. Oxidation is the same process that causes metals to rust and apples to turn brown. Free radicals, which are molecules damaged by oxidation, are being studied as a potential cause of various infirmities in humans. A free radical is an unstable oxygen molecule seeking, at the molecular level, to pair up with an electron. Free radicals can be created in the atmosphere by the exposure of oxygen to sunlight and pollution. Antioxidants are molecules which can combine with and, as a result, neutralize free radicals. Grape seed extract also provides dietary support to assist the body in properly responding to inflammations.

Graponol™, an anti-oxidant, works at the cellular level. It assists in depositing electrons to the outer shell of the damaged cell and thereby neutralizes the free radical, and has the capability to rebuild the damaged cells and thereby repair damage at the cellular level.

HCA Max™

HCA Max™ is thought to aid in the control of body fat, by: (i) helping to break down existing body fat; (ii) reducing the formation of new body fat, and (iii) reducing appetite and food cravings. Two capsules contain Standardized Garcinia Cambogia (SuperCitrimax®) (500 mg), in a special proprietary base of Alive's HealthShield Complex™ which contains guar gum, apple pectin, psyllium seed, bromelain, Siberian Ginseng and squaw tea.

This product is designed to work to assist weight loss safely while giving the dieter a higher level of energy.

Essentials Plus™

Essentials Plus™ is a natural multiple vitamin and mineral supplement. Derived from non-petroleum ingredients, this product has a unique aqueous coating that facilitates rapid digestion and assimilation into the body. It is rich in phytonutrients and contains amino acid chelated minerals that ensure a high absorption rate and bioavailability. In addition, unlike certain store-bought brands, Essentials Plus™ has no harmful dyes, binders or fillers.

This product provides many of the basic vitamins and nutrients which are missing in the typical adult's diet.

Glucosaflex™

Glucosaflex™ is a cartilage-building supplement that is thought to help arthritic patients rebuild damaged joints, tendons and cartilage while stimulating better joint lubrication. Glucosaflex™ contains a unique combination of nutrients – Glucosamine Sulfate, Sea Cucumber, turmeric and White Willow Bark. Working together synergistically, this formula has been designed to stimulate the synthesis of new cartilage to replace the old worn-out cartilage while simultaneously keeping the cartilage-eating enzymes under control and increasing production and thickness of the protective synovial fluid in the joint. This helps to normalize the cartilage matrix and effectively treats the joint disease at the cellular level. Other arthritis treatments may relieve pain or reduce inflammation; however, the unique formula of Glucosaflex™ has been designed to physically halt the disease process and help the healing process.

Ultraso™

Ultraso™ provides a source of isoflavones, also known as phytoestrogens which are believed to alleviate the symptoms of menopause, reduce the risk of osteoporosis, relieve pre-menstrual and menstrual discomforts, inhibit the growth of certain cancer cells, particularly breast, prostate and skin cancer and lower cholesterol levels. Isoflavones act as both non-steroidal estrogens and anti-estrogens. When the body's estrogen production is low, isoflavone phytoestrogens can attach to open receptor sites on cells and produce a weak estrogen effect. When there is too much estrogen in the body, isoflavones can compete with natural estrogens for receptor sites. Ultraso™ has been uniquely formulated to include key isoflavones Genistein and Daidzein together with natural herbs including Red Clover, Dong Quai and Vitex.

Personal Care Products

Management believes that one of the advantages of its personal care products is their gender neutral positioning. This product positioning substantially expands the size of the traditional skin care market.

The Company's personal care product line is marketed under the name Amino Therapy™ which was recently launched in September 1998. Currently, the Amino Therapy™ product line consists of Purifying Dual Action Cleanser (a cleansing cream), Multi-Active Face Cream (a facial cream) and Intensive Hand & Body Formula (a body care lotion).

The facial care product allows users to cleanse thoroughly without causing dryness and to moisturize with effective humectants that allow the skin to attract and retain vital water. The body care products relies on premium quality ingredients

to cleanse and condition skin. The cleansers are uniquely formulated without soap and the moisturizers contain light but effective humectants and emollients. These products contain ingredients that are uniquely formulated to promote healthier looking skin.

Traditional moisturizers containing collagen and elastin cannot penetrate the skin because these molecules are too large and their formulas often contain occlusive ingredients. Amino Therapy™ does not block the surface of the skin in this way. Its differentiated molecular structure permits the rapid penetration of the amino acids and humectants through the epidermis down into the skin. With Amino Therapy™, the actual amino acid proteins necessary to support collagen and elastin production are delivered into the skin.

Consumer Product Warranties And Returns

The Company's product warranties and policy regarding returns of products are similar to those of other companies in the industry. If a retail purchaser of any of the Company's products is not satisfied with the product, he or she may return it to the distributor from whom he or she purchased it at any time within 30 days of purchase. The distributor is required to refund the purchase price to the retail purchaser. The distributor may then return the unused portion of the product to the Company for an exchange of equal value. Most products returned to the Company, however, are not found to be defective in manufacture. As a result, the Company at its cost replaces most products returned to the Company.

Historically, product returns have not been significant. Returns as a percentage of net sales were 1.4%, 0.7%, 0.5% and 0.3% in 1995, 1996, 1997 and the seven month period ended July 31, 1998, respectively.

Management Information Systems

The Company maintains a computerized system for processing distributor orders and calculating distributor commission and bonus payments, which enables it to remit such payments promptly to distributors. The Company believes that prompt remittance of commissions and bonuses is vital to maintaining a motivated network of distributors and that this has enhanced the loyalty of the distributors to the Company.

The Company's computer system makes available to the Company's distributors a detailed monthly accounting of sales and recruiting activity. These convenient statements eliminate the need for substantial record keeping on behalf of the distributor. The computer system also is fully integrated with the Company's financial reporting system that generates monthly reports, invoices and payroll.

The Company intends to acquire an enterprise state-of-the-art market computer information system. The total cost, including implementation and training, is expected to be approximately \$150,000. The primary benefits, as further described below, expected to be achieved are improved administrative cost control, enhanced customer service and improved distributor support. See "Use of Proceeds".

To facilitate its continued growth and support distributor activities, the Company plans to upgrade its management information systems to include a centralized host computer located in the Company's head office and a new inventory management system. These systems will be designed to provide, among other things, financial and operating data for management, timely and accurate product ordering and payment processing and detailed distributor records. These systems are expected to handle the increase in sales due to the recent expansion into the United States. See "Use of Proceeds". This system will enable the Company to handle approximately \$20 million per month in sales; provide state-of-the-art reports; and enable order processing directly off the Internet. As the Company grows, the proposed new information system will also allow the Company to reduce its costs and operate more efficiently.

The Company's objective is to handle customer service inquiries immediately.

The Company's planned upgrade will also include an Internet module. The advent of Internet technologies will enable distributors to carry out a number of activities without contacting the Company's head office. It is anticipated that distributors will then be able to trace sales volumes, place and track orders and review marketing and sales management features independently.

This new system will provide growth in the Company's information system operations in an effort to maximize profitability by enabling the Company to handle increased data and facilitate communication with distributors and customers.

MANUFACTURING AND SUPPLIES

The Company procures all of its raw materials from third parties. All raw materials are purchased from reliable sources and back-up sources are available in all cases. Most of the raw materials suppliers are large well-established North American companies.

The Company does not have long term supply agreements with any single vendor. The Company believes that it could establish alternate sources for most of its products and that any delay in locating and establishing relationships with alternate sources would not result in significant product shortages and back orders.

The Company seeks the highest quality ingredients from competitive sources. These products are encapsulated and packaged by licensed pharmaceutical manufacturers through subcontracting arrangements. All other aspects of the manufacturing process are controlled by the Company and are subject to its rigorous specifications and standards.

The Company sources and procures raw materials for nutritional supplement ingredients from growers, collectors and brokers. Growers cultivate the agricultural raw materials for nutritional supplement ingredients, while collectors gather naturally existing raw materials. In addition to purchasing raw materials directly from growers or collectors, the Company purchases raw materials from brokers who typically consolidate the production of various smaller producers in order to provide the necessary volumes from one source. A substantial portion of the Company's raw materials are not indigenous to North America and must be procured from foreign growers, collectors and brokers.

The Company's purchasing objective is to ensure a stable supply of natural product raw materials which consistently meet Company specifications at the most competitive price.

The Company places significant emphasis on quality control. All nutritional supplements, raw materials and finished products are subject to sample testing, weight testing and purity testing by the manufacturers.

COMPETITION

The Company competes with many companies marketing products similar to those sold and marketed by the Company. It also competes intensely with other network marketing companies in the recruitment of distributors.

The nutritional supplements industry is large and intensely competitive. The Company competes directly with companies that manufacture and market nutritional products in each of the Company's product lines, including General Nutrition Companies, Inc., Solgar Vitamin and Herb Company, Inc., Twinlab Corporation and Weider Nutrition International, Inc. Many of the Company's competitors in the nutritional supplements market have longer operating histories and greater name recognition and financial resources than the Company. In addition, nutritional supplements can be purchased in a wide variety of distribution channels. While the Company believes that consumers appreciate the convenience of ordering products from home through a sales person, the buying habits of many consumers accustomed to purchasing products through traditional retail channels are difficult to change. The Company's product offerings in each product category are also relatively small compared to the wide variety of products offered by many other nutritional product companies.

The Company also competes in the nutritional supplements market and for new distributors with other retail, multi-level marketing and direct selling companies in the nutritional supplements industry by emphasizing the proprietary nature, value, proprietary components and the quality of the Company's products and the convenience of the Company's distribution system. The Company competes for distributors by means of its marketing program that includes its commission structure, training and support services and other benefits. The Company also competes with other direct selling organizations, many of which have longer operating histories and greater name recognition and financial resources than the Company. They include Amway Corporation, Nu Skin Enterprises, Inc., Body Wise International, Inc., ENVION International, Herbalife International, Inc., Enrich International, Rexall Showcase International, Forever Living Products, Inc. and Melaleuca, Inc. The Company competes for new distributors on the basis of its compensation plan and its proprietary and quality products. The Company believes that many more direct selling organizations will enter the marketplace as this channel of distribution expands over the next several years. The Company also competes for the commitment of its distributors. Given that the pool of individuals interested in direct selling tends to be limited in each market, the potential pool of distributors for the Company's products is reduced to the extent other network marketing companies successfully recruit these individuals into their businesses.

Not all competitors market all types of products marketed by the Company and some competitors market products and services in addition to those marketed by the Company. For example, some competitors are known for and are identified with sales of herbal formulations, some are known for and are identified with household cleaning and personal care products and others are known for and are identified with sales of nutritional and dietary supplements. The Company's principal methods of competition for the sale of products are its responsiveness to changes in consumer preferences and its commitment to quality, purity and safety.

The natural products industry growth has been fueled by sales across a number of distribution channels. Nutritional supplements are sold through several channels of distribution, primarily mass market retailers, specialty health products retailers and multi-level marketers, as well as through mail order and the Internet. In 1996, according to the Packaged Facts Report, 45.8% of sales of vitamins, minerals and other supplements were generated through the mass market retailers channel, 38.2% of such sales were generated through specialty health products retailers and 16.0% of such sales were generated through multi-level marketers, mail order and the Internet.

In the United States, the specialty health products retailers distribution channel is composed of over 9,500 stores, which are generally either independently owned or associated with one of several regional or national chains, such as GNC, Wild Oats and Whole Foods. In the United States the retail channel consists of approximately 9,700 retailers including (i) independent health food stores, (ii) health food stores affiliated with local, regional and national health food chains (including supermarket chains such as Whole Foods Market and Wild Oats Markets) and (iii) General Nutrition Center stores. The Company believes that the retail channel will continue to experience strong growth based on the continued expansion of independent health food stores and local, regional and national health food chains in response to strong demand from consumers who desire product education, service and high quality natural ingredients.

In Canada, health food store chains include nutrition house™, Noah's Natural Foods, Health Service Centre and General Nutrition Centre. According to the Packaged Facts Report, nutritional supplements account for over 38% of a typical health products store's sales. The specialty health products retailers channel of distribution has continued to experience growth in recent years as national chains, as well as other industry participants, continue to add stores in new and existing markets). There are also a number of independent retailers including natural food stores and family owned businesses. These retailers tend to be family owned and operated. In addition, the non-category stores carry a large array of supplements; however, they offer little or no service. Nevertheless, they do have the advantage of national brand advertising.

The distribution of products through multi-level marketing has grown significantly in recent years. The Direct Sellers Association reported total direct sales at retail of \$US20.8 billion in the United States in 1996. According to the Wirthlin Report, food, nutrition and wellness products are among the fastest growing categories in the direct selling industry.

Another source of competition in the sale and distribution of health and nutrition products is through direct retail sales establishments consisting of large retailers, independents and non-category stores (for example, drug stores).

The Company believes that these trends are positive indicators for its business. The Company believes that there are significant differences between mass market retailers (such as drugstores, warehouse clubs and supermarkets) which typically offer a limited selection of discounted and lower potency items and its marketing channels, where natural ingredients, quality, potency and customer support are more important.

New Product Development

New products are important in achieving growth in the network marketing industry. In addition, the Company believes that timely and strategic product introductions are critical to maintaining the growth of independent distribution channels. Distributors become enthusiastic about new products and are generally excited to share new products with their customer base. An expanding product line helps to attract new distributors and generate additional revenue.

The continued growth of the Company will depend not only on expanding the market presence of its current line of products but also the development of new products that will impact favourably on the health and well being of users. The Company's objective is to bring to market, after careful research and independent analysis, a new product approximately every 6 to 12 months. While new products may be secured through acquisition, the Company's acquisition strategy is based on synergistic and profitable relationships. There are no acquisitions contemplated at this time.

The Company is committed to developing its own proprietary products through careful analysis of health care trends and market demands. Testing and market research is required in order to bring any product to fruition. The Company intends to embark upon a comprehensive product development effort in order to build on its current market strengths and develop new market sectors.

The Company expands its product line through the development of new products. The Company continually seeks to identify, develop and introduce innovative, effective and safe products. New product ideas are derived from a number of sources, including trade publications, scientific and health journals, the Company's management and consultants and outside parties. Prior to introducing products into the Company's markets, the Company's scientific consultants, legal counsel and other representatives retained by the Company investigate product formulation matters as they relate to regulatory compliance and other issues. To the extent possible, the Company's products are formulated to suit both the regulatory and marketing requirements of the particular markets.

The Company does not maintain its own product research, development and formulation staff, but relies upon independent research, vendor research departments, research consultants and others for such product research, development and formulation services. When the Company, one of its consultants or another party identifies a new product concept or when an existing product must be reformulated for introduction into a new or existing market, the new product concept or reformulation is generally submitted to the Company's suppliers for technological development and implementation.

Future Strategy

The Company's current operations provide a good source of cash flow and also enable the Company to maintain a high level of quality control.

Management has developed a strategic business plan whereby the Company intends to establish an effective distribution network for the sale of its products in the United States. As a result, the Company will be concentrating on marketing all of its products and developing and expanding its market penetration in these markets. The strategic plan also encompasses a comprehensive training and educational program designed to teach distributors in the specific methods and procedures for the marketing and distribution of its product line.

The Company intends to expand its distribution network through increased salespersons in Canada and expansion in the United States. Southern California was selected as the base for the Company's American operations for a number of reasons: this area represents one of the largest markets for health and nutritional products. Many nutrition product companies and multilevel marketing companies are located in California. These factors among others were determinative in deciding to locate in this area. In addition, the Company believes that a number of positive marketing features to distributors are inherent to southern California for purposes of rallies, seminars and incentive plans, all of which can be administered through the Company's offices.

The commitment to expand into the United States involved significant market research and analysis by the Company. This development represents a logical progression as the Company has successfully demonstrated its viability and the quality of its products in the Canadian market. Utilizing Canada as a development and test ground for future expansion, the United States represents a sensible business step in the growth and expansion of the Company. The Company believes that it has refined its marketing procedures and strategies to capture a profitable portion of the United States market for its products.

