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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 1999

OR

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

Commission file number 0-15701

NATURAL ALTERNATIVES INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	84-1007839
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1185 LINDA VISTA DRIVE, SAN MARCOS, CALIFORNIA 92069
(Address of principal executive offices)
(Zip Code)

(760) 744-7340
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

5,739,875
(Number of shares of common stock of the registrant outstanding, net of treasury shares held, as of January 31,2000)

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NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART I - FINANCIAL INFORMATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31 1999 (unaudited)	June 30 1999
Current Assets:		
Cash and cash equivalents	$ 440	$ 1,063
Accounts receivable - less allowance for doubtful accounts of $323 at December 31, 1999 and $472 at June 30, 1999	7,252	7,515
Inventories, net	7,403	10,611
Income tax refund receivable	2,746	2,229
Notes receivable - current portion	739	127
Prepaid expenses	436	371
Deposits	726	530
Other current assets	168	794

Total current assets	19,910	23,240
Property and equipment, net	14,474	12,274
Deferred income taxes	1,979	1,979
Investments	196	195
Notes receivable, less current portion	478	401
Other noncurrent assets, net	147	507
Total assets	37,184	38,596
Current Liabilities:		
Accounts payable	5,140	8,305
Current installments of long-term debt	2,395	50
Accrued compensation and employee benefits	569	786
Total current liabilities	8,104	9,141
Deferred income taxes	593	593
Long-term debt, less current installments	3,053	927
Accrual for loss on lease obligation	2,434	2,434
Long-term pension liability	414	410
Total liabilities	14,598	13,505
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock; $.01 par value; 500,000 shares authorized; none issued or outstanding	--	--
Common stock; $.01 par value; 8,000,000 shares authorized; issued and outstanding 6,002,375 at December 31, and June 30, 1999	60	60
Additional paid-in capital	11,237	11,237
Retained earnings	12,646	14,970
Treasury stock, at cost, 262,500 shares at December 31, 1999 and 212,500 shares at June 30, 1999	(1,283)	(1,116)
Accumulated other comprehensive loss	(74)	(60)
Total stockholders' equity	22,586	25,091
Total liabilities and stockholders' equity	$ 37,184	$ 38,596

See accompanying notes to unaudited financial statements.

NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART I - FINANCIAL INFORMATION
STATEMENTS OF OPERATIONS
(In thousands, except per-share information)
(Unaudited)

	For the Three Months Ended December 31		For the Six Months Ended December 31	
	1999	1998	1999	1998
Net sales	$ 12,064	$ 17,317	$ 27,328	$ 34,303
Cost of goods sold	10,586	14,052	22,661	26,383
Inventory write-off	2,000	--	2,000	--
Total cost of goods sold	12,586	14,052	24,661	26,383

Gross profit (loss)	(522)	3,265	2,667	7,920
Selling, general & administrative expenses	3,219	2,641	6,054	4,815
Income (loss) from operations	(3,741)	624	(3,387)	3,105
Other income (expense):				
Interest income	17	38	45	97
Interest expense	(75)	(22)	(105)	(44)
Other, net	(48)	--	(56)	--
	(106)	16	(116)	53
Income (loss) before taxes	(3,847)	640	(3,503)	3,158
Provision (benefit) for income taxes	(1,436)	257	(1,179)	1,256
Net income (loss)	($2,411)	$ 383	($2,324)	$ 1,902
Net income (loss) per common share:				
Basic	$ (0.42)	$ 0.06	$ (0.40)	$ 0.32
Diluted	$ (0.42)	$ 0.06	$ (0.40)	$ 0.31

See accompanying notes to unaudited financial statements.

NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART I - FINANCIAL INFORMATION
STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Six Months Ended December 31 1999	1998
Cash flows from operating activities:		
Net income (loss)	($2,324)	$ 1,902
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Bad debt provision	180	155
Inventory write-off	2,000	--
Write-off of notes receivable	72	--
Tax benefit on option exercise	--	439
Depreciation and amortization	913	818
Other	(16)	(4)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	83	3,637
Inventories	1,208	2,494
Tax refund receivable	(517)	(171)
Prepaid expenses	(65)	(284)
Deposits	(196)	(29)
Other assets	986	(699)
(Decrease) increase in liabilities:		
Accounts payable	(3,160)	(3,521)
Income taxes payable	--	(378)
Accrued compensation and employee benefits	(217)	(195)
Net cash provided by (used in) operating activities	(1,053)	4,164

Cash flows from investing activities:		
Capital expenditures	(3,113)	(3,228)
Issuance of notes receivable	(791)	(22)
Repayment of notes receivable	30	39
Net cash used in investing activities	(3,874)	(3,211)
Cash flows from financing activities:		
Borrowings on lines of credit	1,070	--
Proceeds from long-term debt financing	3,459	--
Payments on long-term debt and capital leases	(58)	(37)
Issuance of common stock	--	645
Payments to acquire treasury stock	(167)	(133)
Net cash provided by financing activities	4,304	475
Net increase (decrease) in cash and cash equivalents	(623)	1,428
Cash and cash equivalents at beginning of period	1,063	4,714
Cash and cash equivalents at end of period	$ 440	$ 6,142
Supplemental disclosures of cash flow information:		
Cash paid during the six months for:		
Interest	$ 79	$ 42
Income Taxes	--	1,196

See accompanying notes to unaudited financial statements.

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NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART I - FINANCIAL INFORMATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per-share data)

NOTE 1 - Interim Financial Information

The unaudited consolidated financial statements of Natural Alternatives International, Inc. and subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles and with Article 10 of the Securities and Exchange Commission's Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the Company's financial information as of December 31, 1999 and 1998.

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make certain estimates and assumptions that may affect the reported amounts of assets, liabilities, revenues and expenses during the reporting periods. Actual results may differ from such estimates. The consolidated results of operations for the interim periods ended December 31, 1999 and 1998 are not necessarily indicative of the consolidated operating results for the full year. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended June 30, 1999.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

(In thousands, except per-share data)

Certain amounts in prior periods' consolidated financial statements have been reclassified to conform to the presentation for the quarter ended December 31, 1999.

NOTE 2 - Inventories

Inventories are comprised of the following:

	December 31 1999	June 30 1999
Raw materials	$ 4,484	$ 7,457
Work in progress	204	270
Finished goods	2,715	2,884
	$ 7,403	$10,611

The Company wrote-off inventory of $2.0 million, which included $735,000 for deposits on inventory. The analysis of inventory balances and subsequent write-off related primarily to the loss of a major customer in December 1999, a decline in market share and continuing competitive pressures which caused the Company to re-evaluate all product lines and reduce or slow production of products with limited future sales potential.

NOTE 3 - Comprehensive Net Income

Comprehensive net income is comprised of the following:

	For the three months ended December 31		For the six months ended December 31	
	1999	1998	1999	1998
Net income (loss)	($2,411)	$383	($2,324)	$ 1,902
Foreign currency translation adjustments	13	--	(15)	--
Unrealized gain (loss) on investments	4	2	1	(6)
Comprehensive income (loss)	($2,394)	$385	($2,338)	$ 1,896

NOTE 4 - Cost Containment Program

In January 2000, the Company publicly announced a cost containment program designed to reduce future operating expenses. The program initiated expense control measures intended to counteract the loss of a major customer and improving operating performance. The program included an immediate reduction of approximately 27% in the Company workforce, consisting of both permanent and temporary personnel. The reduction-in-force is not expected to result in

(In thousands, except per-share data)

significant separation agreement and other termination costs.

NOTE 5 - Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock. The computation of diluted net income (loss) per share does not assume exercise or conversion of securities that would have an anti-dilutive effect on net income (loss) per share. Basic and diluted net income (loss) per share have been calculated as follows:

	For the three months ended December 31		For the six months ended December 31	
	1999	1998	1999	1998
Numerator:				
Net income (loss) - Numerator for basic and diluted income (loss) per share - income (loss) available to common shareholders	($2,411)	$ 383	($2,324)	$ 1,902
Denominator:				
Denominator for basic income (loss) per share - weighted average shares	5,758,734	5,893,483	5,767,055	5,862,209
Effect of dilutive securities - employee stock options	--	145,751	--	261,091
Denominator for diluted income (loss) per share - adjusted weighted average shares and assumed conversions	5,758,734	6,039,234	5,767,055	6,123,300
Basic income (loss) per share	($0.42)	$ 0.06	($0.40)	$ 0.32
Diluted income (loss) per share	($0.42)	$ 0.06	($0.40)	$ 0.31

For the three and six months ended December 31, 1999, there were outstanding options to purchase 366,500 shares of common stock that were not included in the computation of diluted net loss per share as their effect would have been anti-dilutive.

NOTE 6 - Major Customers

The Company had substantial sales to six separate customers during one or more of the periods shown in the following table. The Company lost one of these major customers during the quarter ended December 31, 1999 which resulted in a material adverse impact on the Company's revenues and income. Sales by customer, representing 10% or more of the respective period's total net sales, are shown below.

For the three months ended December 31		For the six months ended December 31	
1999	1998	1999	1998

Customer	Sales by Customer	%(a)	Sales by Customer	%(a)	Sales by Customer	%(a)	Sales by Customer	%(a)
Customer 1	$3,661	30%	$ 2,773	16%	$ 8,616	32%	$ 6,236	18%
Customer 2	1,999	17%	(b)		4,642	17%	(b)	
Customer 3	(b)		6,349	37%	4,210	15%	11,316	33%
Customer 4	2,152	18%	(b)		3,239	12%	(b)	
Customer 5	1,172	10%	(b)		(b)		(b)	
Customer 6	(b)		4,655	27%	(b)		7,578	22%
	$8,984	74%(c)	$13,777	80%	$20,707	76%	$25,130	73%

NOTE 7 - Related Party Transactions

The Company entered into an agreement with the father-in-law and mother-in-law of the Chief Executive Officer of the Company in December 1991, which provides commissions on sales to a particular customer. Effective January 1, 1993, the commission is equal to 5% of sales and payable upon collection from the customer, and capped at $25,000 per calendar quarter. Amounts paid under this agreement were $50,000 for each of the six-month periods ended December 31, 1999 and 1998. There were no amounts owed under the agreement at December 31, 1999 or 1998. The agreement will expire in December 2001 or as defined in the agreement; future commissions on sales are anticipated to decline or cease as no orders are expected from the particular customer for the foreseeable future.

During the six months ended December 31, 1999 and 1998, the Company had sales of $13,000 and $252,000, respectively, to a customer in which directors, officers and employees previously had direct or indirect equity ownership. At December 31, and June 30, 1999, the net accounts receivable from this customer were $0 and $83,000, respectively. The Company recovered accounts receivable of $35,000 during the six months ended December 31, 1999 and $39,000 was written off. In addition, at December 31, 1999 and June 30, 1999, the Company had notes receivable, net, of $0 and $50,000, respectively. As of November 11, 1999 no remaining directors, officers or employees of the Company had any direct or indirect equity ownership in the customer.

In March 1999, the Company entered into a letter of intent to form a joint venture with FitnessAge, Inc., a privately held development stage company based in San Diego, CA ("FitnessAge"). In connection therewith, on March 30, 1999 the Company purchased 300,000 shares of common stock of FitnessAge. On or about the same date, the family limited partnership of the Chief Executive Officer and the Secretary and Chairperson of the Board of Directors purchased 200,000 shares of Common Stock of FitnessAge for the same price per share.

NOTE 8 - Custom Nutrition Joint Venture Alliance with FitnessAge, Inc.

In March 1999, the Company entered into a letter of intent to form a joint venture with FitnessAge. In connection therewith, the Company purchased 300,000 shares of FitnessAge common stock for $150,000, on March 30, 1999.

On December 6, 1999, the Company and FitnessAge formalized the joint venture by forming a new company named Custom Nutrition, LLC, a Delaware limited liability company ("Custom Nutrition"). Custom Nutrition was formed for the purpose of developing, merchandising, selling and distributing customized nutritional and related products to health and fitness clubs, as well as over the internet. Under terms of a 10-year Exclusive Manufacturing Agreement, the Company is the exclusive manufacturer of all nutritional supplements for Custom Nutrition. In addition, Custom Nutrition obtained an exclusive royalty free license to FitnessAge's proprietary software technology, including their physical fitness assessments known as the FitnessAge System, as well as, software under

development designed to provide customized nutritional assessments. In accordance with its Operating Agreement, the Company is required to make an initial capital contribution of $100,000, which has not been funded as of December 31, 1999; income and losses and any additional capital contribution requirements of Custom Nutrition will be allocated 60% to FitnessAge and 40% to the Company. The Company is currently accounting for this investment under the equity method of accounting. As of December 31, 1999, there were no sales or expenses recorded by Custom Nutrition, which is expected to commence operations during the first half of calendar year 2000.

In addition, in November and December, the Company provided FitnessAge a total of $750,000 as part of a convertible secured loan made by the Company to FitnessAge (the "Loan"). The Loan is collateralized by all of the assets of FitnessAge and includes interest accruing at an annual rate of 12%. The principal together with all accrued and unpaid interest is due November 10, 2000. The Company has the right at any time to convert all or any portion of the amount due on the Loan into the common stock of FitnessAge at a conversion price of $0.75 per share. As of December 31, 1999, the balance of the Loan was $750,000 plus accrued interest, and the Company's direct aggregate investment in FitnessAge was approximately $900,000. The Company is currently accounting for this investment under the cost method of accounting.

In conjunction with the Loan, the Company received a three-year Warrant (the "Warrant") to purchase up to 150,000 shares of Common Stock of FitnessAge for $1.00 per share. The Company may exercise the Warrant at any time up to and including November 1 2002. As of December 31, 1999, the Company had not exercised any portion of this Warrant. The Company also obtained: the right to designate one representative of the Company to be a member of FitnessAge's Board of Directors, which consists of five board members; and registration rights and certain other rights as defined by the loan documents and by an Investor Rights Agreement. If the Company converted the Loan and exercised the Warrant, the Company would own less than five percent, on an as converted basis, of FitnessAge Common stock.

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

Certain Forward-Looking Information

Information provided in this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 that are not historical facts and information. These statements represent the Company's expectations or beliefs, including, but not limited to, statements concerning future financial and operating results, statements concerning industry performance, the Company's operations, economic performance, financial condition, margins and growth in sales of the Company's products, capital expenditures, financing needs, as well as assumptions related to the foregoing. For this purpose, any statements contained in this Quarterly Report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "will", "expect", "believe", "anticipate", "intend", "could", "estimate" or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These forward-looking statements are based on current expectations and involve various risks and uncertainties that could cause actual results and outcomes for future periods to differ materially from any forward-looking statement or views expressed herein. The Company's financial performance and the forward-looking statements contained herein are further qualified by other risks including those set forth from time to time in the documents filed by the Company with the Securities and Exchange Commission, including the Company's most recent Form 10-K.