Marketing Objectives

1. To establish a strong domestic and American distribution network for the sale of its products.
2. To develop a comprehensive and regular customer base.
3. To establish an expanding network of distributors in North America.

The Company's market research has indicated that a network marketing company's ability to attract, retain and motivate successful distributors depends to a significant degree on the Company's commitment and ongoing effort to create and provide quality materials and information to distributors in conjunction with their sales efforts. Marketing and promotional materials represent the most common and important contact between the Company and its distributors. The Company understands that this marketing feature is critical in developing the Company's presence in the United States. The Company has determined that the production of several high quality marketing pieces are central to its expansion strategy. This marketing initiative includes:

1. Full colour corporate brochure displaying photographs of corporate staff and office facilities;
2. A brief (approximately 10 minutes), stimulating corporate video that provides a Company overview; and
3. Four-colour magazine to be distributed regularly to customers and distributors promoting the success of the Company's products and distributor success stories.

Distributors purchase the above materials (except the magazine) directly from the Company. This practice is consistent with industry standards, where it is common for distributors to purchase all promotional materials, including the distributor's kits.

License Agreement

The Company has entered into a license agreement (the "License Agreement") with Alive International Holdings Inc. ("Holdings"), a principal shareholder of the Company controlled by Charles Kutner, the President of the Company, (see "Directors and Officers", Principal Holders of Securities" and "Interest of Management and Others in Material Transactions") that grants to the Company the exclusive license to market, sell and promote Essentials Plus™, Renew™, SuperShake™, Prevail™, Graponol™, HCA Max™ and GlucosaFlex™ (the "Products"), in Canada and the United States. The Company is responsible for paying and obtaining government approvals and registrations where necessary in connection with the sale and distribution of these products, including trademark and patent registrations. The License Agreement prohibits the Company from selling the Products outside of Canada and the United States. The Company paid to Holdings a fee of \$100 in consideration for these license rights. Holdings has warranted as to its title to the property licensed under the License Agreement and that the Company's use of such property will not constitute an infringement of any third party and has indemnified the Company from any losses and liability relating to any breach of such warranties. The Company may not assign its rights under the License Agreement without the consent of

Holdings. The License Agreement is governed by the laws of Ontario.

Trademarks

Most products are packaged under the Company's "private label". The Company intends to apply for trademark registrations with the United States Patent and Trademark Office and the Canadian Intellectual Property Office for Renew™, Prevail™, Graponol™, HCA Max™, Essentials Plus™, Glucosaflex™, Ultrasoy™ and Amino Therapy™. The Company is not aware of any fact that would have a materially adverse impact on the continuing use of those trademarks. The Company's recipes and certain manufacturing processes also constitute proprietary information and are important to the Company's success and competitive position. Accordingly, the Company seeks to establish and protect its rights relating to trademarks and trade secrets as well as other proprietary rights. See "Risk Factors."

Human Resources

As at December 31, 1997, the Company employed six full-time persons. There are no collective bargaining agreements in effect. The Company enjoys good relations with its employees. Employees receive an industry competitive package of benefits.

Facilities

The Company's corporate headquarters are located in Toronto, Ontario where the Company leases approximately 3,600 square feet for its central office, warehouse and distribution centre. This lease expires on May 31, 1999. The Company, through its wholly-owned subsidiary, leases approximately 1,200 square feet for its office, warehouse and distribution centre located in Oceanside, California. This lease expires on December 31, 1998.

The leases for the Toronto and California premises are in good standing and contain no renewal provisions. The Company has recently signed a new lease for premises in Aliso Viejo, California which is located in Orange County for its U.S. operations. This lease is for a term of three years commencing on February 1, 1999 until January 31, 2002. The Company believes that its current space adequately meets its needs in the near term and, subject to the foregoing, does not expect difficulties in obtaining additional space as the need arises.

GOVERNMENT REGULATION

Canada

In Canada, the regulation of the Company's network marketing system is subject to both federal and provincial law. Under the *Competition Act* (Canada) (the "Competition Act"), the Company must ensure that any representations relating to distributor compensation to a prospective distributor constitute fair, reasonable and timely disclosure and that it meets other legal requisites of the Competition Act. The Company's compensation plan has been reviewed by the appropriate Canadian authorities. In addition, all Canadian provinces and territories, other than Ontario, have legislation requiring the registration or licensing of the Company as a direct seller within that jurisdiction. Licensing is designed to maintain the standards of the direct selling industry and to protect the consumer. Some provinces require that both the Company and its distributors be licensed. The Company currently holds the requisite provincial or territorial direct sellers' licenses.

Health Canada regulations require that any product with vitamins and minerals which is not a meal replacement needs a Drug Identification Number. Only Essentials Plus™ is considered a drug and therefore has a Drug Identification Number. The Company's other products are classified as foods according to Health Canada and therefore do not require Drug Identification Numbers.

United States

Expansion into the United States enables the Company to pursue a more aggressive marketing strategy.

The manufacturing, processing, formulation, packaging, labeling and advertising of the Company's products in the United States are subject to regulation by federal agencies, including the Food and Drug Administration (the "FDA"), the Federal Trade Commission, the Consumer Product Safety Commission, the United States Department of Agriculture, the United States Postal Service and the United States Environmental Protection Agency. These activities are also subject to regulation by various agencies of the states and localities in which the Company's products are sold.

In November 1991, the FDA issued proposed regulations designed to amend, among other things, its food labeling regulations. The proposed regulations met with substantial opposition. In October 1994, the Dietary Supplement Health and Education Act of 1994 was enacted, which legislation governs the marketing and sale of nutritional supplements, including the content and presentation of health related information included on the labels or labeling of nutritional supplements. Section 11 of the DSHEA Act provides that the advance notice of proposed rule making by the FDA concerning dietary supplements was null and void. FDA regulations that became effective on June 1, 1994 would require standard format nutrition labeling on dietary supplements.

The Company believes that this law is generally favourable to the dietary supplement industry. The DSHEA Act establishes a new statutory class of "dietary supplements" which includes vitamins, minerals, herbs, amino acids and other nutritional supplements for human use to supplement the diet and includes in such class all dietary ingredients on the market as of October 15, 1994. Such class of nutritional supplements will not require submission by the manufacturer or distributor of evidence of a history of use or other evidence of safety establishing that the supplement will reasonably be expected to be safe, but a nutritional supplement which contains a dietary ingredient which was not on the market as of October 15, 1994 does require submission of evidence of a history of use or other evidence of safety. Among other things, this law prevents the further regulation of dietary ingredients as "food additives" and allows the use of statements of nutritional support on product labels.

The enactment of the DSHEA Act has had a significant effect on the nutritional supplement industry, which effect the Company believes to be favourable. The DSHEA Act revised the provisions of the U.S. Food Drug and Cosmetic Act concerning the regulation of dietary supplements. The legislation for the first time defined "dietary supplement" as a product intended to supplement the diet that contains one or more of certain dietary ingredients, such as a vitamin, a mineral, an herb or botanical, an amino acid, a dietary substance for use by humans to supplement the diet by increasing the total dietary intake, or a concentrate, metabolite, constituent, extract, or a combination of the preceding ingredients.

The DSHEA Act did not affect the July 1, 1994 effectiveness of the FDA's health claims regulations. However, enforcement of the health claims regulations has been delayed pending the decision of the U.S. Court of Appeals in Denver involving a challenge to the regulations on constitutional grounds. Those regulations prohibit any express or implied health claims for dietary supplements unless such claims are approved in advance by the FDA through the promulgation of specific authorizing regulations. Such approvals are rarely provided by the FDA. Therefore, no claim can be made on a dietary supplement label or in printed sales literature, "that expressly or by implication characterizes the relationship of any substance to a disease or health-related condition".

The Company does not believe that these laws or regulations will have a material effect on its products or operations. Nutritional and dietary supplements such as those sold by the Company, for which no therapeutic claim is made, are not subject to FDA approval prior to their sale. The Company does not anticipate marketing new products which would require FDA approval.

The Company's network marketing system is subject to U.S. governmental laws and regulations generally directed at ensuring that product sales are made to consumers of the products and that compensation and advancement within the marketing organization is based on sales of products rather than investment in the organization. These laws and regulations include the U.S. federal securities laws, matters administered by the Federal Trade Commission and various state anti-pyramid and business opportunity laws.

SELECTED FINANCIAL INFORMATION

	Seven Months Ended		Fiscal Year Ended December 31⁽²⁾		
	July 31,⁽¹⁾				
	<u>1998</u>	<u>1997</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
	(unaudited)			(audited)	
	\$	\$	\$	\$	\$
Statement of Operations Data					
Sales	829,099	988,483	1,559,024	1,207,462	173,539
Cost of Sales	190,007	228,269	336,134	264,122	49,313
Expenses	<u>721,078</u>	<u>716,687</u>	<u>1,145,553</u>	<u>924,106</u>	<u>168,850</u>
Net income (loss)	<u>\$(81,986)</u>	<u>\$ 43,527</u>	<u>\$ 77,337</u>	<u>\$ 19,234</u>	<u>\$(44,624)</u>
Total assets	\$201,064	\$186,105	\$234,504	\$194,795	\$112,847
Working Capital	68,084	13,607	52,129	(15,510)	43,975
Shareholders' Equity	88,222	18,237	70,208	(25,290)	(44,524)
Notes:					

- (1) The financial statements as at July 31 1998 and 1997 for the periods then ended have been derived from the unaudited financial statements of the Company. See "Financial Statements", including the notes thereto, for greater detail.
- (2) The financial statements for each fiscal year in the three years ended December 31, 1997 have been derived from the audited financial statements of the Company. See "Financial Statements", including the notes thereto, for greater detail.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

Discussion of Operations

The following discussion should be read in conjunction with the financial statements and notes thereto included elsewhere in this prospectus.

Overview

The Company develops, markets and sells its own line of nutritional and personal care products. The Company records revenue upon shipment of its products to its distributors. Sales reflect discounts, allowances and estimated returns and credits. Cost of sales consists primarily of material costs, direct labour, processing and packaging charges. Selling, general and administrative expenses consist primarily of administrative salaries, payroll taxes, depreciation, freight, professional fees and marketing and advertising costs.

Gross margins are affected by, among other things, changes in the relative sales mix among and within the Company's products. Fluctuations of sales within product categories, and product mix within those categories, are attributable to (i) cyclical and seasonal variations in consumer demand for individual products, (ii) sudden shifts in consumer demand for particular natural products, (iii) order flow from distributors, which may or may not correspond directly to consumer demand and typically reflects distributors' desire for just-in-time inventory.

Seven months ended July 31, 1998 compared to seven months ended July 31, 1997

SALES. For the seven months ended July 31, 1998, the Company experienced a temporary decline in its growth due to the Company's efforts in establishing and expanding a presence in the United States. Sales decreased approximately 16.1% to \$829,000 for the seven months ended July 31, 1998 from \$988,483 for the seven months ended July 31, 1997. The Company took additional steps during this period to attract additional distributors through several recruiting efforts and

to expand into the United States.

COST OF SALES. Cost of sales for the seven months ended July 31, 1998 were approximately \$190,007 which represented approximately 22.9% of sales. Cost of sales for the seven months ended July 31, 1997 were approximately \$228,269 which represented approximately 23.1% of sales. Total cost of sales declined approximately 16.8% from the seven months ended July 31, 1997 to the seven months ended July 31, 1998 or approximately \$38,262. The major factor affecting the decrease in the overall cost of sales can be attributed to the decline in the Company's sales during this period while raw material prices, shipping costs and the Company's product mix remained virtually unchanged.

GROSS PROFIT. Gross profit decreased 15.9% to \$639,092 for the seven months ended July 31, 1998 from \$760,214 for the seven months ended July 31, 1997. As a percentage of sales, gross profit remained relatively unchanged at 77% during this period. This consistency can be primarily attributable to the factors described above.

ADMINISTRATIVE EXPENSES. Administrative expenses consist of variable and fixed expenses including human resource expenses (that is, wages and bonuses), utilities, office and general expenses, amortization and professional fees and insurance. Administrative expenses increased 38.7% to \$325,192 for the seven months ended July 31, 1998 from \$234,477 for the comparable period in 1997. As a percentage of sales, administrative expenses increased to 39.2% for the seven months ended July 31, 1998 from 23.7% for the seven months ended July 31, 1997. The dollar amount increase was primarily attributable to an increase in salaries and benefits because of an increase in the number of employees to support the Company's growth and expansion. In addition, the Company also experienced increased expenses related to higher utility costs during the period and increased amortization resulting from the acquisition of capital assets. Professional fees increased primarily due to professional fees associated with establishing U.S. operations. The July 31, 1998 balance includes accrued accounting fees, where there was no such accrual for the period ended July 31, 1997. The increase in telephone expense was due to the greater volume of long distance calls associated with establishing U.S. operations.

SELLING EXPENSES. Selling expenses consist of commissions (see below), advertising and promotion and automobile and travel expenses. For the seven months ended July 31, 1998, selling expenses, exclusive of commissions, increased 102% to \$55,096 compared to \$27,336 for the seven months ended July 31, 1997. This increase was attributable to increased advertising and promotion expenses related to printing and to increased automobile and travel expenses as the Company took steps during this period to establish a market presence in the United States.

COMMISSIONS. Commissions consist of payments to distributors for sales activity. Commissions decreased 25.6% to \$325,534 for the seven months ended July 31, 1998 from \$437,782 for the seven months ended July 31, 1997. As a percentage of sales, commissions decreased to 39.3% for the seven months ended July 31, 1998 from 44.3% in the similar period in 1997. Commissions are tied directly to sales. Sales for the period ending July 31, 1998 fell by 16.1% from July 31, 1997. In the same period the ratio of commissions to sales fell from 44% to 40%. Therefore the decrease in commissions corresponds to the decrease in sales.

OTHER EXPENSES. Other expenses consists of interest expense and bank charges. Other expenses decreased 10.7% to \$15,256 for the seven months ended July 31, 1998 from \$17,092 for the seven months ended July 31, 1997. As a percentage of sales, other expenses increased to 1.8% for the seven months ended July 31, 1998 from 1.7% for the seven months ended July 31, 1997. The change was primarily attributable to the decrease in the Company's sales because of the factors described above.

NET EARNINGS (LOSS). For the seven months ended July 31, 1998, the Company suffered a loss of \$81,986 compared to net income of \$43,527 for the for the seven months ended July 31, 1997. This decrease was primarily related to the increase in the Company's expenses which were not offset by a corresponding increase in sales.

Year ended December 31, 1997 compared to year ended December 31, 1996

SALES. Sales increased approximately 29.1% to \$1,559,024 in 1997 from \$1,207,462 in 1996. This increase was

primarily due to an increase in existing product sales. During this period, the Company also experienced an increase in distributor applications fees and introduced new products to complement its existing product line.

COST OF SALES. Cost of sales increased 27.3% to \$336,134 in 1997 from \$264,122 in 1996. As a percentage of sales, cost of sales decreased marginally to 21.6% in 1997 from 21.8% in 1996. This stability is largely attributable to stable raw material prices and the Company's success in securing low-cost producers of its products.

GROSS PROFIT. Gross profit increased 29.6% to \$1,222,800 in 1997 from \$943,340 in 1996. As a percentage of sales, gross profit was 78.4% in 1997 compared to 78.1% in 1996. This consistency can be attributed to the factors described above.

ADMINISTRATIVE EXPENSES. Administrative expenses increased 18.9% to \$381,657 in 1997 from \$320,757 in 1996. As a percentage of sales, administrative expenses decreased to 24.5% in 1997 from 26.6% in 1996. The dollar amount increase was primarily attributable to an increase in office expenses and increased salaries and benefits because of an increase in the number of employees to support the Company's growth and expansion. In addition, the Company also experienced increased expenses related to higher utility costs during the period and increased amortization resulting from the acquisition of capital assets. Professional fees decreased from December 31, 1996 due to a reduction in legal fees compared to the previous year. Telephone expense increased due to efforts made in the last quarter of 1997 at U.S. expansion.