RESULTS OF OPERATIONS

SECOND QUARTER OF FISCAL 2000 AND 1999

Net sales decreased 30.3%, or approximately $5.3 million, to approximately $12.1 million for the quarter ended December 31, 1999, from approximately $17.3 million for the quarter ended December 31, 1998. The decrease was primarily due to the loss of a major customer, Nu Skin Enterprises Inc., which accounted for approximately 37% of net sales for the quarter ended December 31, 1998. Nu Skin informed the Company that its production needs have been transitioned to other vendors for the foreseeable future. As of December 31, 1999 the Company expects no adverse impact from the settlement of outstanding receivables from Nu Skin. Sales of products into domestic markets decreased approximately 21%, or $2.4 million, to approximately $9.1 million and sales into international markets decreased approximately 50%, or $2.9 million, to $2.9 million, primarily as a result of the loss of this major customer. Domestic sales growth was also negatively impacted by the loss of customer sales for several herbal products. Management continues to strategically focus its efforts for increasing sales into diversifying and expanding geographic distribution channels. Industry competition could adversely affect the Company's results of operations in any given quarter and such adverse affects often cannot be anticipated.

For the quarter ended December 31, 1999, the Company experienced an increase in cost of goods sold as a percentage of sales, excluding the inventory write-off of $2.0 million, to 87.7% compared to 81.1% for the quarter ended December 31, 1998. The increase reflects reduced sales prices; increased manufacturing overhead costs; and increased costs related to implementation of additional quality control procedures to ensure continued product compliance with established GMP specifications and standards. The Company wrote-off inventory of $2.0 million, which included $735,000 for deposits on inventory. The analysis of inventory balances and subsequent inventory write-off related primarily to the loss of a major customer in December 1999, a decline in market share and continuing competitive pressures which caused the Company to re-evaluate all product lines and reduce or slow production of products with limited future sales potential. The increase in cost of goods sold and the inventory write-off resulted in a gross loss of approximately $0.5 million for the quarter ended December 31, 1999 compared to a gross profit of approximately $3.3 million for the quarter ended December 31, 1998.

Selling, general and administrative expenses increased as a percentage of net sales to 26.7% for the quarter ended December 31, 1999 from 15.2% for the quarter ended December 31, 1998. In absolute dollars, the expenses increased by approximately $0.6 million to approximately $3.2 million for the quarter ended December 31, 1999 from approximately $2.6 million for the quarter ended December 31, 1998. The

percentage increase was due primarily to the fixed nature of selling, general and administrative expenses and the decrease in net sales as noted above. The increase in absolute dollars was primarily due to: the continued investment in IT processes and technologies; abandoned facility lease costs; and increased compensation and legal fees.

The Company's loss from operations was approximately $3.7 million for the quarter ended December 31, 1999, compared to income of $0.6 million for the quarter ended December 31, 1998. The decrease of approximately $4.3 million was due to: a decrease of approximately $3.8 million in gross profit which included the inventory write-off of $2.0 million; and approximately $0.6 million increase in selling, general and administrative expenses.

The Company recorded a net loss for the quarter ended December 31, 1999 of approximately $2.4 million compared to net income of approximately $0.4 million for the quarter ended December 31, 1998. The decrease of approximately $2.8 million was due to the reasons described above. The income tax benefit of 37.3%

compares with a provision for taxes of 40.2% for the quarters ended December 31, 1999 and 1998, respectively. The lower percentage is the result of the consolidation of a wholly owned subsidiary in Switzerland, which has a low relative tax rate. Diluted net loss per common share was $0.42 for the quarter ended December 31, 1999 compared to diluted net income per common share of $0.06 for the quarter ended December 31, 1998.

SIX MONTHS ENDED DECEMBER 31, 1999 AND 1998

Net sales decreased 20.3% or approximately $7.0 million to approximately $27.3 million for the six months ended December 31, 1999, from approximately $34.3 million for the six months ended December 31, 1998. The decrease was primarily due to the loss of a major customer, Nu Skin Enterprises Inc., which accounted for approximately 15% and 33% of net sales for the six months ended December 31, 1999 and 1998, respectively. Nu Skin informed the Company that its production needs have been transitioned to other vendors for the foreseeable future. As of December 31, 1999, the Company expects no adverse impact from the settlement of outstanding receivables from Nu Skin. Sales of products into domestic markets decreased approximately 21%, or $5.1 million, to approximately $18.7 million and sales into international markets decreased approximately 18%, or $1.9 million, to $8.6 million, primarily as a result of the loss of this major customer. Domestic sales growth was also negatively impacted by the loss of customer sales for several herbal products. Management continues to strategically focus its efforts for increasing sales into diversifying and expanding geographic distribution channels. Industry competition could adversely affect the Company's results of operations in any given period and such adverse affects often cannot be anticipated.

For the six months ended December 31, 1999, the Company experienced an increase in cost of goods sold as a percentage of sales, excluding the inventory write-off of $2.0 million, to 82.9% compared to 76.9% for the six months ended December 31, 1998. The increase reflects reduced sales prices; increased costs related to implementation of additional quality control procedures to ensure continued product compliance with established GMP specifications and standards; and increased manufacturing overhead costs. The Company wrote-off inventory of $2.0 million, which included $735,000 for deposits on inventory. The analysis of inventory balances and subsequent write-off related primarily to the loss of a major customer in December 1999, a decline in market share and continuing competitive pressures which caused the Company to re-evaluate all product lines and reduce or slow production of products with limited future sales potential. The increase in cost of goods sold and the inventory write-off resulted in a reduction of gross profit of $5.3 million to $2.7 million for the six months ended December 31, 1999 compared to $7.9 million for the six months ended December 31, 1998.

Selling, general and administrative expenses increased as a percentage of sales to 22.2% for the six months ended December 31, 1999 from 14.0% for the six months ending December 31, 1998. In absolute dollars, the expenses increased to approximately $6.1 million for the six months ended December 31, 1999

from approximately $4.8 million for the six months ended December 31, 1998. The percentage increase was due primarily to the fixed nature of selling, general and administrative expenses and the decrease in net sales as noted above. The increase in absolute dollars was primarily due to: the continued investment in IT processes and technologies; abandoned facility lease costs; and increased compensation and legal fees.

The Company's loss from operations was approximately $3.4 million for the six months ended December 31, 1999 compared to income of approximately $3.1 million for the six months ended December 31, 1998. The decrease of approximately $6.5 million was due to: a decrease of approximately $5.3 million in gross profit which included the inventory write-off of $2.0 million; and approximately $1.2 million increase in selling, general and administrative expenses.

The Company recorded a net loss for the six months ended December 31, 1999 of approximately $2.3 million compared to net income of approximately $1.9 million for the six months ended December 31, 1998. This decrease was due to the reasons described above. The income tax benefit of 33.7% compares with a provision for taxes of 39.8% for the quarters ended December 31, 1999 and 1998, respectively. The lower percentage is the result of the consolidation of a wholly owned subsidiary in Switzerland, which has a low relative tax rate. Diluted net loss per common share was $.40 for the six months ended December 31, 1999 compared to diluted net income per common share of $0.31 for the six months ended December 31, 1998.

COST CONTAINMENT PROGRAM

In January 2000, the Company publicly announced a cost containment program designed to reduce future operating expenses. The program initiated expense control measures intended to counteract the loss of a major customer and improving operating performance. The program included an immediate reduction of approximately 27% in the Company workforce, consisting of both permanent and temporary personnel. The reduction-in-force is not expected to result in significant separation agreement and other termination costs.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically financed its operations through product sales, capital and operating lease transactions, working capital credit facility and equipment financing arrangements.

For the six months ended December 31, 1999, net cash used in operating activities was approximately $1.1 million compared to net cash provided of approximately $4.2 million for the six months ended December 31, 1998. This decrease of approximately $5.2 million was due primarily to the decrease in net income of approximately $2.2 million, excluding the $2.0 million inventory write-off in the current period, and approximately $3.6 million less for accounts receivable collections.

Capital expenditures for the six months ended December 31, 1999 amounted to approximately $3.1 million. These expenditures relate primarily to manufacturing facility improvements for expanding and upgrading the Company's warehouse, blending and encapsulation production operations. The Company anticipates additional capital expenditures of approximately $2.3 million during fiscal year 2000 primarily to complete the manufacturing quality improvements purchased and for the purchase of packaging equipment in its vertical integration initiative in final product packaging and labeling operations, which are currently outsourced. These expenditures are expected to be paid primarily from borrowings under the Company's term note described below. If these financing alternatives become unavailable, the Company may be required to defer or restrict certain commercial activities or delay or eliminate expenditures for certain of its potential products and/or markets.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

At December 31, 1999, the Company had working capital of approximately $11.8 million compared to approximately $14.1 million at June 30, 1999. The $2.3 million decrease in working capital resulted from an increase in current

installments of long-term debt of approximately $2.3 million used to finance manufacturing facility improvements and expansion and decreases in inventories of approximately $3.2 million, partially offset by a reduction in accounts payable of approximately $3.2 million. Current maturities of long-term debt at December 31, 1999 amounted to approximately $2.4 million.

On October 4, 1999, the Company replaced an existing $3.0 million revolving working capital line of credit with $9.0 million in new financing, consisting of a $5.0 million revolving working capital line of credit and a $4.0 million term note. Borrowings under the revolving working capital line of credit are collateralized by eligible accounts receivable and inventory, as defined in the agreement; proceeds will be used to support ongoing operating requirements. As of December 31, 1999, the Company was not in compliance with certain financial covenant provisions of the line of credit agreement, which the financial institution has waived through fiscal year 2000. The line of credit expires on December 1, 2000; management expects this line to be renewed in the normal course of business. Borrowings under the term note will be used for new equipment purchases, as defined. The term note expires on April 1, 2000; the loan will be converted to a five-year term loan provided that the Company is in compliance with all terms and conditions, as defined. As of December 31, 1999, amounts outstanding under the revolving line of credit and term note were $100,000 and $958,000, respectively.

The Company's wholly owned subsidiary in Switzerland has a revolving line of credit agreement permitting borrowings up to CHF 2.0 million, or approximately $1.3 million at December 31, 1999. The line of credit expires on December 31, 2000; management expects this line to be renewed in the normal course of business. The agreement contains no financial covenants As of December 31, 1999, the Company converted approximately $1.0 million of the amounts outstanding to term notes with payments starting in calendar year 2001. As of December 31, 1999, the Company is in compliance with all terms and conditions of the revolving line of credit agreement.

On November 9, 1999, the Company entered into a term note agreement for $2.5 million, secured by equipment. The note has a five-year term that provides for principal and interest payable in monthly installments of $52,000; proceeds will be used to support working capital requirements. As of December 31, 1999, $2,467,000 was outstanding under this term note. As of December 31, 1999, the Company is in compliance with all terms and conditions of the term note.

The Company has funds available from existing credit facilities to support future ongoing operating requirements and capital expenditures of approximately $8.3 million, net of borrowings outstanding as of December 31, 1999 of approximately $2.0 million. The Company believes that its available cash and cash equivalents and existing credit facilities should be sufficient to fund ongoing operating activities during fiscal year 2000. The Company's ability to fund future operations and meet capital requirements will depend on many factors, including: the effectiveness of the Company's diversified growth strategy; the effectiveness of the cost containment program; vertical integration of packaging operations; the expansion of Switzerland manufacturing operations; the ability to establish additional alliances or changes to existing alliances; and the ability to establish sub-lease arrangements for the abandoned office and manufacturing facility. The Company may seek additional financing sources, but there can be no assurance that such additional financing sources will be available at acceptable terms, if any at all.

CUSTOM NUTRITION JOINT VENTURE ALLIANCE WITH FITNESSAGE, INC.

In March 1999, the Company entered into a letter of intent to form a joint venture with FitnessAge, Inc., a privately held development stage company based in San Diego, CA ("FitnessAge"). In connection therewith, the Company purchased 300,000 shares of FitnessAge common stock for $150,000, on March 30, 1999.

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

On December 6, 1999, the Company and FitnessAge formalized the joint venture by forming a new company named Custom Nutrition, LLC, a Delaware limited liability company ("Custom Nutrition"). Custom Nutrition was formed for the purpose of developing, merchandising, selling and distributing customized nutritional and related products to health and fitness clubs, as well as over the internet. Under terms of a 10-year Exclusive Manufacturing Agreement, the Company is the exclusive manufacturer of all nutritional supplements for Custom Nutrition. In addition, Custom Nutrition obtained an exclusive royalty free license to FitnessAge's proprietary software technology, including their physical fitness assessments known as the FitnessAge System, as well as, software under development designed to provide customized nutritional assessments. In accordance with its Operating Agreement, the Company is required to make an initial capital contribution of $100,000, which has not been funded as of December 31, 1999; income and losses and any additional capital contribution requirements of Custom Nutrition will be allocated 60% to FitnessAge and 40% to the Company. The Company is currently accounting for this investment under the equity method of accounting. As of December 31, 1999, there were no sales or expenses recorded by Custom Nutrition, which is expected to commence operations during the first half of calendar year 2000.

In addition, in November and December, the Company provided FitnessAge a total of $750,000 as part of a convertible secured loan made by the Company to FitnessAge (the "Loan"). The Loan is collateralized by all of the assets of FitnessAge and includes interest accruing at an annual rate of 12%. The principal together with all accrued and unpaid interest is due November 10, 2000. The Company has the right at any time to convert all or any portion of the amount due on the Loan into the common stock of FitnessAge at a conversion price of $0.75 per share. As of December 31, 1999, the balance of the Loan was $750,000 plus accrued interest, and the Company's direct aggregate investment in FitnessAge was approximately $900,000. The Company is currently accounting for this investment under the cost method of accounting.

In conjunction with the Loan, the Company received a three-year Warrant (the "Warrant") to purchase up to 150,000 shares of Common Stock of FitnessAge for $1.00 per share. The Company may exercise the Warrant at any time up to and including November 1 2002. As of December 31, 1999, the Company had not exercised any portion of this Warrant. The Company also obtained: the right to designate one representative of the Company to be a member of FitnessAge's Board of Directors, which consists of five board members; and registration rights and certain other rights as defined by the loan documents and by an Investor Rights Agreement. If the Company converted the Loan and exercised the Warrant, the Company would own less the five percent, on an as converted basis, of FitnessAge common stock.

YEAR 2000 ISSUES

As of the date of this filing, the Company has not experienced any significant year 2000 problems with its internal systems or equipment, nor has the Company detected any significant year 2000 problems affecting its customers or suppliers.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Statement establishes accounting and reporting standards requiring that derivative instruments be recorded in the balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in income unless specific hedge accounting criteria are met. SFAS No. 133, as amended, is effective for fiscal years beginning after June 15, 2000. The adoption of this Statement will not have a material effect on the Company's consolidated financial statements as the Company does not currently hold any derivative or hedging instruments.

RISK FACTORS THAT MAY AFFECT FUTURE OPERATING RESULTS

In addition to the other information included in this Report, the following factors should be considered in evaluating the Company's business and future prospects. The Company's business and results of operations could be seriously harmed by any of the following risks. In addition, the market price of our common stock could decline due to any of these risks.

CURRENT LOSSES AND EXPECTED FUTURE LOSSES; DECLINING SALES

The Company incurred a net loss of approximately $2.9 million for the fiscal year ended June 30, 1999. Sales for the fiscal year ended June 30, 1999 declined to approximately $57.0 million compared to approximately $68.0 million for the fiscal year ended June 30, 1998. Sales for the six months ended December 31, 1999 were approximately $27.3 million versus sales of approximately $34.3 million for the comparable period of 1998. The Company incurred a net loss of approximately $2.3 million for the six months ended December 31, 1999, and expects to incur a net loss for the fiscal year ended June 30, 2000. The Company is expected to continue to incur significant marketing and general and administrative expenses during fiscal year 2000. There can be no assurance the Company will achieve profitability in 2001 or thereafter.