SELLING EXPENSES. Selling expenses, exclusive of commissions, decreased 26.1% to \$52,311 in 1997 compared to \$70,747 in 1996. This decrease was primarily attributable to significantly lower advertising and promotion expenses.

COMMISSIONS. Commissions increased 33.9% to \$685,594 in 1997 from \$511,790 in 1996. As a percentage of sales, commissions increased to 43.9% in 1997 from 42.4% in 1996. The dollar amount increase was primarily attributable to increased sales.

OTHER EXPENSES. Other expenses in 1997 increased to \$25,991 from \$20,812 in 1996. The change was primarily attributable to higher interest rates and bank charges.

NET EARNINGS. Net earnings increased 302.1% to \$77,337 in 1997 from \$19,234 in 1996. As a percentage of sales, net earnings increased 5.0% in 1997 compared to 1.6% in 1996. The increase was the result of the factors described above.

Year ended December 31, 1996 compared to year ended December 31, 1995

SALES. Sales increased approximately 596% to \$1,207,462 in 1996 from \$173,539 in 1995. This increase was primarily due to an increase in existing product sales, as well as an increase in distributor applications fees and the introduction of and sales of new products.

COST OF SALES. Cost of sales increased 436% to \$264,122 in 1996 from \$49,313 in 1995. As a percentage of sales, cost of sales decreased to 21.8% in 1996 from 28.4% in 1995. The decrease in cost of sales, as a percentage of sales, was due to the greater sales volumes generated by the Company in 1996 which led to greater efficiencies in purchasing and raw material costs associated with the manufacture of the Company's products.

GROSS PROFIT. Gross profit increased 659% to \$943,340 in 1996 from \$124,226 in 1995. As a percentage of sales, gross profit was 78.1% in 1996 compared to 71.5% in 1995. These changes can be attributed to the factors described above. The increase in gross profit as a percentage of sales was attributable to decreased material costs associated with new vendor sourcing.

ADMINISTRATIVE EXPENSES. Administrative expenses increased 289.7% to \$320,757 in 1996 from \$82,299 in 1995. As a percentage of sales, administrative expenses decreased to 26.6% in 1996 compared to 47.4% in 1995. The dollar amount increase was primarily attributable to rent and salaries and benefits expenses because of the Company's growth and expansion. In addition, the Company also experienced increased expenses related to higher utility costs and increased office expenses because of the Company's new office location.

SELLING EXPENSES. Selling expenses, exclusive of commissions, increased 254.6% to \$70,747 in 1996 compared to \$19,954 in 1995. This increase was primarily attributable to significantly higher advertising and promotion expenses and automobile and travel expenses.

COMMISSIONS. Commissions increased 718.8% to \$511,790 in 1996 compared to \$62,504 in 1995. As a percentage of sales, commissions increased to 42.4% in 1996 from 36% in 1995. The increase was primarily attributable to the increase in the number of distributors during the period and the increase in sales. The dollar amount increase was primarily attributable to increased sales.

OTHER EXPENSES. Other expenses in 1996 increased to \$20,812 in 1996 from \$4,093 in 1995. The change was primarily attributable to higher interest and bank charges.

NET EARNINGS. Net earnings increased to \$19,234 in 1996 compared to a net loss of \$44,625 in 1995. This increase was primarily attributable to the factors described above.

Liquidity and Capital Resources

The Company had cash and cash equivalents of \$55,718 at July 31, 1998 compared to \$93,643 at July 31, 1997. The Company utilized these funds to increase inventories together with funds generated through operations. The Company had working capital of \$68,084 at July 31, 1998 compared to working capital of \$13,607 for the seven months ended July 31, 1997, due to an increase in cash and a decrease in commissions payable.

The Company had cash and cash equivalents of \$113,792 at December 31, 1997 compared to \$102,931 at December 31, 1996. The Company utilized these funds to increase inventories and fixed assets together with funds generated through operations. The Company had working capital of \$52,129 at December 31, 1997 compared to negative working capital of \$15,510 for the year ended December 31, 1996, due to an increase in cash and a decrease in commissions payable.

The Company's primary source of liquidity and capital resources has been cash flow generated from operations, supplemented from time to time by borrowings from the principal shareholders of the Company without incurring long-term debt to unrelated third parties. Additionally, the Company does not extend credit to distributors, but requires payment prior to shipping products and accordingly, does not typically have accounts receivable from distributors. The Company's principal need for funds has been for marketing and promotional expenses, product development costs and the Company's expansion.

Net cash provided by (used in) operating activities was (\$141,061) and \$15,436 for the seven months ended July 31, 1998 and 1997, respectively.

To date, the Company has not had significant discussions about or evaluated the potential acquisition of companies due largely to inadequate financial resources. In the future, the Company may consider making an investment in or acquiring companies or product lines that complement the Company's existing product lines. The Company is not able to predict when a prospective acquisition candidate might become available, the terms of the financing, when any transaction might be closed or the effect of any acquisition on the Company's business, results of operations or financial condition. See "Risk Factors – Uncertainty Related to Acquisitions".

The Company believes that following the completion of the Offering, the Company will have adequate capital resources and liquidity to meet anticipated cash needs for working capital and capital expenditures for at least the next 12

months.

Financial Condition

Current assets increased to \$180,752 at December 31, 1997 from \$168,912 as of December 31, 1996, primarily due to the increase in cash and capital assets facilitated by the Company's increase in sales. Accounts receivable was reduced to nil from the December 31, 1996 balance of \$5,558 as the Company tightened its policies with respect to its distributors relating to the advance sales of its products.

Capital assets increased to \$39,726 at December 31, 1997, as a result of the acquisition of additional computer hardware and software.

Current liabilities decreased to \$128,633 at December 31, 1997 from \$184,422 at December 31, 1996. The decrease in current liabilities is mainly in commissions payable, accrued consulting fees and wages and loans payable.

Shareholders' equity increased to \$70,208 at December 31, 1997 compared to (\$25,290) in 1996. The improvement is due to the net income of the Company.

The Company's working capital balance has improved by \$67,639 since December 31, 1996. The current ratio at December 31, 1997 was 1.4 to 1.

Inflation

Inflation affects the cost of raw materials, goods and services used by the Company. In recent years, inflation has been modest. The competitive environment somewhat limits the ability of the Company to recover higher costs resulting from inflation by raising prices. Overall product prices have been stable and the Company seeks to mitigate the adverse effects of inflation primarily through improved productivity and cost containment programs. The Company does not believe that inflation has had a material impact on its results of operations for the periods described. The Company has not been subjected to material price increases by its suppliers and inflation is not expected to have a material impact on the Company's business during the next twelve months.

Year 2000

The year 2000 issue arises from computer programs that use only two digits to record the year. On January 1, 2000, when the year is designated as "00", computer systems may create erroneous data as a result of interpreting the date as the year 1900 and therefore will be unable to process date-sensitive calculations involving the year 2000.

The Company recognizes the need to ensure that its operations will not be adversely affected by year 2000 computer software failures. The Company makes use of internal information systems in the operation of its business. The Company uses software and information systems provided by third parties in its accounting and business systems.

The Company has developed and implemented a plan to achieve year 2000 compliance with respect to its business systems, including systems and user testing and anticipates that this plan will be completed by June 30, 1999. The costs related to implementing this plan are not anticipated to be significant and such costs will be expenses as they are incurred. As of the date hereof, the Company has not encountered any problems of consequence in connection with its systems. The objective of these efforts is to achieve year 2000 compliance with minimal effect on customer service or other disruption to, or loss of integrity in, business or financial operations. Based on the information available at this time, the Company believes it has access to all the necessary resources to continue to identify, evaluate and implement the changes required, if any, to reduce the likelihood of business disruption attributed to the year 2000 issue. There can be no assurance that the systems of other companies on which the Company's operations rely will be converted in a timely manner, or that a failure

to convert by another company would not have a material adverse effect on the Company's financial condition or results of operations.

The Company does not expect that its costs in connection with becoming year 2000 compliant to be material to its financial condition or results of operations. The costs incurred to date have been immaterial and are expensed as incurred.

Furthermore, management does not believe that the Year 2000 issue will affect its operations. Even if so, management does not anticipate that such effects would be material.

CAPITALIZATION

The following table and notes sets forth the capitalization of Alive as at December 31, 1998 both before and after giving effect to this issue of Units and the issue of Common Shares to be issued upon exercise of the Special Warrants but without giving effect to the exercise of the Over-Allotment Option, the exercise of the Compensation Option or the exercise of the First Broker's Warrants. This table should be read in conjunction with and is qualified by its entirety by reference to the Company's financial statements.

	Outstanding as at July 31, 1998⁽¹⁾	Outstanding as at December 31, 1998 after giving effect to the Minimum Offering⁽²⁾	Outstanding as at December 31, 1998 after giving effect to the Maximum Offering⁽²⁾
Shareholders' Equity (Deficiency)			
Common Shares (authorized – unlimited)	\$118,261 (5,949,400 shares)	\$1,068,261 (6,949,400 shares)	\$2,018,261 (7,949,400 shares)
Preference Shares (authorized – unlimited)	nil	nil	nil
Special Warrants	nil	\$175,500	\$175,500
Retained Earnings (Deficit)	nil (30,039)	(386,100 Special Warrants) (30,039)	(386,100 Special Warrants) (30,039)

(1) There are reserved for issuance 386,100 Common Shares upon the exercise of the Special Warrants.

(2) Reflects the issue of 1,000,000 Common Shares for the Minimum Offering and 2,000,000 Common Shares for the Maximum Offering hereunder at \$0.95 per Unit, and the issue of 386,100 Common Shares upon the exercise of the Special Warrants but without giving effect to the exercise of the Over-Allotment Option, the exercise of the Compensation Option or the exercise of the First Broker's Warrants. The only Common Shares reserved for issuance are: (i) that number of Common Shares equal to 10% of the number of common shares distributed within the minimum and maximum offered hereunder issuable upon the exercise of the Over-Allotment Option and the Compensation Option described under "Plan of Distribution"; (ii) 35,100 Common Shares issuable upon the exercise of the First Broker's Warrants described under "Plan of Distribution"; (iii) 1,000,000 Common Shares issuable upon the exercise of the Warrants; and (iv) 1,000,000 Common Shares issuable upon the exercise of stock options that may be granted from time to time by the Board of Directors of the Company pursuant to the Plan described under "Stock Option Plan".

DIRECTORS AND OFFICERS

The name, municipality of residence, position with Alive and the principal occupation of each of the directors and senior officers are indicated in the following table:

Name and Municipality of Residence	Office	Principal Occupation
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Charles Kutner Toronto, Ontario	President, Chief Executive Officer and Director	Officer of the Company
Ron Cummings Laguna Beach, California	National Sales Manager	Officer of the Company
Andrea Rustage Toronto, Ontario	Vice-President, Marketing	Officer of the Company
Robert Kutner Toronto, Ontario	Director	Retired Business Executive
Lorne H. Albaum Thornhill, Ontario	Director	Lawyer
Joel B. Flatt Toronto, Ontario	Proposed Director	Vice-President, Procurement Oshawa Foods
Robert D. Weiler, Q.C. Toronto, Ontario	Proposed Director	Lawyer

Charles Kutner, President

Mr. Kutner together with Andrea Rustage co-founded the Company. His primary responsibilities include the regular administration of the Company's operations, oversight and negotiation of sales and purchasing for the Company and the development of the Company's business. He has over 11 years industry experience and has run several large network marketing organizations, including the Canadian operations for Uni-Vite/Body Wise from 1991-1994. He is a director of the Multi-Level Marketing International Association and a member of the Direct Sellers Associations Strategic Committee that deals directly with Health Canada. Mr. Kutner received his Honours B.A. from the University of Western Ontario in 1986.

Andrea Rustage, Vice-President Marketing

Co-founder of the Company, Ms. Rustage has over eight years of network marketing experience on two continents. From 1989 to 1993 she was the marketing manager for Uni-Vite Inc. of Carlsbad, California where she oversaw the advertising and marketing department of this international nutrition company. Her duties included the co-ordination of all advertising efforts on behalf of the company, the development of advertising strategies, consumer research efforts, managing the advertising budget and acting as liaison with the international divisions in China, the United Kingdom and Canada. Ms. Rustage is a graduate of the Loughborough University in England, where she received a Bachelor of Science, Honours in 1989. Ms. Rustage is the spouse of Charles Kutner.

Ron Cummings, National Sales Manager

Prior to his appointment with Alive in 1998, Mr. Cummings had been an independent marketing and advertising consultant responsible for projects that included marketing director for Endless Youth Products Inc. where his responsibilities covered the design and creation of advertising materials and direct response programs as well as personnel training and office administration; the development of special training programs and the creation of product sales efforts for Links Direct Golf Company. From 1994 to 1996 he was the Director of Marketing for Nu-Concepts In Travel of Irvine, California where he was responsible for all aspects of marketing, advertising, media public relations, training and interfacing with the distribution network. From 1993 to 1994 he was the National Marketing Director for Next Bancorp, a financial services company based in Irvine, California. Mr. Cummings received

his Bachelor of Arts degree in 1983 from the University of California, Irvine.

Robert Kutner, Director

Mr. Kutner is a retired business executive. From 1980 to 1998, he was the President of Jones Apparel Group, a fashion merchandiser. Mr. Kutner is the father of Charles Kutner.

Lorne H. Albaum, Director

Mr. Albaum is a barrister and solicitor who has been in private practice since 1998. From 1997 to 1998 he was the Vice-President and General Counsel with RT Equity Inc., a merchant bank. From 1991 to 1997 he was an associate lawyer with Stewart & Associates. Mr. Albaum earned a Bachelor of Arts degree from the University of Toronto in 1985 and a Bachelor of Laws from Osgoode Hall Law School in 1988. He has significant experience acting as legal counsel for both private and public companies.

Joel B. Flatt, Proposed Director

Mr. Flatt is the Vice-President, Procurement for Oshawa Foods a division of The Oshawa Group Limited, a position he has held since 1997. From 1992 to 1997 he held a series of positions with The Oshawa Group Limited as Manager of Special Projects, General Manager Dutch Boy Food Markets, Director, Category Management and Vice President, Merchandising. Mr. Flatt received his honours degree in Business Administration from the University of Western Ontario in 1986 and his Chartered Accountant designation in 1987. He received his MBA from the Kellogg School of Business, Northwestern University in 1991.

Robert D. Weiler, Q.C., Proposed Director

Mr. Weiler is a lawyer who was called to the Bar in Ontario in 1968. He is a general litigation counsel whose practice has a special emphasis in labour and employment law on behalf of management. Mr. Weiler received his Bachelor of Arts degree from the University of Toronto in 1962 and received his Bachelor of Laws degree from Osgoode Hall Law School in 1966. Mr. Weiler is a former Assistant Crown Attorney in Toronto. He is also a former director of the Advocates Society, and was made Queen's Counsel in 1984.

The Company's board of directors is comprised of five members. Currently there are two vacancies. Within 90 days following the consummation of this Offering, the Company intends to fill those vacancies with individuals who will be neither officers nor employees of the Company or its affiliates, presently anticipated to be Joel B. Flatt and Robert D. Weiler, Q.C., subject to receipt of adequate insurance for officers' and directors'. There can be no assurance that such insurance coverage may be obtained.

Committees of the Board of Directors

Within 90 days following the consummation of this offering, the Board of Directors will establish an Audit Committee. Effective upon their election to the Board of Directors, the independent directors will serve as the members of the Audit Committee. The Audit Committee's principal functions will include making recommendations to the Board of Directors regarding the annual selection of independent public accountants, reviewing the scope of each annual audit and reviewing the recommendations of the independent public accountants resulting from the audit of the Company's financial statements.