STOCK PRICE VOLATILITY

The Company's stock price has experienced significant volatility at times during the past two years. In view of the Company's current losses and expected losses through June 30, 2000, and the fact there can be no assurances losses will not continue, it is expected that volatility in the stock price will continue. Market conditions in the vitamin and nutritional supplement industry such as increased price competition, consolidation, oversupply of vitamin and supplement products, operating results of competitors, adverse publicity and other factors such as customer and product announcements by the Company and operating results which are lower than the expectations of analysts and our investors, may have a significant adverse effect on the price of the Company's stock.

LOSS OF MAJOR CUSTOMER

During the quarter ended December 31, 1999, one of the Company's major customers, NuSkin Enterprises, Inc. ("NuSkin"), advised the Company it would stop purchasing products from the Company, and no longer purchases any Company products. For the fiscal year ended June 30, 1999, NuSkin accounted for approximately $18.4 million or approximately 32% of the Company's sales, and for the six months ended December 31, 1999, NuSkin accounted for approximately $4.2 million or 15% of the Company's sales. The loss of NuSkin as a customer is expected to have a material adverse impact on the revenues of the Company.

LONG-TERM LEASE COMMITMENT FOR ABANDONED FACILITY

The Company has a 15-year lease commitment for an approximately 82,500 square foot build-to-suit office and manufacturing facility in Carlsbad, California that the Company has determined not to occupy. The monthly lease payments, which commenced in November, 1998, are currently in excess of $105,000 and are subject to annual inflation adjustments through the remainder of the lease term. The Company is attempting to sublease the partially completed facility. The Company believes it will be required to expend significant sums for commissions, tenant improvements and other sublease expenses in the event it is successful in subleasing all or any portion of the property. If the Company is not able to sublease the property at terms consistent with those used when the Company accrued for the loss on the sublease, it is expected to continue to have a material adverse impact on the operations and financial condition of the Company.

RELIANCE ON LIMITED NUMBER OF CUSTOMERS FOR MAJORITY OF REVENUE

For the fiscal year ended June 30, 1999, the Company had three major customers, which together accounted for approximately 71% of the Company's net sales. For the six months ended December 31, 1999, there were four major customers who each accounted for 10% or more of the Company's net sales, which together accounted for 76% of the Company's net sales. The Company lost one of these major customers, NuSkin, during the quarter ended December 31, 1999, as a customer. The loss of any additional major customers, or any of these customers substantially reducing their purchases from the Company, could have a material adverse impact on the business, operations and financial condition of the Company.

LAWSUIT BY FORMER PRESIDENT, DIRECTOR AND CHIEF FINANCIAL OFFICER

A lawsuit has been filed against the Company by its former President, Director and Chief Financial Officer, William P. Spencer. The complaint was filed on January 14, 2000 in the California Superior Court for the County of San Diego, North County Branch. The complaint, which has not yet been served upon the Company as of the date of this filing, alleges damages for wrongful termination, breach of option contract, conversion, breach of employment contract, discriminatory and retaliatory discharge, workplace harassment and slander. The complaint seeks damages in an amount to be proved at trial and alleges damages in excess of six million dollars. The former officer and director was terminated for cause in January of 1999. Management believes the lawsuit is without merit. The Company intends to vigorously defend itself in the event it is served with the complaint. In the event a judgment was obtained in the amount of the damages alleged in the complaint or any significant portion thereof, it would have a material adverse impact upon the financial condition of the Company.

POTENTIAL FOR INCREASED COMPETITION

The market for the Company's products is highly competitive. The Company competes with other dietary supplement products and over-the-counter pharmaceutical manufacturers. Among other factors, competition among these manufacturers is based upon price. If one or more manufacturers significantly reduce their prices in an effort to gain market share, the Company's business, operations and financial condition could be adversely affected. Many of the Company's competitors, particularly manufacturers of nationally advertised brand name products, are larger and have resources substantially greater than those of the Company. There has also recently been speculation about the potential for increased participation in these markets by major international pharmaceutical companies. In the future, one or more of these companies could seek to compete more directly with the Company by manufacturing and distributing their own or others products, or by significantly lowering the prices of existing national brand products. The Company sells substantially all of its supplement products to customers who re-sell and distribute the products. Although the Company does not currently participate significantly in other channels such as health food stores, direct mail, internet sales and direct sales, the Company may expand its operations and its products may face competition from such alternative channels as more customers utilize these channels of distribution to obtain similar products.

RELIANCE ON LIMITED NUMBER OF SUPPLIERS; AVAILABILITY AND COST OF PURCHASED MATERIALS

The Company purchases from a limited number of raw material suppliers certain products the Company does not manufacture. No supplier represented more than 10% of total raw material purchases for the fiscal year ended June 30, 1999 or for the six month period ended December 31, 1999. Although the Company currently has supply arrangements with several suppliers of these raw materials, and such materials are generally available from numerous sources, the termination of the supply relationship by any material supplier or an unexpected interruption of supply could materially adversely affect the Company's business, operations and financial condition.

EFFECT OF ADVERSE PUBLICITY

The Company's products consist primarily of dietary supplements (vitamins, minerals, herbs and other ingredients). The Company regards these products as

safe when taken as suggested by the Company. In

addition, various scientific studies have suggested the ingredients in some of the Company's products may involve health benefits. The Company believes the growth in the dietary supplements business of the last several years may in part be based on material media attention and various scientific research suggesting potential health benefits for the consumption of certain vitamin products. The Company is indirectly dependent upon its customers' consumers' 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 business, operations and financial condition of the Company could be adversely affected if any of the Company's products or any similar products distributed by other companies should prove or be asserted to be harmful to consumers, or should scientific studies provide unfavorable findings regarding the effect of products similar to those produced by the Company.

EXPOSURE TO PRODUCT LIABILITY CLAIMS

The Company, like other retailers, distributors and manufacturers of products that are ingested, faces a risk of exposure to product liability claims in the event that, among other things, the use of its products result in injury. The Company maintains product liability insurance coverage, including primary product liability and excess liability coverage. There can be no assurance product liability insurance will continue to be available at an economically reasonable cost or that the Company's insurance will be adequate to cover any liability the Company incurs in respect to all possible product liability claims.

RISKS ASSOCIATED WITH INTERNATIONAL MARKETS

The Company's growth may be dependent in part upon its ability to expand its operations and those of its customers into new markets, including international markets. For the fiscal year ended June 30, 1999 and six months ended December 31, 1999, the percentage of the Company's net sales by customers into international markets were 30.8% and 31.5%, respectively. The Company also has a manufacturing facility in Switzerland, which is designed to increase sales of the Company's products overseas. The Company may experience difficulty entering new international markets due to regulatory barriers, the necessity of adapting to new regulatory systems and problems related to entering new markets with different cultural bases and political systems. Operating in international markets exposes the Company to certain risks, including, among other things, (1) changes in or interpretations of foreign import, currency transfer and other restrictions and regulations that among other things may limit the Company's ability to sell certain products or repatriate profits to the United States, (2) exposure to currency fluctuations, (3) the potential imposition of trade or foreign exchange restrictions or increased tariffs, and (4) economic and political instability. As the Company continues to expand its international operations, these and other risks associated with international operations are likely to increase.

GOVERNMENT REGULATION

The manufacturing, processing, formulation, packaging, labeling and advertising of the Company's products are subject to regulation by one or more federal agencies, including the United States Food and Drug Administration ("FDA"), the Federal Trade Commission ("FTC"), the Consumer Product Safety Commission, the United States Department of Agriculture, the United States Postal Service, the United States Environmental Protection Agency and the Occupational Safety and Health Administration. The Company's activities are also regulated by various agencies of the states and localities in which the Company's products are sold. In particular, the FDA regulates the safety, labeling and distribution of dietary supplements, including vitamins, minerals, herbs food, OTC and prescription drugs and cosmetics. In addition, the FTC has overlapping jurisdiction with the FDA to regulate the labeling, promotion and advertising of

vitamins, over-the-counter drugs, cosmetics and foods.

The Dietary Supplement Health and Education Act of 1994 ("DSHEA") was enacted on October 25, 1994. DSHEA amends the Federal Food, Drug and Cosmetic Act by defining dietary supplements which include vitamins, minerals, nutritional supplements and herbs, as a new category of food separate from conventional food. DSHEA provides a regulatory framework to ensure safe, quality dietary supplements and the dissemination of accurate information about such products. Under DSHEA, the FDA is generally prohibited from regulating the active ingredients in dietary supplements as drugs unless product claims,

such as claims that a product may heal, mitigate, cure or prevent an illness, disease or malady, trigger drug status.

DSHEA provides for specific nutritional labeling requirements for dietary supplements. DSHEA permits substantiated, truthful and non-misleading statements of nutritional support to be made in labeling, such as statements describing general well being resulting from consumption of a dietary ingredient or the role of a nutrient or dietary ingredient in affecting or maintaining a structure or function of the body. The Company anticipates the FDA will finalize manufacturing process regulations that are specific to dietary supplements and require at least some of the quality control provisions for drugs. The Company currently manufactures its vitamins and nutritional supplement products in compliance with good manufacturing processes.

The FDA is developing additional regulations to implement DSHEA. Labeling regulations may require expanded or different labeling for the Company's vitamin and nutritional products. The Company cannot determine what effect such regulations, when fully implemented, will have on its business in the future. Such regulations could, among other things, require the recall, reformulation or discontinuance of certain products, additional recordkeeping, warnings, notification procedures and expanded documentation of the properties of certain products or scientific substantiation regarding ingredients, product claims, safety or efficacy. Failure to comply with applicable FDA requirements could result in sanctions being imposed on the Company or the manufacturers of its products, including warning letters, fines, product recalls and seizures.

Governmental regulations in foreign countries where the Company plans to commence or expand sales may prevent or delay entry into a market or prevent or delay the introduction, or require the reformulation of, certain of the Company's products. In addition, the Company cannot predict whether new domestic or foreign legislation regulating its activities will be enacted. Such new legislation could have a material adverse effect on the business, operations and financial condition of the Company.

DISTRIBUTION AND MANAGEMENT OF OPERATIONS

In fiscal 1999, the Company leased and completed development of two additional facilities. One new facility, comprising 74,000 square feet in Vista, California, is used as warehousing, mixing, blending and packaging facility. The Company also owns a Swiss subsidiary that leased and developed a 18,000 square foot manufacturing facility in Lugano, Switzerland. During fiscal 1999, the Company also implemented an entirely new software system to manage its materials and manufacturing operations. While the Company believes these activities will increase the Company's manufacturing and distribution capabilities, there can be no assurance the expected operating improvements will be realized, or these new facilities will result in improved sales, profit margins or earnings. A significant, unexpected disruption of these systems and facilities could have a material adverse effect on the Company's results of operations.

FAILURE TO ATTRACT AND RETAIN MANAGEMENT COULD HARM OUR ABILITY TO ACHIEVE PROFITABILITY AND GAIN

We believe our success is dependent in large part upon our continued ability to

identify, hire, retain and motivate highly skilled management employees. These types of qualified individuals are currently in great demand in the marketplace. Competition for these employees is intense and we may not be able to hire additional qualified personnel in a timely manner and on reasonable terms. The majority of our Officers began their employment with the Company in late fiscal year 1998 and 1999. The loss of any one of them could adversely affect our ability to execute our business strategy.

CENTRALIZED LOCATION OF MANUFACTURING OPERATIONS

The Company currently manufactures the vast majority of its products at its manufacturing facilities in San Marcos, California. Accordingly, any event resulting in the slowdown or stoppage of the Company's manufacturing operations or distribution facilities in San Marcos could have a material adverse effect on the Company. The Company maintains business interruption insurance. There can be no assurance, however, that such insurance will continue to be available at a reasonable cost or, if available, will be

adequate to cover any losses that may be incurred from an interruption in the Company's manufacturing and distribution operations.

CONCENTRATION OF OWNERSHIP; CERTAIN ANTI-TAKEOVER CONSIDERATION

The Company's directors and executive officers beneficially own in excess of 27% of the outstanding Common Stock as of June 30, 1999. Accordingly, these shareholders will continue to have the ability to substantially influence the management, policies and business operations of the Company. The Company's Board of Directors has the authority to approve the issuance of 5,000,000 shares of preferred stock and to fix the rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the Company's shareholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future. Certain provisions of Delaware law, as well as the issuance of preferred stock, and other "anti-takeover" provisions in the Company's Articles and Bylaws, could delay or inhibit the removal of incumbent directors and could delay, defer, make more difficult or prevent a merger, tender offer or proxy content, or any change in control involving the Company, as well as the removal of management, even if such events would be beneficial to the interests of the Company's shareholders, and may limit the price certain investors may be willing to pay in the future for shares of Common Stock.

RESTRICTIVE FINANCING COVENANTS.

One or more of the Company's loan agreements contain a number of covenants that restrict the operations of the Company. Such restriction includes requiring the Company to comply with specified financial ratios and tests, including minimum tangible net worth requirements, maximum leverage ratios, debt coverage ratios and minimum EBITDA to cash interest expense ratios. The Company was not in compliance with certain of these ratios at December 31, 1999 which the financial institution has agreed to waive through fiscal year 2000. There can be no assurance the Company will be able to comply with such covenants or restrictions in the future years. The Company's ability to comply with such covenants and other restrictions may be affected by events beyond its control, including prevailing economic, financial and industry conditions. The breach of any such covenants or restrictions could result in a default under the various loan agreements that would permit the lenders thereunder to declare all amounts outstanding thereunder to be immediately due and payable, together with accrued and unpaid interest, and terminate their commitments to make further extensions of credit thereunder.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks which arise in the normal course of

business from changes in interest rates, foreign currency exchange rates and stock market fluctuations. At December 31, 1999, the Company maintains a portion of its cash and cash equivalents in financial instruments with original maturities of six months or less. These financial instruments, principally comprised of government backed money market funds, are subject to interest rate risk and will decline in value if interest rates increase. The Company also maintains a short-term investment portfolio containing common stocks that are subject to market risk. The Company has not used derivative financial instruments in its investment portfolio and believes that its investment in market-risk-sensitive instruments is not material. Based upon our overall currency rate exposure at December 31, 1999, we do not believe that our exposure to currency rate fluctuations will have a material impact on our consolidated financial position or consolidated results of operations.

Market rate risk related to Long Term Debt is diminimus due to the fixed interest rate and fixed payment structure of the debt.

NATURAL ALTERNATIVES INTERNATIONAL, INC.
PART I - FINANCIAL INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A lawsuit has been filed against the Company by its former President, Director and Chief Financial Officer, William P. Spencer. The complaint was filed on January 14, 2000 in the California Superior Court for the County of San Diego, North County Branch. The complaint, which has not yet been served upon the Company as of the date of this filing, alleges damages for wrongful termination, breach of option contract, conversion, breach of employment contract, discriminatory and retaliatory discharge, workplace harassment and slander. The complaint seeks damages in an amount to be proved at trial and alleges damages in excess of six million dollars. The former officer and director was terminated for cause in January of 1999. Management believes the lawsuit is without merit. The Company intends to vigorously defend itself in the event it is served with the complaint. In the event a judgment was obtained in the amount of the damages alleged in the complaint or any significant portion thereof, it would have a material adverse impact upon the financial condition of the Company.