EXECUTIVE COMPENSATION

Executive Compensation

The following table provides a summary of compensation earned for the last three fiscal years. No other executive officer of Alive earned in excess of \$100,000 in any such year.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Period Ended	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Annual Salary	Bonus	Other Compensation	Securities Under Options Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Charles Kutner President & Chief Executive Officer	1997	\$86,000	Nil	Nil	Nil	Nil	Nil	9,000 ⁽¹⁾
	1996	\$40,000	35,000	Nil	Nil	Nil	Nil	6,000 ⁽¹⁾
	1995	Nil	Nil	Nil	Nil	Nil	Nil	Nil ⁽¹⁾

(1) Represents taxable benefits for personal use of employer's automobile by employee.

Employment Agreements

Charles Kutner and Andrea Rustage will each enter into separate employment agreements with Alive effective upon completion of this Offering. Each agreement will have an initial term of 5 years commencing on the First Closing Date and automatically renew for one-year terms. The agreement with Mr. Kutner will provide for his serving in the capacity of President and Chief Executive Officer at an annual base salary of \$100,000. The agreement with Andrea Rustage will provide for her serving in the capacity of Vice-President, Marketing at an annual base salary of \$60,000. The above agreements will also provide that each of Charles Kutner and Andrea Rustage will be eligible to receive annual increases or bonuses, at the discretion of the compensation committee of the board of directors (the members of which will consist of at least two independent directors and not more than one non-independent director). The agreements will contain confidentiality, non-solicitation and non-competition provisions.

Remuneration of Directors

Directors of Alive who are not executive officers are not currently entitled to receive remuneration for serving on the Board of Directors of Alive or any committee thereof. The Board of Directors may change this policy in future and remunerate its directors in accordance with industry standards. Directors of the Company may receive options to purchase common shares. See "Stock Option Plan".

Change of Control

Alive has no plan or arrangement pursuant to which compensation was paid or may be paid to executive officers of Alive during the most recently completed financial period or the current year in view of compensating such officers in the event of a termination of employment or in the event of a change in responsibilities following a change in control.

Directors' and Officers' Insurance

At this time, the Company does not maintain insurance for the benefit of its directors and officers against certain liabilities incurred by them in their capacity as directors or officers of the Company. The Company proposes to purchase liability insurance for the directors and officers of Alive effective upon completion of the Offering, although there can be no assurance that such insurance can or will be obtained. No part of the premium for the insurance would be paid by the directors or officers of Alive.

STOCK OPTION PLAN

Prior to completion of this Offering, the Company will adopt a stock option plan (the “Plan”). Under the Plan 1,000,000 Common Shares will be reserved for issuance. It is proposed that the Plan will provide that only directors, officers, employees, distributors, consultants and service providers of the Company will be eligible for grants of options. The options will be non-assignable, irrevocable and will be granted, subject to any vesting provisions that the Board of Directors may determine, for a term not to exceed ten years. The exercise price for options will be fixed by the Board of Directors at the time of grant, provided that the price per common share shall not be less than the market price of the common shares at the time of grant. For the purposes of the Plan, “market price” is defined as the closing price of the Company’s common shares at the time of grant on the Canadian Dealing Network (or, if such shares are listed and on a recognized stock exchange or dealing network, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board of Directors) on the trading day immediately preceding such date. In the event that such shares did not trade on such trading day, the market price shall be the average of the bid and ask prices in respect of such shares at the close of trading on such trading day. In the event that such shares are not listed and posted for trading on any stock exchange, the market price shall be the fair market value of such shares as determined by the Board of Directors in its sole discretion. The aggregate number of common shares reserved for issuance to any one person, whether under the Plan or otherwise, shall not exceed 5% of the outstanding issue where “outstanding issue” is defined as the total number of common shares issued and outstanding on the business day immediately prior to the date of grant. Subject to certain conditions, if a grantee ceases to be a director, officer, employee, distributor, consultant or service provider, the options granted are required to be exercised within thirty (30) days and if not they are cancelled.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

No director or senior officer, or any associate or affiliate of any such director or senior officer is indebted to Alive or to any of its subsidiaries or affiliates. No director or senior officer or any associate or affiliate of any such director or senior officer has been indebted to Alive or any of its subsidiaries or affiliates at any time since the beginning of the last completed financial year of Alive or any of its subsidiaries or affiliates.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described herein, no director or officer of the Company has had any material interest, direct or indirect, in any transaction within the three years prior to the date hereof, or any proposed transaction which has materially affected or will materially affect the Company.

On May 1, 1998, the Company entered into a license agreement with Alive International Holdings Inc. (“Holdings”), a company incorporated under the laws of the province of Ontario whose principal shareholder is Charles M. Kutner, the President of the Company and whose minority shareholder is Lord Christopher Rustage, a shareholder of the Company, which grants to the Company the exclusive license to market, sell and promote Essentials Plus™, Renew™, SuperShake™, GraPONOL™, Prevail™, HCA Max™ and GlucosaFlex™, in Canada and the United States in consideration for the sum of \$100. Holdings is a principal shareholder of the Company. See “License Agreement” and “Principal Shareholders”.

On June 26, 1998 the Company entered into a debt repayment agreement with Lord Christopher Rustage, a principal shareholder of the Company, whereby 25 pre-split Common Shares of the Company were issued in exchange for outstanding indebtedness of \$25,000.

On September 15, 1998, the Company acquired all the issued and outstanding common stock of Alive International Holdings, Inc. (“California”), a company incorporated under the laws of the State of California in consideration of the sum of \$US12,700. The principal shareholder of California was Charles M. Kutner, the president of the Company; the minority shareholder was Lord Christopher Rustage, a shareholder of the Company. See “Business of the Company” and “Principal Shareholders”.

PRINCIPAL SHAREHOLDERS

As at the date of this Prospectus, the only persons or companies who own of record, or who in the knowledge of the Company owned beneficially, directly or indirectly, more than 10% of the Common Shares are as follows:

<u>Name and address</u>	<u>Security</u>	<u>Type of Ownership</u>	<u>Number of Securities</u>	<u>Percentage of Class Before Giving Effect to this Offering</u>	<u>Percentage of Class After Giving Effect to the Minimum Offering⁽⁴⁾</u>	<u>Percentage of Class After Giving Effect to the Maximum Offering⁽⁴⁾</u>
Charles Kutner ⁽¹⁾ Toronto, Ontario	Common	Direct	1,635,609	27.49%	22.29%	19.62%
Alive International Holdings Inc. ⁽¹⁾⁽²⁾ Toronto, Ontario	Common	Direct	1,287,880	21.65%	17.56%	15.45%
Tory, Ryan & Co. Inc. ⁽³⁾ Toronto, Ontario	Common	Direct	700,000	11.77%	9.54%	8.40%
Robert and Andr��e Kutner, joint tenants Toronto, Ontario	Common	Direct	643,941	10.82%	8.78%	7.73%
Lord Christopher Rustage ⁽²⁾ Manchester, England	Common	Direct	321,870	5.41%	4.39%	3.86%

Notes:

- (1) Mr. Charles Kutner, an officer and director of the Company, owns common shares of Alive International Holdings Inc. representing an 80.3% voting interest in Alive International Holdings Inc.
- (2) Lord Christopher Rustage owns common shares of Alive International Holdings Inc. representing a 19.7% voting interest in Alive International Holdings Inc.
- (3) Mr. Lorne H. Albaum, a director of the Company, is an officer and director of Tory, Ryan & Co. Inc. Mr. Albaum's spouse owns 50% of Tory, Ryan & Co. Inc.
- (4) Including the issuance of 386,100 common shares upon the exercise of the Special Warrants, but does not give effect to the exercise of the Warrants, the Compensation Option, the Over-Allotment Option or the First Broker's Warrants.

The following table indicates the percentage of common shares of the Company beneficially owned, directly or indirectly, by all directors and senior officers of the Company as a group:

<u>Designation Of Class</u>	<u>Percentage of Class Before Giving Effect to this Offering</u>	<u>Percentage of Class After Giving Effect to the Minimum Offering</u>	<u>Percentage of Class After Giving Effect to the Maximum Offering</u>
Common Shares	76.7%	62.3%	54.8%

PRIOR SALES

The Company has not issued any securities within the past 24 months other than as follows:

1. On June 19, 1998, the Company issued pursuant to a subscription agreement 127 pre-split Common Shares to Charles Kutner at a price of \$196.80 per share for an aggregate purchase price of approximately \$25,000.
2. On June 19, 1998, the Company entered into a subscription agreement with Robert Kutner and Andrée Kutner, joint tenants, pursuant to which the Company sold 50 previously unissued pre-split Common Shares at a price of \$1,000 per share for an aggregate purchase price of \$50,000.
3. On June 26, 1998, the Company issued 25 pre-split Common Shares to Christopher Rustage pursuant a debt repayment agreement at a price of \$1,000 per share. See "Interests of Management and Others in Material Transactions".
4. On June 26, 1998, the shareholders of the Company voted by way of special resolution to divide the 302 issued and outstanding common shares of the Company on a 19,700-for-one basis into 5,949,400 common shares.
5. On August 31, 1998, the Company entered into the First Agency Agreement with the Agent pursuant to which 351,000 Special Warrants were issued. Each Special Warrant was issued at a price of \$0.50. See "Plan of Distribution – Special Warrant Offering".

PLAN OF DISTRIBUTION

Initial Public Offering

Pursuant to an Agency Agreement dated January 20, 1999 between the Company and Rampart Securities Inc., the Company appointed the Agent as its exclusive agent to offer for sale, on a best efforts basis, a minimum of 1,000,000 and a maximum of 2,000,000 Units at a price of \$0.95 per Unit. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant will entitle the holder thereof to purchase one common share at a price of \$1.50 per share at any time on or before 5:00 p.m. (Toronto time) on January 31, 2001.

Pursuant to the Agency Agreement, the Agent has agreed to use its "best efforts" to sell the Units offered hereby. The Company will pay the Agent a fee of \$0.095 per Unit (10%) for an aggregate maximum fee of \$190,000 assuming the maximum offering is fully subscribed. The Company will also reimburse the Agent for reasonable fees and expenses (including the Agent's legal counsel fees) relating to the offering of the Units. While the Agent has agreed to use its "best efforts" to sell the Units which are the subject of this Offering, it is not obligated to purchase any Units which are not sold.

The Agent has also been granted a non-transferable option to purchase such number of Units as is equal to 10% of the Units sold at the initial public offering price for a period expiring 60 days from the date of closing of the Offering to cover the number of Units over-allotted as at the close of business on the second trading day after the closing of the Offering. This prospectus also qualifies the Units to be issued to the Agent upon exercise of the Over-Allotment Option and the Common Shares issuable upon the exercise of the Warrants forming part of such Units.

As additional compensation, the Company will issue to the Agent a non-transferable option to purchase such number of Units as is equal to 10% of the Units sold at the initial public offering price, exercisable in whole or in part, from time to time, for a period of 24 months following the closing at a price of \$0.95 per Unit. This prospectus qualifies the distribution of half of the Units issuable upon exercise of the Compensation Option.

As stated above, the public offering is subject to a minimum subscription of 1,000,000 Units (for gross proceeds of \$950,000). While the closing is expected to take place on or about January 22, 1999, if the minimum subscription is not raised within sixty days of the issuance of a final receipt for this prospectus by the Ontario Securities Commission or such other time as may be authorized by the Ontario Securities Commission and agreed to by the Agent, all subscription monies

relating to the public offering of the Units will be returned to subscribers without interest or deduction. All subscription funds raised upon the sale of the Units will be held by TD Trust Company, as depositary, until closing.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that certificates representing the Common Shares and Warrants comprising the Units will be available for delivery at the closing of this Offering, which is expected to take place on or about January 22, 1999, or on such other date as the Company and the Agent may agree, but in any event not later than January 31, 1999.

The obligations of the Agent under the Agency Agreement may be terminated by the Agent at its discretion any time upon the occurrence of certain stated events, including any material adverse change in the affairs of the Company or in the state of the financial markets.

Pursuant to a policy statement of the Ontario Securities Commission, the Agent may not, throughout the period of distribution, bid for or purchase Common Shares or Warrants. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in or the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares or Warrants. In connection with this Offering, the Agent may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares or Warrants at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Special Warrant Offering

Pursuant to an agency agreement dated August 31, 1998, between the Company and Rampart Securities (the "First Agency Agreement"), the Company completed a private placement of an aggregate of 351,000 Special Warrants pursuant to prospectus exemptions in the province Ontario under applicable securities legislation at a price of \$0.50 per Special Warrant. Each Special Warrant entitles the holder thereof to acquire, subject to adjustment, one Common Share at no additional cost, at any time and from time to time until 5:00 p.m. (Toronto time) on the earlier of (i) five (5) business days following the date upon which a final receipt for this Prospectus has been issued by the Ontario Securities Commission, and (ii) August 31, 1999. If a receipt for this prospectus is not obtained from the Ontario Securities Commission before November 29, 1998 (or such other date as the Company and the Agent may agree upon) Special Warrants exercised thereafter will entitle the holders thereof to receive without additional payment 1.10 Common Shares (in lieu of one Common Share) for each Special Warrant. Any Special Warrant not exercised prior to the Expiry Time shall be deemed to be exercised, without any further action on the part of the holder, at the Expiry Time.

Pursuant to the First Agency Agreement, the Agent received a fee of \$0.05 per Unit (10%) for an aggregate fee of \$17,550. As additional compensation, the Company issued to the Agent a non-transferable option (the "Compensation Warrant") entitling the Agent to acquire, without payment of any consideration, up to an aggregate of 35,100 broker warrants of the Corporation (the "First Broker Warrants"), each First Broker Warrant in turn entitling the holder to purchase one common share of the Corporation at a price of \$0.50 per common share, exercisable for a period of two years following August 31, 1998.

This prospectus is being filed in the province of Ontario to qualify, inter alia, the distribution of the Common Shares to be issued upon the exercise of the Special Warrants and the distribution of fifty percent of the First Broker's Warrants entitling the Agent to acquire up to 35,100 Common Shares issuable upon the exercise of such First Broker's Warrants of the Compensation Warrant. Any Common Share issued upon the exercise of Special Warrants, and any First Broker's Warrants issued upon the exercise of the Compensation Warrant, prior to the issue of a receipt for this prospectus by the Ontario Securities Commission, or to holders of Special Warrants resident in any province in which a receipt for this prospectus has not been issued, may be subject to resale restrictions under applicable securities legislation.

All of the Common Shares to be issued upon exercise of Special Warrants will, when issued, be fully paid and non-assessable. Since the date of issuance, no Special Warrants have been exercised. See "Description of Share Capital".

All of the proceeds of the sale of Special Warrants were previously released to the Corporation.

The Special Warrants, the Common Shares issuable upon the exercise thereof, and the Common Shares and Warrants represented by the Units have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States of America or its possessions or territories or to a U.S. person (as defined in regulation S promulgated under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act. The Agent has agreed that it will not offer or sell the Special Warrants or the Units within the United States of America or its possessions or territories or to U.S. persons, except in accordance with Rule 144A under the 1933 Act. In addition, until 40 days after the commencement of this offering, an offer or sale of the Special Warrants or the Units within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with Rule 144A under the 1933 Act.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following general summary discusses the principal Canadian federal income tax considerations, as of the date hereof, generally applicable to subscribers who acquire Common Shares and Warrants pursuant to this Prospectus, who, for purposes of the Income Tax Act (Canada) (the “Tax Act”), will hold their Common Shares and Warrants as capital property, are resident in Canada and deal at arm’s length with and are not affiliated with the Company (“Holders”). This summary does not apply to a subscriber that is a “financial institution” for purposes of section 142.2 of the Tax Act (as such definition is proposed to be amended by the 1998 federal budget).