ITEM 2. CHANGES IN SECURITIES

During the six month period ending December 31, 1999, 50,000 common shares were repurchased pursuant to the Board of Directors approved repurchase program of up to 500,000 shares of the Company's common stock. As of December 31, 1999, 249,500 shares had been repurchased under this repurchase program.

ITEM 3. DEFAULTS BY THE COMPANY ON ITS SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On December 6, 1999, at the Company's annual meeting, the shareholders elected each of the following three directors with the following votes:

Name	Votes For	Votes Withheld
Marie A. LeDoux	5,213,568	251,537
Lee G. Weldon	5,218,768	246,337
J. Scott Schmidt	5,218,738	246,307

The shareholders also approved a second proposal to adopt the Omnibus Equity Incentive Plan (the "Omnibus Plan"). The Board of Directors reserved 500,000 shares of common stock, plus an annual increase as defined, for the Omnibus Plan. The purpose of the Omnibus Plan is to promote the interests of the Company

through awards in the form of restricted shares, stock units, options and stock appreciation rights. This second proposal received the following votes: for 2,728,647; against 1,048,965; broker non-votes 1,622,158; and abstain 25,335. In addition, the shareholders approved the proposal to adopt the Company's Employee Stock Purchase Plan (the "Stock Purchase Plan"). The Board of Directors reserved 150,000 shares of common stock for the Stock Purchase Plan, plus an annual increase as defined, to be added on the first day of the Company's fiscal year beginning July 1, 2000. The Stock Purchase Plan provides eligible employees of the Company with a means to purchase, through payroll deductions, shares of Common Stock at a discount consistent with the provisions of the Internal Revenue Code of 1986, as amended. This third proposal received the following votes: for 3,340,994; against 484,327; and abstain 20,285. Finally, the shareholders approved a fourth proposal to ratify the appointment of KPMG LLP as independent auditors for the fiscal year ending June 30, 2000. This fourth proposal received the following votes: for 5,430,897; against 19,427; and abstain 14,781.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits: The following exhibits are filed herewith:

10.1 Operating Agreement of Custom Nutrition, LLC between FitnessAge Inc. and Natural Alternatives International, Inc. dated December 6, 1999.

10.2 Exclusive Manufacturing Agreement between Natural Alternatives International, Inc. and Custom Nutrition, LLC dated December 6, 1999.

10.3 Loan Agreement by and between FitnessAge, Inc. and Natural Alternatives International, Inc. dated November 11, 1999.

10.4 First Amendment to Loan Agreement and Security Agreement by and between FitnessAge, Inc. and Natural Alternatives International, Inc. dated December 6, 1999.

10.5 FitnessAge, Inc. Convertible Secured Promissory Note dated November 11, 1999.

10.6 FitnessAge, Inc. Convertible Secured Promissory Note dated December 6, 1999.

10.7 Security Agreement between Natural Alternatives International, Inc. and FitnessAge, Inc. dated November 11, 1999.

10.8 Warrant dated November 11, 1999.

10.9 Investor Rights Agreement by and among FitnessAge, Inc. and Natural Alternatives International, Inc. dated November 11, 1999.

10.10 Executive Employment Agreement between Mark A. LeDoux and Natural Alternatives International, Inc. beginning October 1, 1999.

10.11 Executive Employment Agreement between David Lough and Natural Alternatives International, Inc. beginning October 1, 1999.

10.12 Executive Employment Agreement between Peter C. Wulff and Natural Alternatives International, Inc. beginning October 25, 1999.

10.13 Executive Employment Agreement between Douglas E. Flaker and Natural Alternatives International, Inc. beginning October 1, 1999.

10.14 Executive Employment Agreement between David K. Shunick and Natural Alternatives International, Inc. beginning October 1, 1999.

27.0 Financial Data Schedule

(b) No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATURAL ALTERNATIVES INTERNATIONAL, INC.

PETER C. WULFF Date: February 14, 2000

Peter C. Wulff
Chief Financial Officer
and Treasurer

EXHIBIT 10.1

OPERATING AGREEMENT

OF

CUSTOM NUTRITION, LLC

A DELAWARE LIMITED LIABILITY COMPANY

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OPERATING AGREEMENT
FOR
CUSTOM NUTRITION, LLC

This Agreement is made as effective as of the sixth day of December, 1999 by and among FitnessAge Incorporated, a Nevada corporation ("FitnessAge") as one member, and Natural Alternatives International, Inc., a Delaware corporation ("NAI") as the only other member. FitnessAge and NAI at times are referred to hereafter as the "Parties." Both FitnessAge and NAI agree by execution of this Agreement to form a limited liability company pursuant to the provisions of this Agreement and the Delaware Limited Liability Company Act (the "Act") (Del. Gen. Corp. Laws Ch. 18 et. seq.).

A. The Parties have formed a limited liability company under the Delaware Limited Liability Company Act. The Parties have caused a Certificate of Formation to be filed with the Delaware Secretary of State on November 12, 1999

and the Certificate of Formation is hereby adopted and approved by the Parties.

B. The Parties are entering into this Agreement to provide for the governance of the limited liability company and the conduct of its business, and to specify their relative rights and obligations.

NOW THEREFORE, the Members agree as follows:

ARTICLE I: DEFINITIONS

Capitalized terms used in this Agreement have the meanings specified in this Article or elsewhere in this Agreement and when not so defined shall have the meanings set forth in the Delaware General Corporations Law Chapter 18 et seq.

1.1 "ACT" means the Delaware Limited Liability Company Act (Del. Gen. Corp. Laws Ch. 18 et. seq.)., including amendments from time to time.

1.2 "ADJUSTED CAPITAL CONTRIBUTION" is defined in Article IV, Section 4.6(a).

1.3 "ADJUSTED CAPITAL ACCOUNT DEFICIT" is defined in Article IV, Section 4.3(a).

1.4 "AFFILIATE" of a Member means any Person directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Member. The term "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through membership, ownership of voting securities, by contract, or otherwise.

1.5 "AGREEMENT" means this operating agreement, as originally executed and as amended from time to time.

1.6 "ASSIGNEE" means a person who has acquired a Member's Economic Interest in the Company, by way of a Transfer in accordance with the terms of this Agreement, but who has not become a Member.

1.7 "ASSIGNING MEMBER" means a Member who by means of a Transfer has transferred an Economic Interest in the Company to an Assignee.

1.8 "AVAILABLE CASH" means all gross revenues from the Company's operations, including gross proceeds from all sales, financings, and other dispositions of Company property less only: (i) payments made to NAI pursuant to the Exclusive Manufacturing Agreement of even date herewith; (ii) all amounts paid to FitnessAge Affiliates, licensees, franchisees, distributors and dealers as commission or other compensation specifically attributable to sales of nutrition products purchased from and manufactured by NAI or others; and (iii) amounts paid pursuant to the approved budget of general and administrative expenses of the Company as shown in Exhibit "B" attached hereto and incorporated herein by this reference.

1.9 "BOOK DEPRECIATION" is defined in Article IV, Section 4.3(b).

1.10 "BUDGET" means the annual operating budget of the Company as provided for herein. The Budget for the current fiscal year shall constitute Exhibit B to the Agreement and shall be deemed incorporated herein.

1.11 "CAPITAL ACCOUNT" means, with respect to any Member, the account reflecting the capital interest of the Member in the Company, consisting of the Member's initial Capital Contribution maintained and adjusted in accordance with Article III, Section 3.4.

1.12 "CAPITAL CONTRIBUTION(S)" means, with respect to any Member, the amount of the money and the Fair Market Value of any property (other than money) contributed to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take "subject to" under IRC

section 752) in consideration of a Percentage Interest held by such Member. A loan to the Company from a Member or its Affiliate shall not be deemed a Capital Contribution, and a Capital Contribution shall not be deemed a loan.

1.13 "CAPITAL EVENT" means a sale or disposition of any of the Company's capital assets, the receipt of insurance and other proceeds derived from the involuntary conversion of Company property, the receipt of proceeds from a refinancing of Company property, or a similar event with respect to Company property or capital assets.

1.14 "CERTIFICATE OF FORMATION" is defined in Corporations Law section 18-201, as applied to this Company.

1.15 "CODE" or "IRC" means the Internal Revenue Code of 1986, as amended, and any successor statutory provisions.

1.16 "COMPANY" means the company named in Article II, Section 2.1 of this Agreement.

1.17 "COMPANY MINIMUM GAIN" is defined in Article IV, Section 4.3(c).

1.18 "CONFIDENTIAL INFORMATION" is defined in Article X, Section 10.3.

1.19 "CORPORATIONS LAW" ("CORP. LAW") means the Delaware General Corporations Law.

1.20 "ECONOMIC INTEREST" means a Person's right to share in the income, gains, losses, deductions, credit or similar items of, and to receive distributions from, the Company, but does not include any other rights of a Member, including the right to vote or to participate in management.

1.21 "ENCUMBER" means the act of creating or purporting to create an Encumbrance, whether or not perfected under applicable law.

1.22 "ENCUMBRANCE" means, with respect to any Membership Interest, or any element thereof, a mortgage, pledge, security interest, lien, proxy coupled with an interest (other than as contemplated in this Agreement), option, or preferential right to purchase.

1.23 "GENERAL MANAGER" means the Person appointed as the General Manager by the Members as set forth in Article II or the Persons who from time to time succeed any Person as the General Manager and who, in either case, is serving at the relevant time as the General Manager.

1.24 "GROSS ASSET VALUE" means, with respect to any item of property of the Company, the item's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of any item of property contributed by a Member to the Company shall be the fair market value of such property, as mutually agreed by the contributing Member and the Company;

(b) The Gross Asset Value of any item of Company property distributed to any Member shall be the fair market value of such item of property on the date of distribution; and

(c) The Gross Asset Value of any item of Company property shall be subject to the adjustments specified in Article IV, Section 4.11.

1.25 "INCOME" and "LOSSES" are defined in Article IV, Section 4.2.

1.26 "INVOLUNTARY TRANSFER" means, with respect to any Membership Interest, or any element thereof, any Transfer or Encumbrance, whether by operation of law, pursuant to court order, foreclosure of a security interest, execution of a judgment or other legal process, or otherwise,

including a purported transfer to or from a trustee in bankruptcy, receiver, or assignee for the benefit of creditors.

1.27 "LOSSES." See Article IV, Section 4.2.

1.28 "MEMBER" means a Member, including the General Manager, admitted to the Company or a Person who otherwise acquires a Membership Interest, as permitted under this Agreement, and who remains a Member. A list of the names, addresses, initial Capital Contribution and Percentage Interest of the Members is set forth at Exhibit "A" attached hereto and made a part hereof. The initial Members are FitnessAge and NAI.

1.29 "MEMBER APPROVAL" means the approval or consent of Member or Members whose Percentage Interests represent the Percentage Interests of all the Members required for a given action.

1.30 "MEMBER NONRECOURSE DEBT" is defined in Article IV, Section 4.3(d).

1.31 "MEMBER NONRECOURSE DEBT MINIMUM GAIN" is defined in Article IV, Section 4.3(e).

1.32 "MEMBER NONRECOURSE DEDUCTIONS" is defined in Article IV, Section 4.3(f).

1.33 "MEMBERSHIP INTEREST(S)" means a Member's rights in the Company, collectively, including the Member's Economic Interest, any right to vote or participate in management, and any right to information concerning the business and affairs of the Company.

1.34 "NONRECOURSE DEDUCTIONS" is defined in Article IV, Section 4.3(g).

1.35 "NONRECOURSE LIABILITY" is defined in Article IV, Section 4.3(h).

1.36 "NOTICE" means a written notice required or permitted under this Agreement. A notice shall be deemed given or sent when personally delivered to the recipient; or on the business day following the date it was deposited, for overnight delivery, postage and fees prepaid, in the United States mail; or when delivered to Federal Express, United Parcel Service, DHL WorldWide Express, or Airborne Express, for overnight delivery, charges prepaid or charged to the sender's account.

1.37 "NUTRITIONAL PRODUCT" or "PRODUCT" means any nutrition product, nutritional or dietary supplement or related materials, nutritional food or other nutritional products of any description, including but not limited to nutritional products in the form of capsules, tablets, powders, liquids, bars and other forms and whether packaged in any and all manners.

1.38 "PERCENT OF THE MEMBERS" means the specified total of Percentage Interests of all the Members.

1.39 "PERCENTAGE INTEREST(S)" means the percentage interest set forth opposite the Member's name at Exhibit "A" attached hereto.

1.40 "PERSON" means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, whether domestic or foreign.

1.41 "REGULATIONS" means the income tax regulations promulgated by the United States Department of the Treasury and published in the Federal Register for the purpose of interpreting and applying the provisions of the Code, as such regulations may be amended from time to time, including corresponding provisions of applicable successor regulations.

1.42 "RESERVES" means the aggregate of reserve accounts the Members

collectively deem necessary to meet accrued or contingent liabilities of the Company, reasonably anticipated operating expenses, and working capital requirements.

1.43 "SUCCESSOR IN INTEREST" means an Assignee, a successor of a Person by merger or otherwise by operation of law, or a transferee of all or substantially all of the business or assets of a Person.

1.44 "TAX ITEM" means each item of income, gain, loss, deduction, or credit of the Company for federal income tax reporting purposes.

1.45 "TAX MATTERS MEMBER" means such Person as may be designated under Article VI, Section 6.6.

1.46 "TRANSFER" means, with respect to a Membership Interest or any element of a Membership Interest, any sale, assignment, gift, Involuntary Transfer, Encumbrance, or other disposition of such Membership Interest or any element of such Membership Interest, directly or indirectly, other than an Encumbrance that is expressly permitted under this Agreement.

1.47 "TRIGGERING EVENT" is defined in Article VIII, Section 8.5.

1.48 "VOTE" means a written consent or approval, a ballot cast at a meeting, or a voice vote taken at a meeting.

1.49 "VOTING INTEREST" means, with respect to a Member, the right to Vote or participate in management and any right to information concerning the business and affairs of the Company provided under the Act, except as limited by the provisions of this Agreement. A Member's Voting Interest shall be equal to that Member's Percentage Interest.

ARTICLE II: THE COMPANY

2.1 The name of the Company is CUSTOM NUTRITION, LLC.

2.2 The principal executive office of the Company shall be at 4250 Executive Square, Suite 101, La Jolla, California 92037, or such other place or places as may be determined by the Members from time to time.

2.3 The initial agent for service of process on the Company shall be the Corporation Trust Company, whose address is the Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801.

2.4 This Company has been formed for the purpose of developing, merchandising, selling and distributing nutritional and related products designed, manufactured and produced by NAI or others for sale by the Company throughout the world, together with such other activities as may be necessary or advisable in connection with the purposes set forth herein. The Members understand and acknowledge that although FitnessAge shall be subject to the covenants set forth in Article X hereinbelow and in the License Agreement by and between Fitness Age and the Company, FitnessAge affiliates, licensees, distributors, sales representatives or dealers are independent contractors, and may choose to purchase or acquire nutritional and related products from suppliers other than the Company.