The summary is based upon the current provisions of the Tax Act, the regulations enacted thereunder (the “Regulations”) and the Company’s understanding of the current administrative policies and assessing practices of Revenue Canada made publicly available. This summary takes into account any published proposals to amend the Tax Act and the Regulations, and public announcements made by the Minister of Finance by way of press release or announcement in the House of Commons prior to the date hereof (the “Proposed Amendments”). This summary assumes that the Proposed Amendments will be passed into law. However, there can be no assurance that the Proposed Amendments will be enacted in their current form or at all. Except as specifically noted above, this summary does not take into account or anticipate any other changes in the law, whether by judicial, governmental or legislative action or decision. This summary does not take into account the tax laws of any province, territory or foreign jurisdiction.

The income tax consequences to a particular subscriber or Holder will vary according to a number of factors including the particular province in which the subscriber or Holder resides, carries on business or has a permanent establishment, the legal characterization of the subscriber as an individual, corporation, trust or partnership, and the amount that would be the subscriber’s taxable income but for his subscription for Units. **The following discussion of the income tax considerations is, therefore of a general nature only and it is not intended to constitute a complete analysis of all income tax considerations or income tax advice to any particular subscriber or Holder. Accordingly, subscribers and Holders are urged to consult their own income tax advisors with respect to the Canadian federal income tax consequences to them of acquiring and disposing of Units, Special Warrants and/or Common Shares with reference to their own particular circumstances.**

Allocation of Purchase Price

Each Holder of a Unit must make a reasonable allocation of the subscription price of a Unit between the Common Share and the one-half of a Warrant. For its purposes, the Company proposes to allocate the entire subscription price to the Common Share and no portion of the subscription price to the one-half of a Warrant. Although the Company believes that this allocation is reasonable, it is not binding on any subscriber (or Revenue Canada). The amount reasonably allocated to the Common Share and the one-half of a Warrant will be their acquisition cost to the subscriber for the purposes of the Tax Act. For the purpose of calculating the adjusted cost base to the subscriber of such Common Shares, the cost thereof must be averaged with the adjusted cost base to a subscriber of all other Common Shares held at the time by the subscriber as capital property.

Exercise or Disposition of Warrants

The exercise of a Warrant by a Holder will not constitute a disposition of property for purposes of the Tax Act. Accordingly, no gain or loss will be realized by a Holder of a Warrant upon such exercise. When a Warrant is exercised, the initial cost of the Common Share acquired thereby will be the aggregate of the adjusted cost base of the Warrant, if any, and the exercise price paid for the Common Share. For the purpose of computing the adjusted cost base to the Holder of such a Common Share, the cost thereof must be averaged with the adjusted cost base to the Holder of all other Common Shares held at the time by the Holder as capital property. If a Holder of a Warrant otherwise disposes of the Warrant (or is deemed to have disposed of the Warrant), a capital gain or capital loss will be realized to the extent the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Warrant and any reasonable costs of disposition. Upon the expiry of an unexercised Warrant, the Holder will realize a capital loss equal to the adjusted cost base to the Holder of the Warrant, (if such adjusted cost base is greater than zero).

Disposition of Common Shares

A disposition or deemed disposition (other than to the Company) of a Common Share will generally result in the realization of a capital gain (or capital loss) in the taxation year of the Holder in which the disposition occurs to the extent the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of such Common Share and any reasonable costs of disposition.

If the Holder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividend, including deemed dividends, which have been received by the Holder on the Common Share. Similar rules may apply where a corporation, partnership, trust or individual is a member of a partnership or a beneficiary of a trust that owns Common Shares.

Certain corporations may be liable to pay an additional refundable tax of 6 2/3% on their “aggregate investment income” which is defined in the Tax Act to include an amount in respect of taxable capital gains (but not dividends or deemed dividends deductible in computing taxable income).

Capital Gains and Capital Losses

Three-quarters of any capital gain resulting from a disposition must be included in computing the income of a Holder under the Tax Act as a taxable capital gain for the taxation year in which the disposition takes place, while three-quarters of any capital loss may be generally deducted, subject to certain restrictions, from taxable capital gains realized in that taxation year, and an amount in respect of the excess, if any, of capital losses over capital gains may generally be deducted against taxable capital gains realized in any of the three preceding taxation years, or any subsequent taxation years subject to and in accordance with the provisions of the Tax Act. Capital gains realized by an individual may give rise to liability for minimum tax.

Dividends

Dividends on the Common Shares received by a Holder who is an individual will be included in computing that Holder's income and will be generally subject to the normal rules as to gross-up and the dividend tax credit generally applicable to taxable dividends received from taxable Canadian corporations. Dividends on the Common Shares received by a corporation will be included in computing its income but generally will also be deductible in computing its taxable income, subject to the detailed rules in the Tax Act. A shareholder which is a "private corporation" (as defined in the Tax Act) or any other corporation resident in Canada and controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a 33 1/3% refundable tax under Part IV of the Tax Act on dividends received on the Common Shares to the extent that such dividends are deductible in computing the corporation's taxable income.

USE OF PROCEEDS

The estimated net proceeds to be received by the Company from this offering, after deducting the Agent's fees and estimated expenses of the offering, will be approximately \$1,675,000 (assuming the maximum number of Units are sold) and \$775,000 (assuming the minimum number of Units are sold). In the event that the maximum number of Units are sold, the net proceeds will be used as follows: (i) as to approximately \$275,000, to fund marketing and promotion activities; (ii) as to approximately \$200,000 to purchase equipment and raw materials; (iii) as to approximately \$100,000 to fund salary expenses for employees and the development of additional warehouse and office facilities; (iv) as to approximately \$125,000 for the development of special projects; (v) as to approximately \$50,000 for the protection and registration of intellectual property rights; (vi) as to approximately \$250,000 to enhance existing information technology systems and acquire state-of-the-art information systems; and (vii) as to approximately \$675,000 for general working capital purposes, including to fund capital expenditures in connection with the Company's expansion.

In the event that the minimum number of Units are sold, the net proceeds will be used as follows: (i) as to approximately \$150,000, to fund marketing and promotion activities; (ii) as to approximately \$100,000 to purchase equipment and raw materials; (iii) as to approximately \$50,000 to fund salary expenses for employees and the development of additional warehouse and office facilities; (iv) as to approximately \$75,000 for the development of special projects; (v) as to approximately \$50,000 for the protection and registration of intellectual property rights; (vi) as to approximately \$200,000 to enhance existing information technology systems and acquire state-of-the-art information systems; and (vii) as to approximately \$150,000 for general working capital purposes, including to fund capital expenditures in connection with the Company's expansion.

Based on the following, Management is confident that all of the foregoing uses can be implemented with the net proceeds from either the minimum or maximum offering; (i) marketing and promotional activities can be readily altered in order to conform to budgetary requirements; (ii) the purchase of equipment and raw materials can be varied depending on the Company's product development cycles; (iii) the addition of personnel and the expansion of office and warehouse facilities can be managed to fulfill the Company's ongoing needs; and (iv) the equipment available for information technology systems can be acquired on a gradual basis to satisfy the Company's needs and is readily available.

Pending the use of the net proceeds from the Offering as described above, the Company intends to invest the

proceeds in marketable securities and short term investments.

The Company may also use the net proceeds from the Offering to acquire companies or product lines that complement the Company's existing product lines. To date, however, the Company has not had significant discussions about or evaluated the potential acquisition of any such companies or product lines.

In the event that more than the minimum but less than the maximum number of Units are sold, the net proceeds will be allocated between each of the above-noted items in approximately the same proportions as indicated above.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of Alive consists of an unlimited number of Common Shares and an unlimited number of preference shares.

Common Shares

Each Common Share entitles the holder thereof to receive notice of and to attend all meetings of shareholders of the Company. At each such meeting, the holder of Common Shares shall be entitled to one vote for each Common Share held. The holders of Common Shares are entitled to dividends as and when declared by the directors and to share pro rata in the remaining assets of the Company in the event of any liquidation, dissolution or winding-up of the Company. The holders of the Common Shares have no pre-emptive, redemption or subscription rights.

Preference Shares

Each preference share entitles its holder to a preferential non-cumulative dividend at the rate of 9% per annum of the amount paid up thereon. The preference shares rank prior to the Common Shares with respect to dividends and return of capital in the event of the liquidation, dissolution or winding-up of the Company. The preference shares are retractable by the holder at any time upon the delivery of notice to Alive. Except with respect to matters as to which the holders of preference shares are entitled to vote as a class, the holders of preference shares shall not be entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Company.

Warrants

The following is a summary only and is given subject to the provisions of the Warrant Indenture referred to below.

The Warrants offered hereby will be issued in bearer form and will be governed by an indenture (the "Warrant Indenture") to be dated as of January 22, 1999 between the Company and Equity Transfer Services Inc. as warrant agent (the "Warrant Agent").

One whole Warrant will entitle its holder to acquire one Common Share for \$1.50 at any time on or before 5:00 p.m. (Toronto time) on January 31, 2001, after which date the Warrants will become null and void.

Upon exercise of a whole Warrant, the Warrant Agent shall remit the exercise price to the Company and shall deliver to the holder of Warrants one Common Share.

The Warrant Indenture will provide for adjustments to the exercise price and to the number of Common Shares deliverable upon the exercise of a Warrant upon the occurrence of certain events, including; the issuance of Common Shares as a stock dividend; subdivisions, consolidations or certain reclassifications of the Common Shares; the issuance, to the holders of Common Shares generally, of rights, options or warrants (expiring within 45 days following the record date for determining shareholders entitled to receive them) to subscribe for Common Shares at less than 95% of the Current Market

Price (as defined in the Warrant Indenture); or the distribution by way of a stock dividend to the holders of Common Shares generally of shares other than Common Shares or evidences of indebtedness, or assets, or rights, options or warrants (other than those mentioned above) to subscribe for Common Shares or acquire assets of the Company. No adjustment will be required to be made with respect to the Warrants until the cumulative adjustments amount to 1% or more of the exercise price or of the number of Common Shares which may be purchased upon the exercise of the Warrants; however, any such adjustment which does not have to be made will be carried forward and will be taken into account should there be any subsequent adjustment.

A holder of Warrants shall have no voting rights or pre-emptive rights or any other rights which a holder of Common Shares of the Company may have.

ESCROW ARRANGEMENTS

In accordance with the policies of the Ontario Securities Commission concerning the disposition of shares held by certain persons related to a company engaging in an initial public offering, Charles Kutner, Alive International Holdings Inc., Tory, Ryan & Co. Inc. and Robert and Andrée Kutner, joint tenants (the “Escrow Shareholders”) will, prior to closing, enter into an agreement (the “Escrow Agreement”) with the Company and Equity Transfer Services Inc. (the “Escrow Agent”). Pursuant to the Escrow Agreement, 4,267,430 Common Shares (the “Escrowed Shares”) will be placed on deposit with the Escrow Agent by the Escrow Shareholders. The Escrowed Shares will be released by the Escrow Agent to the Escrow Shareholders as follows:

- (i) ten percent (10%) of the Escrowed Shares will be released on the date which is nine months following the date of the prospectus (the “Initial Release Date”),
- (ii) a further twenty percent (20%) of the Escrowed Shares will be released on each of the first, second and third anniversaries of the Initial Release Date;
- (iii) thirty percent (30%) of the Escrowed Shares will be released on the fourth anniversary of the Initial Release Date.

Except as provided in the Escrow Agreement, none of the Common Shares held in escrow by the Escrow Shareholders may be sold, assigned, transferred, pledged or hypothecated, except with the prior written consent of the Ontario Securities Commission.

DILUTION

The following table sets out the immediate dilution to purchasers of Units pursuant to this Offering. The calculation of dilution is made after giving effect to the exercise of the Special Warrants but without giving effect to the exercise of the Warrants, the Over-Allotment Option, the Compensation Option and the First Broker Warrants.

	<u>Minimum</u>	<u>Maximum</u>
Offering price per Unit	\$ 0.95	\$ 0.95
Net tangible book value per share at July 31, 1998	0.01	0.01
Increase in net tangible net book value per share attributable to the issuance of Special Warrants	0.03	0.03
Net tangible book value per share after giving effect to the issuance of Special Warrants	0.04	0.04
Increase in net tangible book value per share attributable to this Offering	0.13	0.22
Net tangible book value per share at July 31, 1998 adjusted for this Offering	0.17	0.26
Dilution of net tangible value per share to investors.....	0.78	0.69
Percentage of dilution in relation to the Offering price.....	82%	73%

Net tangible book value, which is based upon historical costs, may not be indicative of fair market value.

DIVIDEND POLICY

Alive has not paid a dividend on its Common Shares since its incorporation. The Company does not anticipate paying cash dividends on its Common Shares in the foreseeable future, but intends to retain future earnings for reinvestment in its business. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will be dependent upon the Company's earnings, capital requirements and financial position, as well as general economic conditions and other factors deemed relevant by the Board of Directors.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts which the Company has entered into during the past two years which may reasonably be regarded as presently material are:

1. Warrant Indenture referred to under "Description of Share Capital".
2. Agency Agreement referred to under "Plan of Distribution".
3. Escrow Agreement described under "Escrow Arrangements".
4. First Agency Agreement referred to under "Plan of Distribution".
5. Special Warrant Indenture referred to under "Plan of Distribution – Special Warrant Offering".
6. License Agreement referred to under "Business of the Company – License Agreement".
7. The Employment Agreements referred to under "Executive Compensation".

8. Depositary Agreement between the Company, the Agent and TD Trust Company referred to under “Plan of Distribution”.
9. Purchase Agreement between the Company and Alive International Holdings, Inc. referred to under “Interest of Management and Others in Material Transactions”.
10. Debt Repurchase Agreement between the Company and Lord Christopher Rustage referred to under “Interest of Management and Others in Material Transactions”.
11. The lease agreements referred to under “Facilities”.
12. The Company’s standard form Distributor Application and Agreement.

Copies of the foregoing agreements may be inspected during regular business hours at the principal place of business of the Company, 234 Galaxy Blvd., Etobicoke, Ontario, M9W 5R8 during the course of distribution of the Units offered by this prospectus and for a period of 30 days thereafter.

RISK FACTORS

The acquisition of securities offered hereunder entails certain risks, and the investment in the Units offered hereby is speculative. Potential purchasers should carefully consider the following:

Limited Operating History

Alive was formed in 1994 and did not commence operations until April 1995. Consequently, Alive has a limited operating history and limited combined historical financial information upon which investors may base their evaluation of the Company. The disclosures regarding the Company contained in this Prospectus must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stages of development.

Regulatory Scrutiny

The Company’s network marketing system is subject to governmental laws and regulations, albeit more extensively in the United States than Canada, generally directed at ensuring that product sales are made to consumers of the products and that compensation and advancement within the marketing organization is based on sales of products, rather than investment in the organization. These laws and regulations include the United States federal securities laws, matters administered by the US Federal Trade Commission and various state anti-pyramid and business opportunity laws. Although the Company believes that it is in compliance with all such laws and regulations, the Company remains subject to the risk that, in one or more of its present or future markets, its marketing system or the conduct of certain distributors could be found not to be in compliance with applicable laws or regulations. Failure by the Company or distributors to comply with these laws and regulations could have a material adverse effect on the Company in a particular market or in general.

Reliance Upon Independent Distributors and High Turnover Rate of Distributors

The Company distributes its products exclusively through independent distributors who have contracted directly with Alive to become distributors. Distributor agreements are voluntarily terminable by distributors at any time. The Company’s revenue is directly dependent upon the efforts of these independent distributors, and any growth in future sales volume will require an increase in the productivity of these distributors and/or growth in the total number of distributors. As is typical in the direct selling industry, there is turnover in distributors from year to year, which requires sponsoring and training of new distributors by existing distributors to maintain or increase the overall distributor force and motivate new and existing distributors. The size of the distributor force can be particularly impacted by general economic and business

conditions and a number of intangible factors, such as adverse publicity regarding the Company, or the public's perception of the Company's products, product ingredients, or direct selling businesses in general. The Company has experienced periodic fluctuations in the level of distributor sponsorship (as measured by distributor applications). However, because of the number of factors that impact the sponsoring of new distributors and the fact that the Company has little control over the level of sponsorships of new distributors, the Company cannot predict the timing or degree of such fluctuations. There can be no assurance that the number or productivity of the Company's distributors will be sustained at current levels or increased in the future.

The Company has a large number of distributors and a relatively small corporate staff to implement its marketing programs and provide motivational and other support services for distributors. The Company's continued growth and success depend to a significant degree on its ability to retain and motivate its distributors and to attract new distributors by continuing to offer new products of superior quality and new marketing programs. Distributors may voluntarily terminate distributor agreements with the Company at any time. The Company's revenue is directly dependent upon the efforts of non-employee, independent distributors and future growth in sales volume will depend in a large part upon an increase in the number of new distributors. Therefore, attrition in the distributor force, seasonal or other decreases in purchase volume, costs associated with training new distributors and other expenses associated with these problems, may combine to reduce the revenues and profitability of the Company.

Distributors' Actions

The Company's distributors are required to sign the Company's Distributor Application and Agreement which requires them to abide by the Company's Policies and Procedures. Although these Policies prohibit distributors from making claims regarding the products or income potential from the Company's distribution compensation plan, nonetheless, in certain instances distributors may from time to time create promotional materials which do not accurately describe the Company's marketing program or may make statements regarding potential earnings, product claims or other matters not in accordance with the Policies or contrary to applicable laws and regulation concerning these matters. Although the Company has not been sued by regulatory authorities, legal actions against distributors or others affiliated with the Company can lead to increased regulatory scrutiny. In order to assure itself that its Policies and the practices of its independent distributors conform to law and fairly protect the interests of consumers, the Company attempts to carefully monitor against misrepresentations by distributors. There can be no assurance that the Company will be able to completely accomplish this objective. In addition, distributors could make predictive statements about the Company's operations or other unauthorised remarks regarding the Company which the Company may be unable to control. Publicity resulting from such activities of distributors can also make it more difficult for the Company to sponsor and retain distributors or may adversely affect the Company's ability to expand into new markets.

Effect of Adverse Developments in the Nutritional Supplements Industry

The Company is highly dependent upon consumers' perception of the overall integrity of the nutritional supplement industry, as well as the safety and quality of nutritional supplements. Although the products supplied by the Company are substances for which there is a long history of human consumption, some of the Company's products contain innovative ingredients or combinations of ingredients for which there is little long-term experience with human consumption. The Company generally does not conduct or sponsor clinical studies relating to the benefits, or the long-term effects, of its ingredient products or the final consumer products. The Company could be materially adversely affected if a nutritional supplement should prove, or be asserted to be, harmful to consumers, if scientific studies provide unfavourable findings regarding the effectiveness of nutritional supplements and other products that are ingested by consumers or applied topically, the Company may be subjected to various product liability claims, including, among others, that its products contain contaminants or are not safe for their intended use. While such claims to date have not been material to the Company and the Company maintains product liability insurance, there can be no assurance that product liability claims and the resulting adverse publicity will not have a material adverse effect on the Company.

Product Competition

The business of distributing and marketing vitamins and minerals, weight management items, personal care items and other products offered by the Company is highly competitive. Numerous manufacturers, distributors and retailers compete actively for consumers and for distributors. The Company competes directly with other entities that manufacture, market and distribute nutritional and health care products in each of its product lines. Many of the Company's competitors are substantially larger than the Company and have greater financial resources and broader name recognition. The market is highly sensitive to the introduction of new products that may rapidly capture a significant share of the market. As a result, the Company's ability to remain competitive depends in part upon the successful introduction of new products. The Company is also subject to significant competition from other marketing organizations for the recruitment of distributors.

The Company's ability to remain competitive depends, in significant part, on the Company's success in recruiting and retaining distributors. There can be no assurance that the Company's programs for recruitment and retention of distributors will be successful. The Company competes for the time, attention and commitment of its independent distributor force. The pool of individuals interested in the business opportunities presented by direct selling tends to be limited in each market, and it is reduced to the extent other network marketing companies successfully recruit these individuals into their businesses.

Although management believes the Company offers an attractive opportunity for distributors, there can be no assurance that other marketing companies will not be able to recruit the Company's existing distributors or deplete the pool of potential distributors in a given market.

Reliance on Key Personnel

The success of the Company is dependent to a significant extent upon the efforts and abilities of certain key management personnel, including Charles Kutner and Andrea Rustage, founders, officers and directors of the Company. The Company does not maintain key man life insurance policies on the lives of either of these persons and there can be no assurance that such policies will be obtained in the future or that if obtained they can adequately compensate the Company for the loss of such individuals. The experience of these individuals will be a factor contributing to the Company's success and growth. The loss of the services of these individuals or any senior manager or other key employee could have a material adverse effect upon the Company's business, financial condition and operating results. The Company also contemplates entering into employment agreements with each of Mr. Kutner and Ms. Rustage. The Company's success is also dependent upon its ability to attract and retain qualified employees and personnel to meet its needs from time to time. See "Directors and Officers" and "Executive Compensation".

Government Regulation

Although the Company confines its activities to marketing and distribution, the manufacturing, processing, formulation, packaging, labeling and advertising of the Company's products are subject to regulation by federal agencies in Canada and the United States. These activities are also subject to regulation by various agencies of the provinces and states and localities in which the Company's products are sold. In October 1994, the Dietary Supplement Health and Education Act was enacted by the United States Congress. The United States Food and Drug Administration has not yet reconciled its existing regulations with this new legislation. Therefore, the Company cannot determine to what extent any changed or amended regulations will affect its business in the United States. The Company cannot determine what effect currently proposed FDA regulations, when and if promulgated, will have on its business in the future. Such regulations could, among other things, require expanded or different labeling, the recall or discontinuance of certain products, additional record keeping and expanded documentation of the properties of certain products and scientific substantiation. In addition, negative publicity associated with a regulatory inquiry regarding products sold by the Company may adversely affect the Company. The Company cannot predict whether new legislation regulating its activities will be enacted, which new legislation could have a material adverse effect on the Company. See "Business – Government Regulations". The DSHEA Act defines supplements (which include vitamins, minerals, nutritional supplements and herbs) and provides a regulatory framework to ensure the safety and quality of dietary supplements, and the dissemination of accurate information about such products. Dietary supplements are currently regulated as foods under the DSHEA Act and the FDA is generally prohibited

from regulating the active ingredients in dietary supplements as food additives or as drugs unless product claims trigger drug status. The DSHEA provides specific nutritional labeling requirements for dietary supplements. The DSHEA permits substantiated truthful and non-misleading statements of nutritional support to be made in labeling, such as statements describing general well being from consumption of a dietary ingredient or the role of a nutrient or dietary ingredient in affecting or maintaining structure or function of the body.

Effect of Exchange Rate Fluctuations

The Company has commenced efforts to expand its marketing organization into the United States. As a result, exchange rate fluctuations may have a significant effect on the Company's sales and gross margins. Further, if exchange rates fluctuate dramatically, it may become uneconomical for the Company to continue activities in the United States.

No Firm Contracts With Suppliers Or Manufacturers

The Company does not have any written contracts with any of its suppliers or manufacturers or commitments from any of its suppliers or manufacturers to continue to sell products to the Company. These manufacturers also produce products for some of the Company's competitors and the Company competes with these competitors and others for production capacity. Accordingly, there is a risk that some or all of the Company's suppliers or manufacturers could discontinue selling their products to the Company for any reason. Although the Company believes that it could establish alternate sources for most of its products, any delay in locating and establishing relationships with other sources could result in product shortages and back orders for the products, with a resulting loss of revenues to the Company. In addition, such delays could interrupt momentum in growth of product sales and distributor recruitment.

In addition, the manufacturers are required to maintain the quality of the Company's products and to comply with applicable laws and regulations relating to the production of nutritional supplements and personal care items. There can be no assurance that the Company's manufacturers will continue to produce products that are consistent with the Company's standards. The Company may, from time to time, receive shipments of products that fail to conform to the Company's standards. The failure of any manufacturer to provide products that conform to the Company's standards could materially and adversely affect the Company's reputation in the marketplace and result in product recalls, product liability claims and severe economic loss.

The Company does not cultivate any of its raw botanicals. All of the Company's raw materials are purchased from third parties. The Company does not have any long-term supply contracts with respect to its raw material requirements. The raw materials utilized by the Company are agricultural or are otherwise naturally occurring materials. The availability of agricultural raw materials is subject to many risks, including agricultural disease, insect or animal infestation, adverse weather conditions, adverse ground conditions and natural and other disasters. Certain agricultural materials are available only at specific times during a year due to the seasonality of growing periods and harvest times. In addition, the available amount of raw materials which are gathered and not cultivated may not adjust in response to increasing demand. A substantial portion of the Company's raw materials are obtained from foreign sources which are subject to various import restrictions, as well as foreign governmental and other restrictions related to the production of the raw materials and the export thereof. There can be no assurance that foreign raw materials are cultivated or gathered subject to quality control standards, if any, utilized by the Company or its domestic suppliers. Foreign raw materials are subject to delays due to transportation, handling and/or export or import controls. There can be no assurance that the Company will be able to obtain the necessary amounts of its raw materials to meet the demand for its products. If the Company experiences a raw materials shortage, it could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance Upon Distributors

The Company's products are distributed through an extensive network marketing system of distributors. Distributors are independent contractors who purchase products directly from the Company for resale and/or for their own

use. Distributors typically work on a part-time basis for the Company, and may engage in other business activities, including the sale of products offered by competitors. The Company has experienced rapid growth in the number of its distributors during the past three fiscal years. At July 31, 1998, the Company had approximately 5,500 distributors. The Company's growth depends to a significant degree on its ability to retain and motivate its existing distributors and to attract new distributors by continuing to offer new products and new marketing programs.

The Company distributes its products exclusively through its distributors, and the Company's success depends in significant part upon its ability to attract, maintain and motivate a large base of distributors, who, in turn, recruit additional distributors to purchase and sell the Company's products. Significant turnover among distributors from year to year, which the Company believes is typical of direct selling, requires the sponsoring of new distributors by existing distributors in order to maintain or increase the overall distributor force. Efforts by distributors to obtain new distributors are affected by the level of distributor motivation, which in turn can be positively or negatively affected by certain factors, including general economic conditions, modifications in the amount of commissions paid, and public perception of the quality of the Company's products. For 1997, the Company's commission expense comprised approximately 39.3% of its total expenses exclusive of cost of sales and income taxes. The Company's ability to attract and retain new distributors could be negatively affected by adverse publicity relating to the Company or its services or its operations, including its network marketing system. Because of the number of factors that impact the recruiting of distributors, the Company cannot predict when or to what extent increases or decreases in the level of distributor retention will occur. In addition, the number of distributors as a percentage of the population may reach levels that become difficult to exceed due to the finite number of persons inclined to pursue direct selling as a business. There can be no assurance that the number or productivity of distributors will be sustained at current levels or will increase in the future. The failure of the Company to attract and retain distributors in sufficient numbers would have a material adverse effect on the Company's business, results of operations and financial condition. Furthermore, the Company's business, results of operations and financial condition could be materially adversely affected if the Company finds it necessary to terminate a significant number of distributors or certain distributors who play a key role in the Company's distribution system.

Regulation And Management Of Distributors

Distributors are independent contractors, not employees of the Company, and are not subject to the same level of direction and oversight as Company employees. While the Company has policies and rules in place governing the conduct of distributors, as well as a systematic method of monitoring, compliance enforcement and discipline, it is difficult to detect and correct all instances of distributor misconduct. The Company's efforts to manage its distributors can result in litigation from time to time between the Company and its distributors and an adverse outcome in such litigation could adversely affect the Company's business, results of operations and financial condition. Violations of these policies and rules reflect negatively on the Company and could also lead to formal or informal complaints by various federal, provincial or foreign regulatory authorities. Complaints or enforcement actions by federal, state, provincial or foreign regulatory authorities may occur in the future and could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's network marketing system is or may be subject to or affected by extensive government regulation, including, without limitation, federal and state regulation regarding network marketing plans, and the offer and sale of business franchises, business opportunities and securities. Various governmental agencies in the United States monitor direct selling activities, and the Company has supplied information regarding its marketing plan to the Competition Bureau in Ottawa. There can be no assurance that legislation and regulations adopted in particular jurisdictions in the future will not adversely affect the Company's business, results of operations and financial condition. The Company also could be found to be in non-compliance with existing statutes or regulations as a result of, among other things, vicarious liability arising from allegations of misconduct and misconduct by distributors, who are independent contractors over whom the Company has limited control, the ambiguous nature of certain of such statutes, regulations and related court decisions, and the considerable interpretive and enforcement discretion statutorily granted to regulatory authorities and the courts. Any assertion or

determination that the Company or the distributors are not in compliance with existing statutes or regulations could have a material adverse effect on the Company's business, results of operations and financial condition.

Industry Competition

The nutritional supplements market is large and intensely competitive. The Company competes directly with companies that manufacture and market nutritional products in each of the Company's product lines, including General Nutrition Companies, Inc., Solgar Vitamin and Herb Company, Inc., Twinlab Corporation and Weider Nutrition International, Inc. Many of the Company's competitors in the nutritional supplements market have longer operating histories and greater name recognition and financial resources than the Company. In addition, nutritional supplements can be purchased in a wide variety of channels of distribution. While the Company believes that consumers appreciate the convenience of ordering products from home through a sales person, the buying habits of many consumers accustomed to purchasing products through traditional retail channels are difficult to change. The Company's product offerings in each product category are also relatively small compared to the wide variety of products offered by many other nutritional supplement companies. There can be no assurance that the Company's business, results of operations and financial condition will not be adversely affected by market conditions and competition in the future.

The Company also competes in the nutritional supplements market and for new distributors with other direct selling organizations, many of which have longer operating histories and greater name recognition and financial resources than the Company, including Amway Corporation, Nu Skin Enterprises, Inc., Body Wise International, Inc., ENVION International, Herbalife International, Inc., Enrich International, Rexall Showcase International, Forever Living Products, Inc. and Melaleuca, Inc. The Company competes for new distributors on the basis of its compensation plan and its proprietary and quality products. The Company believes that many more direct selling organizations will enter the marketplace as this channel of distribution expands over the next several years. The Company also competes for the commitment of its distributors. Given that the pool of individuals interested in direct selling tends to be limited in each market, the potential pool of distributors for the Company's products is reduced to the extent other network marketing companies successfully recruit these individuals into their businesses. There can be no assurance that other network marketing companies will not be able to recruit the Company's existing distributors or deplete the pool of potential distributors in a given market. The competition for distributors from such other companies could have a material adverse effect on the Company's business, results of operations and financial condition. See "Business of the Company - Competition."

Potential Effects Of Adverse Publicity

The Company's products contain vitamins, minerals, herbs and other ingredients that the Company regards as safe when taken as directed by the Company and that various scientific studies have suggested may offer health benefits. The Company is highly dependent upon distributor perception of the overall integrity of its business, as well as the safety and quality of its products and similar products distributed by other companies which may not adhere to the same quality standards as the Company. The size of the Company's distribution force and results of operations can be particularly affected by adverse publicity regarding the Company, or its competitors, including publicity regarding the legality of network marketing or the Company's network marketing system, the quality of the Company's products and product ingredients or those of its competitors, regulatory investigations of the Company or the Company's competitors and their products, distributor actions, the Company's management of its distributors and the public's perception of the Company's distributors and direct selling businesses generally. See "Risk Factors - Limited Availability of Conclusive Clinical Studies," "Business of the Company - Products", "Business of the Company - Network Marketing" and "Business of the Company - Company System."