2.5 The Members intend the Company to be a limited liability company under the Act. No Member shall take any action inconsistent with the express intent of this Agreement.

2.6 The term of existence of the Company shall commence on the effective date of filing of the Certificate of Formation with the Delaware Secretary of State, and shall continue until December 31, 2009, unless sooner terminated by the provisions of this Agreement, extended by agreement of the Members, or as provided by law.

2.7 APPOINTMENT OF GENERAL MANAGER: The Members may by mutual consent appoint a person to act as the General Manager of the Company at any time or from time to time. If there is no Person acting as the General Manager at any

time the business of the Company shall be managed by the Members acting jointly. The Members hereby appoint FitnessAge to act as the General Manager only until January 5, 2000. Thereafter, unless a successor General Manager is appointed by the joint act of both Members, the business of the Company shall be managed by the Members acting jointly.

ARTICLE III: CAPITAL AND CAPITAL CONTRIBUTIONS

3.1 Each Member shall contribute to the capital of the Company as the Member's initial Capital Contribution the amounts specified in Exhibit "A" attached hereto.

3.2 If either Member is at any time of the opinion that Capital Contributions in addition to the Members' initial Capital Contributions are needed to enable the Company to conduct its business, that Member shall give notice to the other Member that it believes such funds are needed. The Members shall meet and confer regarding the operating budget for the Company and the need (if any) for additional Capital Contributions. If the Members agree upon the need for and the amount of additional Capital Contributions required each Member shall contribute additionally required capital to the Company in cash in an amount equal to the Member's Percentage Interest of the total additional capital that has been agreed to. No Member may voluntarily make any additional Capital Contribution to the Company without the consent of the other Member.

3.3 If a Member fails to make an additional Capital Contribution required under Section 3.2 above within 30 days after it is required to be made (a "Defaulting Member"), the other member (the "Nondefaulting Member") may make an additional Capital Contribution up to the total amount required of the Defaulting Member (the "Additional Capital Shortfall"). Any amount of Additional Capital Shortfall, which a Nondefaulting Member so advances on behalf of a Defaulting Member, shall become a loan due and owing from the Defaulting Member of such Nondefaulting Member and shall bear interest at the rate of five percent (5%) above the then current prime rate, as most recently reported by the Western Edition of the Wall Street Journal, or the highest rate allowed by law, whichever is less, compounded monthly. All distributions otherwise to be made to the Defaulting Member under this Agreement shall instead be paid on behalf of the Defaulting Member to the Nondefaulting Member until such advances and interest thereon are paid in full. In any event, any such advances shall be due and payable by the Defaulting Member one (1) year from the date that such advance was made. Any amounts repaid shall first be applied to interest and thereafter to principal. Each Defaulting Member grants to the Nondefaulting Member who advances funds under this Section 3.3 a security interest in its Membership Interest to secure its obligation to repay such advances and agrees to execute and deliver a promissory note as described herein together with a security agreement in a form reasonably acceptable to the Nondefaulting Member and such UCC-1 financing statements and assignments of certificates of membership (or other documents of transfer) as the Nondefaulting Member making such advances may reasonably request.

3.4 An individual Capital Account for each Member shall be maintained in accordance with the requirements of Regulations Section 1.704-1(b)(2)(iv) and adjusted in accordance with the following provisions:

(a) A Member's Capital Account shall be increased by that Member's Capital Contributions, that Member's share of profits, and any Tax Items in the nature of income or gain that are specially allocated to that Member pursuant to Article IV.

(b) A Member's Capital Account shall be increased by the amount of any Company liabilities assumed by that Member subject to and in accordance with the provisions of Regulations Section 1.704-1(b)(2)(iv)(c).

(c) A Member's Capital Account shall be decreased by (a) the amount of cash distributed to that Member; (b) the Fair Market Value of any property of the Company so distributed, net of liabilities secured by such distributed property that the distributee Member is considered to assume or to be subject to under IRC section 752; and (c) the amount of any items in the nature of expenses or losses that are specially allocated to that Member

pursuant to Article IV.

(d) A Member's Capital Account shall be reduced by the Member's share of any expenditures of the Company described in IRC section 705(a)(2)(B) or which are treated as IRC section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i) (including syndication expenses and losses nondeductible under IRC sections 267(a)(1) or 707(b)).

(e) If any Economic Interest (or portion thereof) is transferred in conformance with and not otherwise in violation of this Agreement, the transferee of such Economic Interest or portion shall succeed to the transferor's Capital Account attributable to such interest or portion.

(f) The principal amount of a promissory note that is not readily traded on an established securities market and that is contributed to the Company by the maker of the note shall not be included in the Capital Account of any Person until the Company makes a taxable disposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Regulations Section 1.704-1(b)(2)(iv)(d)(2).

(g) Each Member's Capital Account shall be increased or decreased as necessary to reflect a revaluation of the Company's property assets in accordance with the requirements of Regulations Section 1.704-1(b)(2)(iv)(f) and 1.704-1(b)(2)(iv)(g), including the special rules under Regulations Section 1.701-1(b)(4), as applicable. The provisions of this Agreement concerning the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b) and shall be interpreted and applied in a manner consistent with those Regulations.

3.5 A Member shall not be entitled to withdraw any part of the Member's Capital Contribution or to receive any distributions, whether of money or property, from the Company except as provided in this Agreement.

3.6 No interest shall be paid on Capital Contributions or on the balance of a Member's Capital Account.

3.7 A Member shall not be bound by, or be personally liable for, the expenses, liabilities, or obligations of the Company except as otherwise provided in the Act or in this Agreement.

3.8 Except as otherwise expressly provided in this Agreement, no Member shall have priority over any other Member with respect to the return of a Capital Contribution or distributions or allocations of income, gain, losses, deductions, credits, or items thereof.

ARTICLE IV: ALLOCATIONS AND DISTRIBUTIONS

4.1 The Income and Losses of the Company and all items of Company income, gain, loss, deduction, or credit shall be allocated, for Company book purposes and for tax purposes, to a Member in accordance with the Member's Percentage Interest.

4.2 As used in this Agreement, "Income and Losses" means, for each fiscal year or other period specified in this Agreement, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with IRC section 703(a), including all Tax Items required to be stated separately pursuant to IRC section 703(a)(1), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Income or Losses shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in IRC section 705(a)(2)(B) or treated as IRC section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Income or Losses shall be subtracted from such taxable income or shall increase such loss; and

(c) Notwithstanding the foregoing provisions of this Section 4.2, any items of income, gain, loss, or deduction that are specially allocated hereafter shall not be taken into account in computing Income or Losses under Section 4.1.

4.3 The following definitions shall apply with respect to this Article IV.

(a) "Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant fiscal year of the Company, after such Member's Capital Account has been adjusted as follows: (1) the Member's Capital Account shall be increased by the amount of such Member's share of Company Minimum Gain and Member Nonrecourse Debt Minimum Gain; and (2) the Member's Capital Account shall be decreased by the amount of the items described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5), and (6). This definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently with that Regulation.

(b) "Book Depreciation" means, with respect to any item of Company property for a given fiscal year, a percentage of depreciation or other cost recovery deduction allowable for federal income tax purposes for such item during that fiscal year equal to the result (expressed as a percentage) obtained by dividing (1) the Fair Market Value of that item at the beginning of the fiscal year (or the acquisition date during the fiscal year), by (2) the federal adjusted tax basis of the item at the beginning of the fiscal year (or the acquisition date during the fiscal year). If the adjusted tax basis of an item is zero, the Members by mutual consent may determine Book Depreciation.

(c) "Company Minimum Gain" has the meaning set forth in Regulations Section 1.704-2(d)(1).

(d) "Member Nonrecourse Debt" is defined in Regulations Section 1.704-2(b)(4).

(e) "Member Nonrecourse Debt Minimum Gain" for a fiscal year of the Company means the net increase in Minimum Gain attributable to Member Nonrecourse Debt, determined as set forth in Regulations Section 1.704-2(i)(2).

(f) "Member Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(i)(2). For any fiscal year of the Company, the amount of Member Nonrecourse Deductions with respect to a Member Nonrecourse Debt equals the net increase during that fiscal year in Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt during that fiscal year, reduced (but not below zero) by the amount of any distributions during such year to the Member bearing the economic risk of loss for such Member Nonrecourse Debt if such distributions are both from the proceeds of such Member Nonrecourse Debt and are allocable to an

increase in Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, all as determined according to the provisions of Regulations Section 1.704-2(i)(2). In determining Member Nonrecourse Deductions, the ordering rules of Regulations Section 1.704-2(j) shall be followed.

(g) "Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(c). The amount of Nonrecourse Deductions for a Company fiscal year equals the net increase in the amount of Company Minimum Gain during that fiscal year, reduced (but not below zero) by the aggregate amount of any distributions during that fiscal year of proceeds of a Nonrecourse Liability that are allocable to an increase in Company Minimum Gain.

(h) "Nonrecourse Liability" is defined in Regulations Section 1.752-1(a)(2).

4.4 The following special allocations shall be made in the following order:

(a) Company Minimum Gain Chargeback. If there is a net decrease in Company Minimum Gain during a fiscal year, each Member shall be allocated, before any other allocation under this Section, items of Company income and gain for such fiscal year equal to such Member's share of the net decrease in Company Minimum Gain as determined in accordance with Regulations Section 1.704-2(g)(2).

(b) Member Nonrecourse Debt Minimum Gain Chargeback. If there is a net decrease in Member Nonrecourse Debt Minimum Gain during a fiscal year, any Member with a share of the Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt as of the beginning of such fiscal year shall be allocated items of Company income and gain for such year (and, if necessary, subsequent years) equal to that Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain. A Member's share of net decrease in Member Nonrecourse Debt Minimum Gain shall be determined pursuant to Regulations Section 1.704-2(g)(2). A Member shall not be subject to the foregoing chargeback to the extent permitted under Regulations Section 1.704-2(i)(4).

(c) Qualified Income Offset. If any Member unexpectedly receives an adjustment, allocation or distribution described in Regulation sections 1.704-1(b)(2)(ii)(d)(4), (5), or (6), such Member shall be allocated items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income and gain for such fiscal year) in an amount and manner sufficient to eliminate the Adjusted Capital Account Deficit created by such adjustment, allocation, or distribution.

4.5 Member Nonrecourse Deductions for any fiscal year of the Company shall be allocated to the Members in the same proportion as Income is allocated under Section 4.1, provided that any Member Nonrecourse Deductions for any fiscal year or other period shall be allocated to the Member who bears (or is deemed to bear) the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Regulations Section 1.704-2(i)(2).

4.6 In any fiscal year of the Company, Income in excess of Losses of the Company resulting from a Capital Event in that Fiscal Year shall be allocated to the Members in the following order:

(a) To Members whose Adjusted Capital Contributions are in excess of their Capital Accounts, in proportion to those excesses, until all of those excesses have been eliminated. "Adjusted Capital Contributions" means, with respect to each Member, the excess of such Member's contribution to the capital of the Company over all prior distributions to the Member that have resulted from Capital Events.

(b) Among the Members in the proportion that the Capital Contribution of each Member bears to the total Capital Contributions of all Members.

4.7 In any fiscal year of the Company, Losses in excess of Income of the Company, resulting from a Capital Event in that fiscal year, shall be allocated to the Members with positive Capital Accounts, in proportion to their positive Capital Account balances, until no Member has a positive Capital Account. For this purpose, Capital Accounts shall be reduced by the adjustments set forth in Regulation sections 1.704-1(b)(2)(ii)(d)(4), (5), and (6).

4.8 Any unrealized appreciation or unrealized depreciation in the values of Company property distributed in kind to Members shall be deemed to be Income or Losses realized by the Company immediately prior to the distribution of the property and such Income or Losses shall be allocated to the Capital Accounts in the same proportions as Income are allocated under Section 4.1. Any property so distributed shall be treated as a distribution to the Members to the extent of

the Fair Market Value of the property, less the amount of any liability secured by and related to the property. Nothing contained in this Agreement is intended to treat or cause such distributions to be treated as sales for value. For the purposes of this Section 4.8, "unrealized appreciation" or "unrealized depreciation" shall mean the difference between the Fair Market Value of such property and the Company's federal adjusted tax basis for such property.

4.9 Any item of income, gain, loss, or deduction with respect to any property (other than cash) that has been contributed by a Member to the capital of the Company, or that has been revalued pursuant to the provisions of Article III, Section 3.4(g), and that is required or permitted to be allocated to such Member for income tax purposes under IRC section 704(c) in order to take into account the variation between the tax basis of such property and its Fair Market Value at the time of its contribution, shall be allocated solely for income tax purposes in the manner required or permitted under IRC section 704(c) using the "traditional" method described in Regulations Section 1.704-3(b), except that any other method allowable under applicable Regulations may be used for any contribution of property with respect to which there is agreement among the contributing Member and the other Member.

4.10 In the case of a Transfer of an Economic Interest during any fiscal year of the Company, the Assigning Member and Assignee shall each be allocated Income or Losses based on the number of days each held the Economic Interest during that fiscal year. If the Assigning Member and Assignee agree to a different proration and advise the General Manager (or if there is

no General Manager, advise all the Members) of the agreed proration before the date of the Transfer and the Transfer is made in conformance with and not contrary to any provision of this Agreement, then Income or Losses from a Capital Event during that fiscal year shall be allocated to the holder of the Interest on the day such Capital Event occurred. If an Assignee makes a subsequent Assignment, said Assignee shall be considered an "Assigning Member" with respect to the subsequent Assignee for purposes of the aforesaid allocations.

4.11 (a) The Gross Asset Value of all Company property shall be adjusted as of the following times: (1) the acquisition of an interest or additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (2) the distribution of money or other property (other than a de minimis amount) by the Company to a Member as consideration for an Economic Interest in the Company, and (3) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments under clauses (1) and (2) above shall be made only in the event of a revaluation of Company property under Article III, Section 3.4(g) in accordance with Regulations Section 1.704- 1(b)(2)(iv)(f);

(b) The Gross Asset Value of Company property shall be increased or decreased to reflect adjustments to the adjusted tax basis of such property pursuant to IRC section 732, IRC section 733, or IRC section 743, subject to the limitations imposed by IRC section 755 and Regulations Section 1.704-1(b)(2)(iv)(m); and

(c) If the Gross Asset Value of an item of property has been determined or adjusted pursuant to Article I, Section 1.22 or Paragraph (a) or (b) of this Section 4.11, such Gross Asset Value shall be adjusted by the Book Depreciation, if any, taken into account with respect to such property for purposes of computing Income and Losses.

4.12 It is the intent of the Members that each Member's allocated share of Company Tax Items be determined in accordance with this Agreement to the fullest extent permitted by IRC sections 704(b) and 704(c). Notwithstanding anything to the contrary contained in this Agreement, if the Company is advised that, as a result of the adoption of new or amended regulations pursuant to IRC sections 704(b) and 704(c), or the issuance of authorized interpretations, the allocations provided in this Agreement are unlikely to be respected for federal income tax purposes, the General Manager (or if there is no General Manager the Members' by mutual determination) are granted the power to amend the allocation provisions of this Agreement, on advice of accountants and legal counsel, to the

minimum extent necessary to cause such allocation provisions to be respected for federal income tax purposes.

4.13 All Available Cash, including revenues or proceeds from a Capital Event or the dissolution of the Company, shall be distributed among the Members in proportion to the Members' Percentage Interest. The parties intend that Available Cash shall be distributed as soon as practicable following the General Manager's determination (or if there is no General Manager the Members' mutual determination) that such cash is available for distribution. The parties acknowledge no assurances can be given with respect to when or whether said cash will be available for distribution to the Members.

4.14 If the proceeds from a sale or other disposition of an item of Company property consist of property other than cash, the value of that property shall be as determined by the agreement of the Members. If such noncash proceeds are subsequently reduced to cash, such cash shall be taken into account by the General Manager (or if there is no General Manager by the Members' mutual determination) in determining Available Cash.

4.15 Notwithstanding any other provisions of this Agreement to the contrary, when there is a distribution in liquidation of the Company, or when any Member's interest is liquidated, all items of income and loss first shall be allocated to the Members' Capital Accounts under this Article IV, and other credits and deductions to the Members' Capital Accounts shall be made before the final distribution is made. The final distribution to the Members shall be made as provided in Article IX, Section 9.2(e) of this Agreement. The provisions of this Section 4.15 and Article IX, Section 9.2(e) shall be construed in accordance with the requirements of Regulations Section 1.704-1(b)(2)(ii)(b)(2).

ARTICLE V: MANAGEMENT

5.1 The business of the Company shall be managed by the General Manager (or if there is no General Manager by the Members' acting jointly) or any successors, selected as provided in Section 5.2. Except as otherwise provided in this Agreement, all decisions concerning the management of the Company's business shall be made by the General Manager, who shall have all power and authority to act on behalf of the Company and manage its business (or if there is no General Manager such decisions shall be made by the Members' mutual determination) .

5.2 The General Manager (or if there is no General Manager by the Members' mutual determination) shall serve until the earlier of: (1) the term of the General Manager's appointment set by the Members mutual determination at any time; (2) the General Manager's resignation, retirement, death, dissolution, bankruptcy or disability; or (3) the General Manager's removal by the Members. A substitute General Manager may be appointed by the unanimous approval of the Members on the occurrence of any of the foregoing events.

5.3 A General Manager may be removed with or without cause at any time by action of Members holding at least 67% of Membership Interests.

5.4 The General Manager shall not take any of the following actions on behalf of the Company without the consent of all of the Members.

(a) The imposition of additional Capital Contributions on the Members;

(b) Any action that would exceed the Budget or any line item in the Budget by more than fifteen percent (15%);

(c) Develop or sell any new or materially modified Nutritional Product;

(d) Any act that would make it impossible to carry on the ordinary business of the Company;

(e) Any confession of a judgment against the Company;

(f) The dissolution of the Company except as provided for herein;

(g) The disposition of all or a substantial part of the Company's assets not in the ordinary course of business;

(h) The transfer of an Economic Interest or a Membership Interest and the admission of an Assignee as a Member of the Company;

(i) The entering into, on behalf of the Company, of any transaction constituting a reorganization;

(j) Change the Company's auditor; and

(i) Make any amendment of the Certificate of Formation or this Agreement.

5.5 The General Manager will be entitled to such compensation for acting as the General Manager as the Members may mutually determine.

5.6 The General Manager shall be reimbursed for all expenses reasonably incurred by him/her in connection with his/her management duties, provided that such expense would qualify pursuant to the Code as an item of deduction from gross revenue of the Company in computing the Company's taxable income, if such expense were incurred directly by the Company.

5.7 The General Manager shall cause all assets of the Company, whether real or personal, to be held in the name of the Company.

5.8 All funds of the Company shall be deposited in one or more accounts with one or more recognized financial institutions in the name of the Company, at such locations located in the United States as shall be mutually determined by the Members. Withdrawal from such accounts shall require only the signature of the General Manager or such other person or persons as the Members may mutually designate.

5.9 Prior to the execution of this Agreement, and at least sixty (60) days prior to the end of each fiscal year of the Company, the Members shall meet and confer to develop, document and approve a detailed operating Budget for the Company for the remainder of the initial fiscal year and the next succeeding fiscal year of the Company. The Members may meet and confer and approve modifications to the Budget from time to time in their respective discretion. The General Manager shall operate the Company in accordance with the Budget for the fiscal year.

The approved Budget for the current fiscal year shall constitute Exhibit B to this Agreement and shall be incorporated herein without further action.

ARTICLE VI: ACCOUNTS AND ACCOUNTING

6.1 Complete books of account of the Company's business, in which each Company transaction shall be fully and accurately entered, shall be kept at the Company's principal executive office and at such other locations as the Members may mutually determine from time to time and shall be open to inspection and copying on reasonable Notice by any Member or the Member's authorized representatives during normal business hours. The costs of such inspection and copying shall be borne by the Member.

6.2 Financial books and records of the Company shall be kept on the accrual method of accounting, which shall be the method of accounting followed by the Company for federal income tax purposes. The financial statements of the

Company shall be prepared in accordance with generally accepted accounting principles and shall be appropriate and adequate for the Company's business and for carrying out the provisions of this Agreement. The fiscal year of the Company shall be January 1 through December 31.

6.3 At all times during the term of existence of the Company, and beyond that term if the Members deem it necessary, the General Manager (or if there is no General Manager the Members) shall keep or cause to be kept the books of account referred to in Section 6.2, together with:

(a) A current list of the full name and last known business or residence address of each Member, together with the Capital Contribution and the share in Income and Losses of each Member;

(b) A current list of the full name and business or residence address of the General Manager;

(c) A copy of the Certificate of Formation, as amended;

(d) Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the six most recent taxable years;

(e) An original executed copy or counterparts of this Agreement, as amended;

(f) Any powers of attorney under which the Certificate of Formation or any amendments to said articles were executed;

(g) Financial statements of the Company for the six most recent fiscal years;

(h) The books and Records of the Company as they relate to the Company's internal affairs for the current and past four fiscal years; and

(i) The Approved Budget for the current fiscal year as amended to date, and each Approved Budget and approved amended budget for the previous four (4) fiscal years.

If the General Manager deems (or if there is no General Manager the Members' mutual determine) that any of the foregoing items shall be kept beyond the term of existence of the Company, the repository of said items shall be as designated by the General Manager (or if there is no General Manager by the Members' mutual determination).

6.4 At the end of each fiscal year the books of the Company shall be closed and examined and statements reflecting the financial condition of the Company and its Income or Losses shall be prepared, and an audit report thereon shall be issued by the Company's auditor who shall be one of the ten largest international firms of certified public accountants. The initial auditor for the Company shall be Ernst & Young. Copies of the financial statements shall be given to all Members. In addition, all Members shall receive not less frequently than 30 days after the end of each month, copies of such financial statements regarding the previous month, as may be prepared in the ordinary course of business, by the General Manager or accountants selected by the General Manager (or if there is no General Manager by the Members' mutual determination) . The General Manager shall deliver to each Member, within 75 days after the end of the fiscal year of the Company, an audited financial statement that shall include:

(a) A balance sheet and income statement, and a statement of changes in the financial position of the Company as of the close of the fiscal year;

(b) A statement showing the Capital Account of each Member as of the close of the fiscal year and the distributions, if any, made to each Member during the fiscal year.

6.5 Within 75 days after the end of each taxable year of the Company the General Manager shall send to each of the Members all information necessary for the Members to complete their federal and state income tax or information returns and a copy of the Company's federal, state, and local income tax or information returns for such year.

6.6 FitnessAge shall act as Tax Matters Member ("Partner") of the Company pursuant to IRC section 6231(a)(7).

6.7 The Tax Matters Member ("Partner") is hereby authorized to do the following:

(a) Keep the Members informed of administrative and judicial proceedings for the adjustment of Company items (as defined in IRC section 6231(a)(3)) at the Company level, as required under IRC section 6223(g) and the implementing Regulations;

(b) Enter into settlement agreements under IRC section 6224(c)(3) and applicable Regulations with the Internal Revenue Service or the Secretary of the Treasury (the Secretary) with respect to any tax audit or judicial review, in which agreement the Tax Matters Member may expressly state that such agreement shall bind the other Members, except that such settlement agreement shall not bind any Member who (within the time prescribed under the Code and

Regulations) files a statement with the Secretary providing that the Tax Matters Member shall not have the authority to enter into a settlement agreement on behalf of such Member;

(c) On receipt of a notice of a final Company administrative adjustment, to file a petition for readjustment of the Company items with the Tax Court, the District Court of the United States for the district in which the Company's principal place of business is located, or the United States Court of Federal Claims, all as contemplated under IRC section 6226(a) and applicable Regulations;

(d) File requests for administrative adjustment of Company items on Company tax returns under IRC section 6227(b) and applicable Regulations; and, to the extent such requests are not allowed in full, file a petition for adjustment with the Tax Court, the District Court of the United States for the district in which the Company's principal place of business is located, or the United States Court of Federal Claims, all as contemplated under IRC section 6228(a); and

(e) To take any other action on behalf of the Members or the Company in connection with any administrative or judicial tax proceeding to the extent permitted by law or regulations, including retaining tax advisers (at the expense of the Company) to whom the Tax Matters Member may delegate such rights and duties as deemed necessary and appropriate.

ARTICLE VII: MEMBERSHIP MEETINGS, VOTING AND INDEMNITY

7.1 There shall be only one class of membership and no Member shall have any rights or preferences in addition to or different from those possessed by any other Member. Members shall agree on matters with respect to which this Agreement or the Act requires or permits Member Approval. Each Member shall Vote in proportion to the Member's Percentage Interest as of the governing record date, determined in accordance with Section 7.2. If a Member with the consent of the other Member(s) has assigned all or part of the Member's Economic Interest to a person who has not been admitted as a Member, the Assigning Member shall Vote in proportion to the Percentage Interest that the Assigning Member would have had, if the assignment had not been made.

7.2 The record date for determining the Members entitled to receive Notice of any meeting, to Vote, to receive any distribution, or to exercise any right in respect of any other lawful action, shall be the date set by the General Manager (or if there is no General Manager by the Members' mutual determination), provided that such record date shall not be more than 60, or

less than ten calendar days prior to the date of the meeting and not more than 60 calendar days prior to any other action.

7.3 Meetings of the Members may be called at any time by the General Manager, or by Members representing more than 30% of the Membership Interests for the purpose of addressing any matters on which the Members may Vote. If a meeting of the Members is called by the Members, Notice of the call shall be delivered to the General Manager. Meetings may be held at the principal executive office of the Company or at such other location as may be designated by the General

Manager. Following the call of a meeting, the General Manager shall give Notice of the meeting not less than ten, or more than 60 calendar days prior to the date of the meeting to all Members entitled to Vote at the meeting. The Notice shall state the place, date, and hour of the meeting and the general nature of business to be transacted. No other business may be transacted at the meeting. A quorum at any meeting of Members shall consist of no less than 67% of the Percentage Interests of all Members, represented in person or by Proxy. The Members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of a sufficient number of Members to leave less than a quorum, if the action taken, other than adjournment, is approved by the requisite percentage of Membership Interests as specified in this Agreement or if not specified in this Agreement as specified in the Act.

7.4 A meeting of Members at which a quorum is present may be adjourned to another time or place and any business which might have been transacted at the original meeting may be transacted at the adjourned meeting. If a quorum is not present at an original meeting, that meeting may be adjourned by the Vote of a majority of Membership Interests represented either in person or by proxy. Notice of the adjourned meeting need not be given to Members entitled to Notice if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken, unless (a) the adjournment is for more than 45 days, or (b) after the adjournment, a new record date is fixed for the adjourned meeting. In the situations described in clauses (a) and (b), Notice of the adjourned meeting shall be given to each Member of record entitled to Vote at the adjourned meeting.

7.5 The transactions of any meeting of Members, however called and noticed, and wherever held, shall be as valid as though consummated at a meeting duly held after regular call and notice, if (a) a quorum is present at that meeting, either in person or by Proxy, and (b) either before or after the meeting, each of the persons entitled to Vote, not present in person or by Proxy, signs either a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. Attendance of a Member at a meeting shall constitute waiver of notice, unless that Member objects, at the beginning of the meeting, to the transaction of any business on the ground that the meeting was not lawfully called or convened. Attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be described in the notice of the meeting and not so included, if the objection is expressly made at the meeting.

7.6 At all meetings of Members, a Member may Vote in person or by Proxy. Such Proxy shall be filed with the General Manager (or if there is no General Manager with each Member) before or at the time of the meeting, and may be filed by facsimile transmission to the General Manager at the principal executive office of the Company at their principal place of business (or if there is no General Manager to each Member) or such other address as may be given by the General Manager to the Members for such purposes.

7.7 Members may participate in a meeting through use of conference telephone or similar communications equipment, provided that all Members participating in such meeting can hear one another. Such participation shall be deemed attendance at the meeting.

7.8 Any action that may be taken at any meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by Members holding at least the required percentage of the Membership Interests that would be required for such action if taken at a meeting of the Members. If the Members are requested to consent to a matter without a meeting, each Member shall be given notice of the matter to be voted upon in the manner described in Section 7.4.

7.9 No Member acting solely in the capacity of a Member is an agent of the Company, nor can any Member acting solely in the capacity of a Member bind the Company or execute any instrument on behalf of the Company. Accordingly, each Member shall indemnify, defend, and save harmless each other Member and the Company from and against any and all loss, cost, expense, liability or damage arising from or out of any claim based upon any action by such Member in contravention of the first sentence of this Section 7.9.

ARTICLE VIII: TRANSFERS OF MEMBERSHIP INTERESTS

8.1 A Member may not withdraw from the Company without the written consents of the remaining Members. Withdrawal shall not release a Member from any obligations and liabilities under this Agreement accrued or incurred prior to the effective date of withdrawal. A withdrawing Member shall have only the rights of a holder of an Economic Interest in the Company in respect of the Member's Membership Interest in the Company. Unless all remaining Members consent to such withdrawal, the withdrawing Member shall not be entitled to a distribution of its Economic Interest until the dissolution and liquidation of the Company. For purposes of this Section 8.1, the term "Economic Interest" shall not mean or include any right to share in the income, gains, losses, deductions, credits, or similar items of the Company attributable to any period following withdrawal, or any right to information concerning the business and affairs of the Company.

8.2 In the event that FitnessAge is acquired through a sale of its shares or substantially all of its assets to another person or entity (the "Acquiring Entity"), NAI shall have the right to put its percentage interest in the Company to FitnessAge. The purchase price for NAI's interest shall be based on that amount that the Acquiring Entity is paying to FitnessAge for its interest in the Company. If an Acquiring Entity acquires FitnessAge, FitnessAge shall notify NAI of such acquisition. Thereafter, NAI shall have thirty (30) days to inform FitnessAge whether it elects to retain its interest in the Company or to sell such interest to FitnessAge. If NAI and FitnessAge cannot agree upon an appropriate price for NAI's interest in the Company, the matter shall be resolved through dispute resolution as provided for in Section 11.2 below.