Reliance On Certain Distributors

The Company's compensation plan allows distributors to sponsor new distributors. The sponsoring of new distributors creates multiple distributor levels in the network marketing structure. Sponsored distributors are referred to as

“downline” distributors within the sponsoring distributors’ “downline network.” If downline distributors also sponsor new distributors, additional levels of downline distributors are created, with the new downline distributors also becoming part of the original sponsor’s “downline network.” As a result of this network marketing distribution system, distributors develop relationships with other distributors. The Company believes that its revenue will be generated from thousands of distributor networks. The loss of a high-level sponsoring distributor or another key distributor together with a group of leading distributors in such distributor’s downline network, or the loss of a significant number of distributors for any reason, could adversely affect sales of the Company’s products and impair the Company’s ability to attract new distributors, which would have a material adverse effect on the Company’s business, results of operations and financial condition. See “Business of the Company – Company System”.

Product Liability

Although the Company does not engage in the manufacture of any of the products it markets and distributes, the Company could be exposed to product liability claims. Under applicable laws and regulations, the Company, like any other retailer, distributor or manufacturer of products that are designed to be ingested by consumers or applied to their bodies, faces an inherent risk of exposure to product liability claims in the event that the use of its products results in an allegation of loss or injury. Although the Company has not been the subject of material product liability claims, no assurance can be given that the Company may not be exposed to future product liability claims, including, among other things, that its products contain contaminants or include inadequate instructions as to use or inadequate warnings concerning side effects and interactions with other substances. The Company maintains product liability insurance, however, the successful assertion or settlement of any uninsured claim, a significant number of insured claims, a claim exceeding the Company’s insurance coverage or adverse publicity associated with any product liability allegation could have a material adverse effect on the Company’s business, results of operations and financial condition.

Limited Availability Of Conclusive Clinical Studies

In general, the Company’s products consist of nutritional supplements and topical products, which the Company believes does not require approval from the U.S. FDA or other regulatory agencies in the United States and Canada prior to sale. Although many of the ingredients in the Company’s products are vitamins, minerals, herbs and other substances for which there is a long history of human consumption, some of the Company’s products contain innovative ingredients or combinations of ingredients. Although the Company believes all of its products to be safe when taken as directed by the Company, there is little long-term experience with human consumption of certain of these innovative product ingredients or combinations thereof in concentrated form. Accordingly, there can be no assurance that the Company’s products, even when used as directed, will have the effects intended or will not have harmful side effects. The Company performs research and/or tests in connection with the formulation and production of its products, and from time to time conducts or sponsors clinical studies. See “Risk Factors - Product Liability.”

Risks Associated With Information Technology

The Company is fundamentally dependent upon information technology and its related systems to manage and operate its key business functions: order processing, customer service, distribution, commission processing and paying for and receiving inventory. The Company plans to implement a new management information system, creating certain risks to its operations. The most immediate risk to the business operations of the Company is during the implementation phase, in which the new system is substituted for the prior system. During this period, certain variances between business requirements and the actual system functionality have been and will continue to be identified and ameliorated in a real-time environment. Additionally, there will have been and will continue to be deviations in user job performance and efficiency of an unknown duration, resulting from lack of proficiency with respect to the requirements of the new software, diminished access to significant business information and inherent resistance to change. There have been, and it is anticipated that there will continue to be, periods during which the software system will not be optimally functional or periods during which it will be rendered temporarily inoperative while it is adjusted to achieve required performance. Moreover, varied computational

results may ensue during the period of adjustment of the software system to allow for all of the requisites of the Company's specific business environment. During this period, it can be anticipated that related adverse effects could result in other areas dependent upon information systems for functionality. Also, it is likely that during such period, reversion to manual methods, such as written order-taking and computation may be required during times of adjustment, thereby substantially decreasing the efficiency of the Company's operations, and possibly adding, temporarily, to overall costs attendant to such operations.

The reliability of inventory information contained within this system is entirely dependent on the accuracy of data retained in the core custom system. However, regular manual reconciliation of inventory diminishes this risk over the long term. See "Use of Proceeds."

In the event that the software system should fail, the Company would experience an inability to conduct its day-to-day business for a period of time dependent upon the severity of the failure and the ability of the Company to remedy the cause. Should such a failure occur, it could have a material adverse effect on the Company's business, results of operations and financial condition.

No Assurance of Future Industry Growth

Although market data referred to in this prospectus and otherwise available to prospective investors regarding the size and projected growth rates of the nutritional supplements industry indicate that such industry is large and rapidly growing, there can be no assurance that such industry is as large as reported or that such projected growth will occur or continue. Market data such as that presented in this prospectus is inherently uncertain and subject to change based on economic conditions, consumer preferences and other factors that are beyond the Company's control. There can be no assurance that an adverse change in the size or growth rate of the natural products industry or the nutritional supplements segment thereof will not have a material adverse effect on the Company's business, financial condition and results of operations.

Narrow Product Line; Dependence on New Products

The Company currently has a limited product line: nutritional supplements and personal care items. There can be no assurance that the Company's existing products will continue to achieve market acceptance. Any such failure could have a material adverse effect on the Company's business, results of operations and financial condition. The Company believes that its ability to increase sales is partially dependent upon its ability to introduce new and innovative products into its existing markets. The success of new products depends on a number of factors, including the Company's ability to develop products that appeal to consumers and that are priced competitively. There can be no assurance that the Company's efforts to develop new products will be successful, that consumers will accept new products, or that the Company's competitors will not introduce new products that achieve greater market acceptance than the Company's products. In addition, the Company's introduction of new products or any delay in the introduction after its announcement or the mix of products sold has in the past and could cause sales and earnings to fluctuate from period to period. Such fluctuations could have a material adverse effect on the price of the Company's securities and the Company's business, results of operations and financial condition.

Uncertainty Related to Acquisitions

The Company may use a portion of the net proceeds from this offering to pursue the acquisition of complementary products, product lines or businesses. Acquisitions involve a number of risks that could adversely affect the Company's operating results, including the diversion of management's attention, the assimilation of operations and personnel of the acquired companies, the amortization of acquired intangible assets and the potential loss of key employees of the acquired companies. Moreover, the Company has never completed an acquisition, and currently is not engaged in any acquisition discussions. There can be no assurance that the Company will consummate future acquisitions on satisfactory terms, if at all, that adequate financing will be available on terms acceptable to the Company, if at all, that any acquired products, product lines or businesses will be successfully integrated or that such products, product lines or businesses will ultimately

have a positive impact on the Company's business, financial condition or results of operations.

In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations, products and employees of the acquired companies, the diversion of management's attention from other business concerns, risks of entering markets in which the Company has no or limited direct prior experience and the potential loss of key employees of the acquired company. If any such acquisition occurs, there can be no assurance as to the effect thereof on the Company's business, results of operations and financial condition.

Control by Existing Shareholders

Upon completion of the Offering, the persons and entities listed under "Principal Shareholders" will own, in the aggregate, approximately 51.2% of the Company's outstanding shares (assuming the Maximum Offering is completed). Accordingly, such persons and entities, if they acted together, would be able to elect all directors and exercise control over the business, policies and affairs of the Company. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control of the Company, including transactions in which the shareholders might otherwise receive a premium for their shares over then current market prices. The interests of such persons and entities could conflict with the interests of the other shareholders of the Company. See "Principal Shareholders."

Seasonality And Cyclical; Variations In Operating Results

While neither seasonal nor cyclical variations have materially affected the Company's results of operations to date, the Company believes that its rapid growth may have overshadowed these factors. Accordingly, there can be no assurance that seasonal or cyclical variations will not materially adversely affect the Company's results of operations in the future.

In addition, the Company may experience variations on a quarterly basis in its results of operations, as new products are introduced and new markets are opened. There can be no assurance that current revenue or productivity trends will be maintained in any of these markets or that future results of operations will follow historical performance.

Managing Growth

The Company has experienced rapid growth since its operations commenced in 1995. The management challenges imposed by this growth include entry into new markets, growth in the number of distributors and employees, expansion of facilities to accommodate growth and additions and modifications to the Company's product lines. To manage these changes effectively, the Company may be required to hire additional management, customer service and operations personnel and improve its operational, financial and management systems. While the Company plans to implement numerous programs to address these issues, there can be no assurance that rapid growth will not result in further operational strains that could adversely affect the Company's business and results of operations. The Company's ability to manage its planned growth requires the Company to expand its management information systems and financial systems, all of which may significantly increase operating expenses. Failure of the Company to achieve its growth as planned or the inability to manage the anticipated growth could have a material adverse effect on the Company's business, financial condition and results of operations. Moreover, the capital expenditures and personnel expenses associated with such growth may adversely affect the Company's results of operations. See "Business of the Company – Growth Strategy".

Absence of Prior Public Market for Common Shares; Possible Volatility of Stock Price

Prior to this Offering, there has been no public market for the Company's securities, and there can be no assurance that an active public market will develop or be sustained after this Offering. The initial public offering price was determined by negotiations between the Company and representatives of the Agent based on several factors and may not be indicative of the market price of the securities after this Offering. The market price of the Company's securities is likely to be highly volatile and may be significantly affected by factors such as actual or anticipated fluctuations in the Company's operating results, announcement of new product introductions by the Company or its competitors, changes of estimates of securities analysts, developments with respect to proprietary rights, general market conditions and other factors. In addition, the stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many network marketing and nutrition companies. Broad market fluctuations as well as economic conditions generally and in the network marketing industry specifically, may result in material adverse affects on the market price of the Company's securities unrelated to the Company's performance. There can be no assurance that the market price for the Company's securities will not decline below the initial public offering price. In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. There can be no assurance that such litigation will not occur in the future with respect to the Company. Such litigation could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect upon the Company's business, operating results and financial condition. These broad market fluctuations may adversely affect the market price of the Company's securities.

Trademarks and Other Proprietary Rights

The Company intends to make applications to register its trademark rights with respect to its products. There can be no assurance however, that such trademarks will be issued or that no third party will object to such issuances. The Company believes that such trademarks are important to the marketing of the Company's products. The Company's recipes and certain manufacturing processes also constitute proprietary information and are important to the Company's success and its competitive position. Accordingly, the Company seeks to protect its rights relating to trademarks and trade secrets as well as its other proprietary rights. However, the actions of the Company may not be sufficient to prevent imitation of its products by others or to prevent others from claiming violations of their trademarks, trade secrets and proprietary rights by the Company. In addition, others may assert rights in the Company's trademarks and other proprietary rights.

Computer Systems And Year 2000 Issues

The "Year 2000" issue concerns the potential exposure related to the automated generation of business and financial misinformation resulting from the application of computer programs which have been written using two digits,

rather than four, to define the applicable year of the business transactions. The Company does not anticipate any significant costs, problems or uncertainties associated with becoming Year 2000 compliant and is currently developing a plan to ensure that its computer systems are modified to be compliant on a timely basis. Failure of the Company or its software providers to adequately address the Year 2000 issue could result in misstatement of reported financial information or otherwise adversely affect the Company's business operations.

Immediate and Substantial Dilution

Investors participating in this Offering will incur immediate and substantial dilution of \$0.78 per share and \$0.69 per share, after giving effect to the Minimum Offering and Maximum Offering, respectively, in net tangible book value of their shares from the initial public offering price. See "Dilution".

Absence of Dividends

The Company does not anticipate that any dividends will be declared on its common shares in the foreseeable future. The Company intends from time to time to re-evaluate this policy based on its net income and its alternative uses for retained earnings, if any. Any future declaration of dividends will be subject to the discretion of the Board of Directors of the Company. The timing, amount and form of dividends, if any, will depend, among other things, on the Company's results of operations, financial condition, cash requirements and other factors deemed relevant by the Board of Directors of the Company. There can be no assurance regarding the timing or payment of any future dividends by the Company.

Special Note Regarding Forward Looking Statements

Certain statements contained herein including statements concerning (i) the Company's strategy, (ii) the Company's expansion plans, (iii) the market for the Company's products and (iv) the effect of government regulation of the Company's products contain forward-looking statements concerning the Company's operations, economic performance and financial condition. Such statements may include, but not be limited to, projections of revenues, income, or loss, capital expenditures, plans for future operations, financing needs or plans and plans relating to products of the Company, as well as assumptions relating to the foregoing. The words "believe", "expect", "anticipate", "estimate", "project" and similar expressions identify forward looking statements, which speak only as of the date the statement was made. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Statements in this prospectus, including those contained in the sections titled "Risk Factors", "Use of Proceeds", "Management's Discussion And Analysis Of Financial Condition And Operating Results", "Business of the Company" and in the notes to the Company's financial statements, describe factors, among others, that could contribute to or cause such differences. Because such statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause such differences include, but are not limited to, those discussed under "Risk Factors".

PROMOTERS

Charles M. Kutner, Andrea Rustage and Alive International Holdings Inc., may each be considered to be the promoters of the Company as such term is defined in the *Securities Act* (Ontario). Mr. Kutner is the co-founder, principal shareholder of the Company as well as its President, Chief Executive Officer and a director. Mr. Kutner and Alive International Holdings Inc. will hold approximately 34.6% of the outstanding Common Shares of Alive (assuming the Maximum Offering is completed). Andrea Rustage is the co-founder of the Company as well as its Vice-President, Marketing. She is the spouse of Charles M. Kutner.

LEGAL PROCEEDINGS

The Company is not a party to nor is any of its property subject to, any legal proceedings that, individually or in the aggregate, are material to the Company and no other such proceedings are known to be contemplated.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Company are Schwartz Levitsky Feldman, Toronto, Ontario.

The registrar and transfer agent for the Common Shares, is Equity Transfer Services Inc. at its principal office in the City of Toronto. The register on which transfers of the Warrants may be recorded will be kept at the principal office of Equity Transfer Services Inc. in the city of Toronto.

LEGAL MATTERS

Certain legal matters relating to the issue and sale of the Units qualified hereby will be passed upon on behalf of the Company by Albaum & Associates and on behalf of the Agent by Blake, Cassels & Graydon.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in the Province of Ontario provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after a receipt or a deemed receipt of this prospectus and any amendment. In the Province of Ontario, securities legislation further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the Province of Ontario. A purchaser should refer to the applicable provisions of the securities legislation of the Province of Ontario for the particulars of these rights or consult with a legal adviser.

CONTRACTUAL RIGHTS OF RESCISSION FOR HOLDERS OF SPECIAL WARRANTS

In the event that a holder of Special Warrants who acquires Common Shares upon the exercise of Special Warrants as provided for in this prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment thereto containing a misrepresentation, any such holder shall be entitled to rescission not only of the holder's exercise of its Special Warrants but also of the private placement transaction pursuant to which the Special Warrants were initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Company in respect of the acquisition of the Special Warrants. In the event such holder is a permitted assignee of the interest of the original Special Warrant subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was such original Special Warrant subscriber. No action may be taken to enforce the foregoing rights more than 180 days after the Expiry Time. The foregoing rights are in addition to any other right or remedy available to a holder of Special Warrants under section 130 of the *Securities Act* (Ontario) or otherwise at law.

AUDITORS' REPORT

To the shareholders of Alive International Inc.

We have audited the balance sheet of Alive International Inc. as at December 31, 1997, December 31, 1996 and December 31, 1995 and the statements of operations and deficit and changes in financial position for the years ended December 31, 1997, December 31, 1996 and December 31, 1995. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1997, December 31, 1996 and December 31, 1995 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
September 11, 1998

(Signed) SCHWARTZ LEVITSKY FELDMAN
Chartered Accountants

ALIVE INTERNATIONAL INC.

Balance Sheet

As at July 31 and December 31

	July 31, 1998 (Unaudited) (note 1)	July 31, 1997 (Unaudited) (note 1)	December 31, 1997	December 31, 1996	December 31, 1995
	\$	\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash	47,947	63,643	113,792	72,931	37,859
Accounts receivable	140	2,280	-	5,558	3,262
Short-term investments	7,771	30,000	-	30,000	-
Prepaid expenses	44,208	27,355	20,963	24,467	834
Inventory	61,385	22,534	46,007	35,956	43,146
	161,451	145,812	180,762	168,912	85,101
CAPITAL ASSETS (note 2)	28,444	34,346	39,726	19,936	22,164
OTHER ASSETS (note 3)	11,169	5,947	14,016	5,947	5,582
	201,064	186,105	234,504	194,795	112,847

APPROVED ON BEHALF OF THE BOARD

(Signed) Robert Kutner
Director

(Signed) Lorne H. Albaum
Director

ALIVE INTERNATIONAL INC.

Balance Sheet
As at July 31 and December 31

	July 31, 1998 (Unaudited) (note 1)	July 31, 1997 (Unaudited) (note 1)	December 31, 1997	December 31, 1996	December 31, 1995
	\$	\$	\$	\$	\$
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	64,427	98,785	104,813	151,552	33,417
Commissions payable	28,940	33,420	23,820	32,870	7,709
	<u>93,367</u>	<u>132,205</u>	<u>128,633</u>	<u>184,422</u>	<u>41,126</u>
DUE TO RELATED PARTIES					
(note 4)	19,475	35,663	35,663	35,663	116,245
	<u>112,842</u>	<u>167,868</u>	<u>164,296</u>	<u>220,085</u>	<u>157,371</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)					
CAPITAL STOCK (note 5)	118,261	100	18,261	100	100
RETAINED EARNINGS (DEFICIT)	(30,039)	18,137	51,947	(25,390)	(44,624)
	<u>88,222</u>	<u>18,237</u>	<u>70,208</u>	<u>(25,290)</u>	<u>(44,524)</u>
	<u>201,064</u>	<u>186,105</u>	<u>234,504</u>	<u>194,795</u>	<u>112,847</u>

The accompanying notes are an integral part of these financial statements

ALIVE INTERNATIONAL INC.

Statement of Operations and Deficit

For the periods ended July 31 and December 31

	July 31, 1998 (Unaudited) (note 1)	July 31, 1997 (Unaudited) (note 1)	December 31, 1997	December 31, 1996	December 31, 1995
	\$	\$	\$	\$	\$
SALES	829,099	988,483	1,559,024	1,207,462	173,539
Cost of sales	190,007	228,269	336,134	264,122	49,313
GROSS PROFIT	639,092	760,214	1,222,890	943,340	124,226
EXPENSES					
Administrative	325,192	234,477	381,657	320,757	82,299
Selling	380,630	465,118	737,905	582,537	82,458
Financial	15,256	17,092	25,991	20,812	4,093
	721,078	716,687	1,145,553	924,106	168,850
NET EARNINGS (LOSS)	(81,986)	43,527	77,337	19,234	(44,624)
Retained earnings (deficit), beginning of period	51,947	(25,390)	(25,390)	(44,624)	-
RETAINED EARNINGS (DEFICIT), END OF PERIOD	(30,039)	18,137	51,947	(25,390)	(44,624)

ALIVE INTERNATIONAL INC.
Statement of Changes in Financial Position

For the periods ended July 31 and December 31

	July 31, 1998 (Unaudited) (note 1)	July 31, 1997 (Unaudited) (note 1)	December 31, 1997	December 31, 1996	December 31, 1995
	\$	\$	\$	\$	\$
OPERATING ACTIVITIES					
Net earnings (loss)	(81,986)	43,527	77,337	19,234	(44,624)
Item not affecting cash					
Amortization	19,878	10,314	16,342	9,050	12,799
Working capital provided by (used in) operating activities	(62,108)	53,841	93,679	28,284	(31,825)
Changes in non-cash operating items (note 6)	(78,953)	(38,405)	(34,847)	94,192	(11,698)
Cash provided by (used in) operating activities	(141,061)	15,436	58,832	122,476	(43,523)
INVESTING ACTIVITIES					
Cash used in acquisition of capital assets	(8,596)	(24,724)	(36,132)	(6,822)	(34,963)
FINANCING ACTIVITIES					
Advances from (repayment to) related parties	(16,188)	-	-	(80,582)	116,245
Issuance of capital stock	100,000	-	18,161	-	100
Cash provided by (used in) financing activities	83,812	-	18,161	(80,582)	116,345
INCREASE (DECREASE) IN CASH	(65,845)	(9,288)	40,861	35,072	37,859
Cash, beginning of period	113,792	72,931	72,931	37,859	-
CASH, END OF PERIOD	47,947	63,643	113,792	72,931	37,859

ALIVE INTERNATIONAL INC.

Notes to Financial Statements

July 31, 1998, July 31, 1997, December 31, 1997, December 31, 1996

and December 31, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The combined financial statements for the seven months ended July 31, 1998 and July 31, 1997 were unaudited. Alive International Inc. and Alive International Holdings Inc. (incorporated in the United States) are related companies controlled by the same group of shareholders.

The unaudited combined financial statements as at July 31, 1998 are presented on a combined basis and reflect the operations of Alive International Inc. and Alive International Holdings Inc. All significant inter-company accounts have been eliminated. The audited financial statements for the years ended December 31, 1997, December 31, 1996 and December 31, 1995 and the unaudited financial statements for the seven months ended July 31, 1997 reflect the operations of Alive International Inc.

Subsequent to July 31, 1998, Alive International Inc. acquired 100% of the outstanding shares of Alive International Holdings Inc. (incorporated in the United States) thereby establishing a parent-subsiary relationship. Consideration for the purchase was U.S. \$12,700 and consisted of cash and a promissory note.

b) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the moving weighted average cost basis.

c) Capital Assets

Capital assets are recorded at cost and are amortized on the straight-line basis over their estimated useful lives at the undernoted rates:

Furniture and equipment	20%
Computer equipment	25%
Computer software	33 1/3%
Printing plates	25%

d) Foreign Currency Translation

Foreign currency amounts have been translated into Canadian dollars on the following basis: monetary assets and liabilities at the year-end rates of exchange; non-monetary assets and liabilities at historical exchange rates; revenue and expenses at average exchange rates during the year. Translation gains or losses are reflected in the income statements.

ALIVE INTERNATIONAL INC.

Notes to Financial Statements

July 31, 1998, July 31, 1997, December 31, 1997, December 31, 1996

and December 31, 1995

e) Revenue Recognition

Revenue is recognized when the significant risks and rewards of ownership of the goods sold have been transferred to the advisor. The culmination of the earnings process occurs when goods are shipped to the advisor.

f) Commission Expenses

Commissions paid to advisors are calculated based on the value of product sales of the advisor's business income centres, and are expenses in the accounts of the company when the goods are shipped to advisors and revenue is recognized.

2. CAPITAL ASSETS

	July 31, 1998 (Unaudited) (note 1)		July 31, 1997 (Unaudited) (note 1)	
	Cost	Accumulated Amortization	Net	Net
	\$	\$	\$	\$
Furniture and equipment	15,899	7,323	8,576	7,085
Computer equipment	24,314	14,531	9,783	14,487
Computer software	29,412	19,327	10,085	9,688
Printing plates	3,410	3,410	-	940
Intangible assets	6,725	6,725	-	1,863
Leasehold improvements	980	980	-	283
	<u>80,740</u>	<u>52,296</u>	<u>28,444</u>	<u>34,346</u>

ALIVE INTERNATIONAL INC.

Notes to Financial Statements

July 31, 1998, July 31, 1997, December 31, 1997, December 31, 1996
and December 31, 1995

	December 31, 1997		December 31, 1996		December 31, 1995
	Cost	Accumulated Amortization	Net	Net	Net
	\$	\$	\$	\$	\$
Furniture and equipment	15,899	5,097	10,802	2,589	4,261
Computer equipment	24,314	9,981	14,333	6,197	9,293
Computer software	26,558	13,438	13,120	5,803	731
Printing plates	3,410	2,945	465	1,605	2,650
Intangible assets	6,725	5,797	928	3,172	5,229
Leasehold improvements	980	902	78	570	-
	77,886	38,160	39,726	19,936	22,164

Amortization for the period ending July 31, 1998 amounted to \$19,878 (\$10,314 as at July 31, 1997).

Amortization for the year ended December 31, 1997 amounted to \$16,342 (\$9,050 in 1996, \$12,799 in 1995).

3. OTHER ASSETS

Other assets include incorporation costs of each of the combined companies (\$6,202) and lease deposits (\$4,967).

4. DUE TO RELATED PARTIES

The amounts due to related parties represent advances made to the company by the controlling shareholders. These amounts are unsecured, non-interest bearing, are without specific terms of repayment and are not expected to be repaid prior to January 1, 2000.

5. CAPITAL STOCK

Authorized

An unlimited number of the following classes of shares

Preference shares, 9%, non-cumulative, participating, redeemable
Common shares, voting

ALIVE INTERNATIONAL INC.

Notes to Financial Statements

**July 31, 1998, July 31, 1997, December 31, 1997, December 31, 1996
and December 31, 1995**

Issued

The capital stock issued and outstanding are common shares as follows:

Alive International Inc.	5,949,400	Common shares	\$	100,100
Alive International Holdings Inc.	127	Common shares		<u>18,161</u>
			\$	<u><u>118,261</u></u>

Alive International Inc. was incorporated on July 15, 1994 and its common shares were issued for a cash consideration of \$100. On June 19, 1998, related individuals subscribed for an additional 202 common shares for aggregate consideration of \$100,000. Pursuant to a board of directors' resolution, 127 common shares were issued for cash consideration of \$25,000, 50 common shares were issued for cash consideration of \$50,000 and 25 common shares were issued for \$25,000 through a shareholder debt to equity conversion. On July 31, 1998, a 19,700 for 1 stock split adjusted the company's capital stock issued and outstanding to 5,949,400 common shares.

Alive International Holdings Inc. was incorporated on December 17, 1997 and its 127 common shares were issued for a cash consideration of \$18,161.

6. CHANGES IN NON-CASH OPERATING ITEMS

	July 31, 1998 (Unaudited)	July 31, 1997 (Unaudited)	December 31, 1997	December 31, 1996	December 31, 1995
	\$	\$	\$	\$	\$
Accounts receivable	(140)	3,278	5,558	(2,296)	(3,262)
Short-term investments	(7,771)	-	30,000	(30,000)	-
Prepaid expenses	(23,245)	(2,888)	3,504	(23,633)	(834)
Inventory	(15,378)	13,422	(10,051)	7,190	(43,146)
Other assets	2,847	-	(8,069)	(365)	(5,582)
Accounts payable	(40,386)	(52,767)	(46,739)	118,135	33,417
Commissions payable	5,120	550	(9,050)	25,161	7,709
	<u>(78,953)</u>	<u>(38,405)</u>	<u>(34,847)</u>	<u>94,192</u>	<u>(11,698)</u>

ALIVE INTERNATIONAL INC.

Notes to Financial Statements

July 31, 1998, July 31, 1997, December 31, 1997, December 31, 1996

and December 31, 1995

7. COMMITMENTS

Minimum annual operating lease commitments for premises, exclusive of insurance and other occupancy charges are as follows:

1996	\$	14,925
1997		15,825
1998		6,750
	\$	37,500

8. SEGMENTED INFORMATION

The company initiated expansion into the United States in late 1997 and sales commenced in that jurisdiction after December 31, 1997. Accordingly, no comparatives have been provided for the years ended December 31, 1996, December 31, 1995 and the seven month period ended July 31, 1997.

a) Sales by Geographic Area

	July 31, 1998 (Unaudited) \$	December 31, 1997 \$
Canada	716,003	1,559,024
United States of America	113,096	-
	829,099	1,559,024

b) Net earnings (loss) by Geographic Area

	July 31, 1998 (Unaudited) \$	December 31, 1997 \$
Canada	(36,708)	77,337
United States of America	(45,278)	-
	(81,986)	77,337

ALIVE INTERNATIONAL INC.

Notes to Financial Statements

**July 31, 1998, July 31, 1997, December 31, 1997, December 31, 1996
and December 31, 1995**

c) Identifiable Assets by Geographic Area

	July 31, 1998 (Unaudited) \$	December 31, 1997 \$
Canada	107,421	234,504
United States of America	93,643	-
	201,064	234,504

9. SUBSEQUENT EVENT

- a) On August 31, 1998, Alive International Inc. completed a private placement of 351,000 special warrants at a price of \$0.50 per warrant for gross proceeds of \$175,500.

Each special warrant entitles the holder to acquire one common share. The warrants expire the earlier of:

- (i) Five business days following the date upon which receipt for the final prospectus is issued by the Ontario Securities Commission; or
- (ii) August 31, 1999

If a receipt for the prospectus dated on or before November 29, 1998 is not obtained from the Ontario Securities Commission, the holder shall be entitled to an additional 0.1 common shares for each special warrant.

- b) The company has entered into a letter of engagement with an underwriting firm and is proceeding to complete an initial public offering of a minimum of 1,000,000 units to a maximum of 2,000,000 units at a price of \$0.95 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Warrant holders will be entitled to purchase one common share at \$1.50 any time on or before a date to be determined in November, 2000.

ALIVE INTERNATIONAL INC.

Schedule of Cost of Sales and Expenses

For the periods ended July 31 and December 31

	July 31, 1998 (Unaudited)	July 31, 1997 (Unaudited)	December 31, 1997	December 31, 1996	December 31, 1995
	\$	\$	\$	\$	\$
COST OF SALES					
Inventory, beginning of year	46,007	35,956	35,956	43,146	-
Purchases	205,385	214,847	346,185	256,932	92,459
	251,392	250,803	382,141	300,078	92,459
Inventory, end of year	61,385	22,534	46,007	35,956	43,146
	190,007	228,269	336,134	264,122	49,313
EXPENSES					
Administrative					
Rent	28,455	15,340	26,565	25,816	-
Office salaries and benefits	133,685	86,942	145,301	101,654	-
Maintenance and equipment rental	6,541	10,610	18,477	16,839	9,756
Telephone	28,501	14,399	26,454	19,953	11,249
Office and general	74,026	72,461	108,505	80,393	31,597
Bad debts	2,465	8,097	12,945	1,179	123
Consulting	8,680	1,500	2,700	38,350	-
Professional fees	16,252	9,074	17,229	21,708	15,438
Insurance	6,709	5,740	7,139	5,815	1,337
Amortization	19,878	10,314	16,342	9,050	12,799
	325,192	234,477	381,657	320,757	82,299
Selling					
Commission	325,534	437,782	685,594	511,790	62,504
Advertising and promotion	33,865	14,292	27,903	42,774	8,855
Automobile and travel	21,231	13,044	24,408	27,973	11,099
	380,630	465,118	737,905	582,537	82,458
Financial					
Interest and bank charges	15,256	17,092	25,991	20,812	4,093

CERTIFICATE OF THE COMPANY AND THE PROMOTERS

Dated: January 20, 1999

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by or referred to in this prospectus as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder.

(Signed) Charles Kutner
Chief Executive Officer and
Chief Financial Officer

(Signed) Andrea Rustage
Vice-President, Marketing

On Behalf of the Board of Directors

(Signed) Robert Kutner
Director

(Signed) Lorne H. Albaum
Director

PROMOTERS

(Signed) Charles Kutner

(Signed) Andrea Rustage

ALIVE INTERNATIONAL HOLDINGS INC.

(Signed) Charles Kutner

CERTIFICATE OF THE AGENT

Dated: January 20, 1999

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by or referred to in this prospectus as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder.

RAMPART SECURITIES INC.

(Signed) SEAN SHANAHAN

The following includes the names of every person or company having an interest, directly or indirectly, to the extent of not less than 5% in the capital of RAMPART SECURITIES INC.: Rampart Mercantile Inc.