8.3 Except as expressly provided for in this Agreement, a Member shall not transfer any part of the Member's Membership Interest in the Company, whether now owned or later acquired, unless (a) the other Members unanimously approve the transfer, and the transferee's admission to the Company as a Member upon such Transfer and (b) the Membership Interest to be transferred, when added to the total of all other Membership Interests transferred in the preceding 12 months, will not cause the termination of the Company under the Code. No Member may Encumber or permit or suffer any Encumbrance of all or any part of the Member's Membership Interest in the Company unless such Encumbrance has been approved in writing by all Members. Any Transfer

or Encumbrance of a Membership Interest without such approval shall be void. Notwithstanding any other provision of this Agreement to the contrary, a Member who is a natural person may transfer all or any portion of his or her Membership Interest to any revocable trust created for the benefit of the Member, or any combination between or among the Member, the Member's spouse, and the Member's issue; provided that the Member retains a beneficial interest in the trust and all of the Voting Interest included in such Membership Interest. A Transfer of an individual Member's beneficial interest in such trust, or failure to retain

such Voting Interest, shall be deemed a Transfer of a Membership Interest. No transfer of the stock or equity interest of the Member shall constitute a transfer of the Member's Membership Interest in the Company.

8.4 Subject to the conditions set forth in Sections 8.2 and 8.3, if a Member wishes to transfer any or all of the Member's Membership Interest in the Company pursuant to a Bona Fide Offer (as defined below), the Member shall give Notice to all other Members at least 30 days in advance of the proposed sale or Transfer, indicating the terms of the Bona Fide Offer and the identity of the offeror. The Company and the other Members shall have the option to purchase the Membership Interest proposed to be transferred at the price and on the terms provided in this Agreement. If the price for the Membership Interest is other than cash, the fair value in dollars of the price shall be as established in good faith by the Company. For purposes of this Agreement, "Bona Fide Offer" means an offer in writing setting forth all relevant terms and conditions of purchase from an offeror who is ready, willing, and able to consummate the purchase and who is not an Affiliate of the selling Member. For 30 days after the Notice is given, the Company shall have the right to purchase the Membership Interest offered, on the terms stated in the Notice, for the lesser of (a) the price stated in the Notice (or the price plus the dollar value of noncash consideration, as the case may be) and (b) the price determined under the appraisal procedures set forth in Section 8.8.

If the Company does not exercise the right to purchase all of the Membership Interest, then, with respect to the portion of the Membership Interest that the Company does not elect to purchase, that right shall be given to the other Members for an additional 30-day period, beginning on the day that the Company's right to purchase expires. Each of the other Members shall have the right to purchase, on the same terms, a part of the interest of the offering Member in the proportion that the Member's Percentage Interest bears to the total Percentage Interests of all of the Members who choose to participate in the purchase; provided, however, that the Company and the participating Members may not, in the aggregate, purchase less than the entire interest to be sold by the offering Member.

If the Company and the other Members do not exercise their rights to purchase all of the Membership Interest, the offering Member may, within 90 days from the date the Notice is given and on the terms and conditions stated in the Notice, sell or exchange that Membership Interest to the offeror named in the Notice on the terms set forth therein. Unless the requirements of Section 8.3 are met, the offeror under this section shall become an Assignee, and shall be entitled to receive only the share of Income or other compensation by way of income and the return of Capital Contribution to which the assigning Member would have been entitled.

Any transfer of a Membership Interest when added to the total of all other Membership Interests transferred in the preceding 12 months shall be void ab initio.

8.5 On the happening of any of the following events ("Triggering Events") with respect to a Member, the Company and the other Members shall have the option to purchase the Membership Interest in the Company of such Member (Selling Member) at the price and on the terms provided in Section 8.8 of this Agreement:

(a) The death, bankruptcy, or withdrawal of a Member, or the winding up and dissolution of a corporate Member.

(b) The failure of a Member to make the Member's Capital Contribution pursuant to the provisions of Article III of this Agreement.

(c) The occurrence of any other event that is, or that would cause, a Transfer in contravention of this Agreement.

Each Member agrees to promptly give Notice of a Triggering Event to all other Members.

8.6 On the receipt of Notice by the General Manager or another Member as

contemplated by Sections 8.1 and 8.4, and on receipt of actual notice of any Triggering Event as determined in good faith by the General Manager (or if there is no General Manager by the Members' mutual determination) (the date of such receipt is hereinafter referred to as the "Option Date"), the General Manager (or if there is no General Manager, the Member providing the notice) shall promptly cause a Notice of the occurrence of such a Triggering Event to be sent to all Members, and the Company shall have the option, for a period ending 30 calendar days following the determination of the purchase price as provided in Section 8.8, to purchase the Membership Interest in the Company to which the option relates, at the price and on the terms set forth in Section 8.8 of this Agreement, and the other Members, pro rata in accordance with their prior Membership Interests in the Company, shall then have the option, for a period of 30 days thereafter, to purchase the Membership Interest in the Company not purchased by the Company, on the same terms and conditions as apply to the Company. If all other Members do not elect to purchase the entire remaining Membership Interest in the Company, then the Members electing to purchase shall have the right, pro rata in accordance with their prior Membership Interest in the Company, to purchase the additional Membership Interest in the Company available for purchase. The transferee of the Membership Interest in the Company that is not purchased shall hold such Membership Interest in the Company subject to all of the provisions of this Agreement.

8.7 Neither the Member whose interest is subject to purchase under this Article, nor such Member's Affiliate, shall participate in any Vote or discussion of any matter pertaining to the disposition of the Member's Membership Interest in the Company under this Agreement.

8.8 The purchase price of the Membership Interest that is the subject of an option under Section 8.6 shall be the "Fair Option Price" of the interest as determined under this Section 8.8. "Fair Option Price" means the cash price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the Option Date. Each of the selling and purchasing parties shall use his, her, or its best efforts to

mutually agree upon the Fair Option Price. If the parties are unable to so agree within 30 days of the Option Date, the selling party shall appoint, within 40 days of the Option Date, one appraiser, and the purchasing party shall appoint within 40 days of the Option Date, one appraiser. The two appraisers shall within a period of five additional days, agree upon and appoint an additional appraiser. The three appraisers shall, within 60 days after the appointment of the third appraiser, determine the Fair Option Price of the Membership Interest in writing and submit their report to all the parties.

The Fair Option Price shall be determined by disregarding the appraiser's valuation that diverges the greatest from each of the other two appraisers' valuations, and the arithmetic mean of the remaining two appraisers' valuations shall be the Fair Option Price. Each purchasing party shall pay for the services of the appraiser selected by it, plus one half of the fee charged by the third appraiser, and one half of all other costs relating to the determination of Fair Option Price. The Fair Option Price as so determined shall be payable in cash.

8.9 Except as expressly permitted under Section 8.3, a prospective transferee (other than an existing Member) of a Membership Interest may be admitted as a Member with respect to such Membership Interest (Substituted Member) only (a) on the unanimous Vote of the other Members in favor of the prospective transferee's admission as a Member, and (b) on such prospective transferee executing a counterpart of this Agreement as a party hereto. Any prospective transferee of a Membership Interest shall be deemed an Assignee, and, therefore, the owner of only an Economic Interest until such prospective transferee has been admitted as a Substituted Member. Except as otherwise permitted in the Act, any such Assignee shall be entitled only to receive allocations and distributions under this Agreement with respect to such Membership Interest and shall have no right to Vote or exercise any rights of a Member until such Assignee has been admitted as a Substituted Member. Until the Assignee becomes a Substituted Member, the Assigning Member will continue to be a Member and to have the power to exercise any rights and powers of a Member

under this Agreement, including the right to Vote in proportion to the Percentage Interest that the Assigning Member would have had in the event that the assignment had not been made.

8.10 Any person admitted to the Company as a Substituted Member shall be subject to all the provisions of this Agreement that apply to the Member from whom the Membership Interest was assigned, provided, however, that the assigning Member shall not be released from liabilities as a Member solely as a result of the assignment, both with respect to obligations to the Company and to third parties, incurred prior to the assignment.

8.11 The initial sale of Membership Interests in the Company to the Initial Members has not been qualified or registered under the securities laws of any state, including California, or registered under the Securities Act of 1933, in reliance upon exemptions from the registration provisions of those laws. Notwithstanding any other provision of this Agreement, Membership Interests may not be Transferred unless registered or qualified under applicable state and federal securities law unless, in the opinion of legal counsel satisfactory to the Company, such qualification or registration is not required. The Member who desires to transfer a Membership Interest shall be responsible for all legal fees incurred in connection with said opinion.

ARTICLE IX: DISSOLUTION AND WINDING UP

9.1 The Company shall be dissolved upon the first to occur of the following events:

(a) The death, bankruptcy, retirement, resignation, expulsion, or dissolution of a Member, provided, however, that the remaining Members may by the Vote of all of the remaining Members, within 60 days of the happening of that event Vote to continue the business of the Company, in which case, the Company shall not dissolve. If the remaining Members fail to so Vote, the remaining Members shall wind up the Company. For purposes of this Paragraph (a), in determining the outcome of the Vote of Members, the Percentage Interest of the Member who has died, become bankrupt, retired, resigned, been expelled, or dissolved shall not be taken into account.

(b) The expiration of the term of existence of the Company.

(c) The written agreement of Members holding more than 67% of the Membership Interest to dissolve the Company.

(d) The sale or other disposition of substantially all of the Company's assets.

(e) Entry of a decree of judicial dissolution under Corporations Law section 18-802.

(f) At the discretion of the non-breaching Members, following the material breach of any term of this Agreement or the Exclusive Manufacturing Agreement of even date herewith. Dissolution under this Section 9.1, Paragraph (f) shall occur if agreed to by Members holding at least 51% of Membership Interests, not counting the Membership Interest of the Member in breach. Any dispute as to the occurrence of a material breach by a Member shall be resolved pursuant to section 11.2 hereinbelow.

(g) The Company ceases to purchase at least 50% of all encapsulated and tableted Products from NAI pursuant to the terms and conditions of the Exclusive Manufacturing Agreement.

9.2 On the dissolution of the Company, the Company shall engage in no further business other than that necessary to wind up the business and affairs of the Company. The General Manager or, if there is no General Manager, the Members, shall wind up the affairs of the Company. The Persons winding up the affairs of the Company shall give Notice of the commencement of winding up by mail to all known creditors and claimants against the Company whose addresses appear in the records of the Company. After paying or adequately providing for the payment of all known debts of the Company (except debts owing to Members),

the remaining assets of the Company shall be distributed or applied in the following order:

(a) To pay the expenses of liquidation.

(b) To the establishment of reasonable reserves for contingent liabilities or obligations of the Company. Upon the General Manager's or Member's determination that such reserves are no longer necessary, said reserves shall be distributed as provided in this Section 9.2.

(c) To repay outstanding loans from Members to the Company. If there are insufficient funds to pay such loans in full, each Member shall be repaid in the ratio that the Member's loan, together with interest accrued and unpaid thereon, bears to the total of all such loans from Members, including all interest accrued and unpaid thereon. Such repayment shall first be credited to unpaid principal and the remainder shall be credited to accrued and unpaid interest.

(d) Among the Members as provided in Article IV, Section 4.6 and then to Members with Positive Capital Account Balances until such Capital Accounts equal zero.

(e) Thereafter, to Members according to their Percentage Interests.

9.3 Each Member shall look solely to the assets of the Company for the return of the Member's investment, and if the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the investment of each Member, such Member shall have no recourse against any other Members for indemnification, contribution, or reimbursement, except as specifically provided in this Agreement, the License Agreement by and between FitnessAge and the Company ("License Agreement"), and the Exclusive Manufacturing Agreement by and between NAI and the Company.

ARTICLE X: NONCOMPETITION, CONFIDENTIALITY AND INTELLECTUAL PROPERTY

10.1 During the term of Company's existence, each Member hereby covenants with the Company and each other Member that the Member will not directly or indirectly, through one or more affiliates or otherwise, engage in any business or transaction which competes with the Company in its sale of custom nutritional supplement products in the health club and fitness environment except as may be provided for in the License Agreement by and between Fitness Age and the Company. There shall be no restrictions or limitations on the business activities of the Members beyond the limited scope set forth in this Section 10.1.

10.2 "Confidential Information" means all trade secrets, "know-how," customer lists, pricing policies, operational methods, fitness or other programs, computer software and hardware codes and configurations, and other business information of the Company or any Member which is created, developed, produced, or otherwise arises at any time.

10.3 Each Member hereby stipulates that a breach of the provisions of this Article X will result in irreparable damage and injury to the Company for which no money damages could adequately compensate it. If the Member breaches the provisions of this Agreement, in addition to all other remedies to which the Company may be entitled, and notwithstanding the provisions of Article XI, Section 11.2, the Company shall be entitled to an injunction to enforce the provisions of this Agreement, to be issued by any court of competent jurisdiction, to enjoin and restrain the Member and each and every Person concerned or acting in concert with the Member from the continuance of such breach. Each Member expressly waives any claim or defense that an adequate remedy at law might exist for any such breach. Each Member expressly agrees that the terms of this Section 10.3, and the remedies provided for herein, are equally exercisable and available to any

Member who seeks to prevent the disclosure of its Confidential Information or unauthorized use of its Member Intellectual Property (as defined below).

10.4 If the provisions contained herein shall be deemed to exceed the time or geographic limits or any other limitation imposed by applicable law in any jurisdiction, then such provision shall be deemed reformed in such jurisdiction to the maximum extent permitted by applicable law.

10.5 Each Member shall retain all right, title, and interest in and to any intellectual property that it developed, owned, held or adopted either prior to the execution of this Agreement or independent of such Member's participation in the Company, including but not limited to all trade names, trademarks, logos, symbols, patents, copyrights and trade secrets ("Member Intellectual Property"). Neither the Company, nor any Member, shall use, copy or display any Member Intellectual Property without the express written consent of the Member who owns such Member Intellectual Property and then only pursuant to the strict terms and conditions of such written consent. Except as otherwise provided in the License Agreement, in the event, that any Member withdraws, resigns or otherwise discontinues its membership or participation in the Company, whether voluntarily or involuntarily, the Company shall immediately cease and desist any further use or display of the Member's Member Intellectual Property unless otherwise specifically agreed upon in writing.

10.6 The Company shall own all right, title and interest in and to any intellectual property that is developed, created or adopted by or on behalf of the Company ("Company Intellectual Property"). No Member shall be permitted to use, reveal, sell or otherwise exploit the Company Intellectual Property without the consent of the Company. The General Manager shall have the right to prosecute, formalize and protect such Company Intellectual Property by whatever means and in whatever forum the General Manager deems in its reasonable discretion to be appropriate. All Members shall comply with all reasonable requests by the General Manager to support the prosecution, formalization and protection of the Company Intellectual Property, including the execution of any documents the General Manager deems necessary for such tasks. If there is no General Manager, the Members shall cooperate to protect such Company Intellectual Property and shall comply with all reasonable requests made by any Member to support such activities.

10.7 In the event that the Company is dissolved, or otherwise terminated, all Company Intellectual Property shall be jointly owned by both Members, without compensation to the Company or the other Member. Each Member agrees to execute any and all necessary documents to effectuate such joint ownership. At dissolution, each Member shall retain all right, title, ownership and interest in its Member Intellectual Property.

ARTICLE XI: INDEMNIFICATION AND ARBITRATION

11.1 The Company shall have the power to indemnify any Person who was or is a party, or who is threatened to be made a party, to any Proceeding by reason of the fact that such Person was or is a Member, Manager, officer, employee, or other agent of the Company, or was or is serving at the request of the Company as a director, officer, employee, or other Agent of another limited liability company, corporation, partnership, joint venture, trust, or other enterprise, against expenses,

judgments, fines, settlements, and other amounts actually and reasonably incurred by such Person in connection with such proceeding, if such Person acted in good faith and in a manner that such Person reasonably believed to be in the best interests of the Company, and, in the case of a criminal proceeding, such Person had no reasonable cause to believe that the Person's conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of

itself, create a presumption that the Person did not act in good faith and in a manner that such Person reasonably believed to be in the best interests of the Company, or that the Person had reasonable cause to believe that the Person's conduct was unlawful.

To the extent that an agent of the Company has been successful on the merits in defense of any Proceeding, or in defense of any claim, issue, or matter in any such Proceeding, the agent shall be indemnified against expenses actually and reasonably incurred in connection with the Proceeding. In all other cases, indemnification shall be provided by the Company only if authorized in the specific case by holders of at least 67% of Membership Interests.

"Agent," as used in this Section 11.1, shall include a trustee or other fiduciary of a plan, trust, or other entity or arrangement.

"Proceeding," as used in this Section 11.1, means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative.

Expenses of each Person indemnified under this Agreement actually and reasonably incurred in connection with the defense or settlement of a proceeding may be paid by the Company in advance of the final disposition of such proceeding, as authorized by the General Manager, if it is not seeking indemnification or, by the holders of at least 67% of Membership Interests upon receipt of an undertaking by such Person to repay such amount unless it shall ultimately be determined that such Person is entitled to be indemnified by the Company. "Expenses," as used in this Section 11.1, includes, without limitation, attorney fees and expenses of establishing a right to indemnification, if any, under this Section 11.1.

11.2 Any dispute, controversy or claim arising from, out of or in connection with, or relating to, this Agreement or any breach or alleged breach of this Agreement, except allegations of violations of Federal or State securities laws or as otherwise provided for in this Agreement, will upon the request of any Member involved be submitted to the Judicial Arbitration and Mediation Service in San Diego, California, or any other private arbitration service utilizing former judges as mediators and approved by the Members involved in the dispute. The dispute once submitted shall initially be submitted to mediation within twenty-one (21) days of submission. If mediation does not resolve the dispute, such dispute shall be resolved by arbitration in the County of San Diego, California (or at any other place or under any other form of arbitration mutually acceptable to the Members involved). The arbitrator shall follow and apply the California Evidence Code in the conduct of the arbitration, and the parties shall be entitled to discovery in accordance with the provisions of the California Code of Civil Procedure. Any award rendered shall be final, binding and conclusive upon the parties and shall be non-appealable, and a judgment thereon may be entered in the highest State or Federal court of the forum, having jurisdiction. The expenses of the mediation and arbitration shall be borne equally by the parties to the arbitration, provided that each party shall

pay for and bear the cost of its own experts, evidence and attorneys' fees, except that in the event of arbitration and at the discretion of the arbitrator, any arbitration award may include the costs, fees and expenses of a party's attorneys. Any Member may commence the dispute resolution process by sending a written demand for mediation and/or arbitration to the other Member(s). Such demand shall set forth the nature of the matter to be resolved. The place of mediation and/or arbitration shall be determined in accordance with Section 13.14 hereinbelow. The substantive law of the State of Delaware shall be applied by the arbitrator to the resolution of the dispute. The prevailing party shall be entitled to reimbursement of attorney fees, costs, and expenses incurred in connection with the arbitration. All decisions of the arbitrator shall be final, binding, and conclusive on all parties. Judgment may be entered upon any such decision in accordance with applicable law in any court having jurisdiction thereof. The arbitrator (if permitted under applicable law) or such court may issue a writ of execution to enforce the arbitrator's decision. Neither this Section 11.2 nor this arbitration provision shall preclude any Member from seeking and obtaining enforcement of this arbitration provision from a court of

competent jurisdiction or from seeking and obtaining equitable relief, including injunctive relief, to enforce the terms and conditions of the sections of this Agreement which relate to Confidentiality (Sections 10.3 through 10.5), protection of intellectual property (Sections 10.6 through 10.8), and Indemnity (Section 11.1).

ARTICLE XII: ATTORNEY-IN-FACT AND AGENT

12.1 Each Member, by execution of this Agreement, irrevocably constitutes and appoints the General Manager as such Member's true and lawful attorney-in-fact and agent, with full power and authority in such Member's name, place, and stead to execute, acknowledge, and deliver, and to file or record in any appropriate public office: (a) any certificate or other instrument that may be necessary, desirable, or appropriate to qualify the Company as a limited liability company or to transact business as such in any jurisdiction in which the Company conducts business; (b) any certificate or amendment to the Company's Certificate of Formation or to any certificate or other instrument that may be necessary, desirable, or appropriate to reflect an amendment approved by the Members in accordance with the provisions of this Agreement; (c) any certificates or instruments that may be necessary, desirable, or appropriate to reflect the dissolution and winding up of the Company; and (d) any certificates necessary to comply with the provisions of this Agreement. This power of attorney will be deemed to be coupled with an interest and will survive the Transfer of the Member's Economic Interest. Notwithstanding the existence of this power of attorney, each Member agrees to join in the execution, acknowledgment, and delivery of the instruments referred to above if requested to do so by the General Manager. This power of attorney is a limited power of attorney and does not authorize the General Manager to act on behalf of a Member except as described in this Article XII.

ARTICLE XIII: GENERAL PROVISIONS

13.1 This Agreement, together with the Exclusive Manufacturing Agreement by and between the Company and NAI and the License Agreement, constitutes the whole and entire agreement of the parties with respect to the subject matter of this Agreement, and it shall not be modified or amended in any respect except by a written instrument executed by all the parties. This

Agreement replaces and supersedes all prior written and oral agreements by and among the Members and Manager or any of them.

13.2 This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.3 If any provision of this Agreement is determined by any court of competent jurisdiction or arbitrator to be invalid, illegal, or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid such invalidity, illegality, or unenforceability or, if that is not possible, such provision shall, to the extent of such invalidity, illegality, or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.

13.4 This Agreement shall be binding on and inure to the benefit of the parties and their heirs, personal representatives, and permitted successors and assigns.

13.5 Whenever used in this Agreement, the singular shall include the plural and the plural shall include the singular, and the neuter gender shall include the male and female as well as a trust, firm, company, or corporation, all as the context and meaning of this Agreement may require.

13.6 The parties to this Agreement shall promptly execute and deliver any and all additional documents, instruments, notices, and other assurances, and shall do any and all other acts and things, reasonably necessary in connection with the performance of their respective obligations under this Agreement and to carry out the intent of the parties.

13.7 Except as provided in this Agreement, no provision of this Agreement shall be construed to limit in any manner the Members in the carrying on of their own respective businesses or activities.

13.8 Except as specifically provided in this Agreement, no provision of this Agreement shall be construed to constitute a Member, in the Member's capacity as such, the agent of any other Member.

13.9 Each Member represents and warrants to the other Members that the Member has the capacity and authority to enter into this Agreement.

13.10 The article, section, and paragraph titles and headings contained in this Agreement are inserted as matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions.

13.11 This Agreement may be altered, amended, or repealed only by a writing signed by all of the Members.

13.12 Time is of the essence of every provision of this Agreement that specifies a time for performance.

13.13 This Agreement is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement.

13.14 This Agreement and all amendments hereto shall be governed by the laws of the State of Delaware. Subject to the obligation to arbitrate disputes set forth herein any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the Parties only in the courts of the State of California, or, if it has or can acquire jurisdiction, in the appropriate United States District Court for the Southern District of California, and each of the Parties consents to such venue and to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on any Party anywhere in the world.

13.15 Each Party agrees to do any thing and sign any documents which are necessary and desirable to accomplish any of the goals, terms or conditions of this Agreement.

IN WITNESS WHEREOF, the parties have executed or caused to be executed this Agreement on the day and year first above written.

FITNESSAGE INCORPORATED
a Nevada corporation

By: /s/ Michael L. Jeub

Michael L. Jeub, President

NATURAL ALTERNATIVES
INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. LeDoux, Chief Executive Officer

EXHIBIT "A"

SCHEDULE OF MEMBERS

Member Name & Address	Original Capital Investment	Percentage Interest
FITNESSAGE INCORPORATED 4250 EXECUTIVE SQUARE, STE. 101 LA JOLLA, CA 92037	$150,000	60%
NATURAL ALTERNATIVES INTERNATIONAL, INC. 1185 LINDA VISTA DRIVE SAN MARCOS, CA 92069	$100,000	40%

EXHIBIT "B"

CURRENT FISCAL YEARS
APPROVED BUDGET OF
CUSTOM NUTRITION, LLC

EXHIBIT 10.2

EXCLUSIVE MANUFACTURING AGREEMENT

This EXCLUSIVE MANUFACTURING AGREEMENT is made effective as of December 6, 1999, between Natural Alternatives International, Inc., a Delaware corporation, with offices at 1185 Linda Vista Drive, San Marcos, California 92069 ("NAI") and Custom Nutrition, LLC, a Delaware limited liability company with offices at 4250 Executive Square, Suite 101, La Jolla, CA 92037 (the "Company"). NAI and the Company may hereinafter be referred to as the "Parties."

W I T N E S S E T H :

WHEREAS, on March 17, 1999, NAI and FitnessAge Incorporated, Inc. ("FitnessAge") executed a letter or intent which contemplated the formation of a strategic alliance, including further definitive agreements, including this Agreement, to carry out the transactions proposed in the letter of intent;

WHEREAS, substantially concurrently herewith, NAI and FitnessAge have executed documentation to create and operate the Company; and

WHEREAS, NAI has agreed to develop and manufacture for the Company nutritional products as developed from time to time for promotion and resale by the Company.

NOW, THEREFORE, in consideration of these recitals and the agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Definitions

1.1 "FDCA" means the Federal Food, Drug and Cosmetic Act, as amended from time to time, together with all regulations issued by the Food and Drug Administration and other governmental agencies pursuant thereto.

1.2 "FTCA" means the Federal Trade Commission Act, as amended from time to time, together with all regulations issued by the Federal Trade Commission and other governmental agencies pursuant thereto.

1.3 "Plant" means NAI's production facilities wherever located.

1.4 "Product" or "Products" means nutritional products, nutritional and dietary supplements and related materials or products of any description, including but not limited to capsules, tablets, powders, liquids, bars and other forms packaged in any and all manners and intended to be distributed by, through, or for the benefit of the Company.

1.5 "Specifications" means such specifications and quality control requirements for the Products and for any ingredients and packaging materials as determined by the Company from time to time.

1.6 "Technical Information" means all customer and business information and all formulae, quality control data, test data and all other scientific and technical data and information relating to the Products which are now owned or controlled by the Parties or which may hereafter be developed by any Party in connection with the Products.

1.7 "Product Cost." The cost of Products developed and manufactured for the Company by NAI shall be as defined in Section 6.1 hereinbelow.

2. Product Development

2.1 Initial Development and Formulation. The Company will develop the types of Products the Company wishes to sell and distribute directly or for its

benefit, all of which shall be subject to this Agreement, and shall establish the Specifications therefore. NAI will assist the Company in the design and formulation of the Products as requested by the Company. NAI shall manufacture and package the Products, as more specifically provided for herein.

2.2 Packaging and Labels. The Company and NAI shall collaborate and cooperate in the design and development of the Products and the marketing plans therefore, including the Specifications, packaging and labeling of the Products.

2.3 Ownership of Formulae. It is expressly agreed by the Parties that the formulae relating to the Products that are the subject of this Agreement, whether developed by NAI or the Company, shall be and become the sole and exclusive property of the Company, and NAI agrees to deliver copies of all formulations to the Company at the time of their initial development or when the Products are modified according to new formulae developed pursuant to this Agreement.

3. Production, Purchase Orders, Rolling Forecast, Inventory, Storage, Shipping and Reports

3.1 Production. NAI shall manufacture and package Products in quantities ordered by the Company in accordance with the Specifications, and the terms and conditions set forth in this Agreement. NAI shall manufacture all Products it sells to the Company and shall not purchase such Products from other sources for resale to the Company unless agreed to by the Company in writing and at the Company's sole discretion. NAI may develop for its own use in manufacturing the Products such specifications and quality control parameters as it may deem appropriate, provided they do not contradict the Specifications. The Parties agree NAI may supplement or otherwise modify such parameters at any time and from time to time provided they are in conformance with the Specifications or, if not within those Specifications, are subject to the Company's prior written approval which shall be granted or declined within ten (10) business days of a request therefore. The Company's failure to

provide written approval to such modifications within the ten (10) business days shall be deemed a denial of NAI's right to deviate from the Specifications.

3.2 Purchase Orders. The Company has provided NAI with its initial purchase order. On or before January 10, 2000, and on or before the tenth day of each March, June, September and December thereafter, the Company shall provide NAI with a purchase order covering all Company projected Product requirements for the calendar quarter commencing on the first day of the following month. Such production/purchase orders shall be firm on submission and shall be filled by NAI in conformance with NAI's reasonable and customary procedures, and in accordance with this Agreement.

3.3 On-Line Ordering. NAI or its designee shall design, develop and establish an Internet based ordering system which will permit NAI to receive, process and fulfill orders from the Company, its distributors and customers via the world wide web. The Company shall design, develop and establish an Internet based order placing software that will interface with NAI's Internet based order processing system and allow the Company, its distributors and customers to place orders to NAI via the world wide web. The Company and NAI shall meet, confer and agree upon the structure and operation of the on-line ordering system.

3.4 Rolling Forecast. On or before January 15, 2000, the Company shall provide NAI with its forecast of Product requirements for the twelve (12) months January through December 2000. On or before the tenth day of each March, June, September and December following the date of the first forecast, the Company shall provide NAI with production forecast updates covering the following twelve (12) months commencing on the first day of the following month. Such forecasts provided by the Company shall be for the convenience of NAI only, and shall not be binding nor constitute purchase orders.

3.5 Inventory. NAI shall order and maintain an inventory of raw materials and packaging materials sufficient to meet the Company's production needs as determined by the purchase orders provided by it under this Section 3 and NAI's reasonable estimation of its own production needs. NAI shall not be required to maintain such inventory in excess of a rolling ninety (90) day

supply.

3.6 Storage and Shipment. NAI shall provide suitable storage and warehousing space for all Products for the time and to the extent required for NAI to perform its obligations under this Agreement, which time shall not exceed fifteen (15) days from the originally scheduled shipping date set forth in the applicable purchase order for the Products. Products are to be stored in clean space suitable for storage of food and protection of its contents with respect to integrity and quality, in compliance with good commercial practice and all applicable laws, rules and regulations, including, without limitation, FDCA regulations. Charges, if any, for such storage and warehousing for Products will be paid by NAI and shall be considered a part of the actual cost of production and shall be charged to the Company as a part thereof pursuant to Section 6. NAI shall load Products onto such carriers as it may determine. All Products are delivered F.O.B. NAI's dock and all risk of loss of the Products shall remain with NAI until loaded onto such carriers unless the Company and NAI otherwise mutually agree. The carrier selection, shipment and payment procedures and bill of lading requirements shall be subject to the Company's

approval which approval shall not be unreasonably withheld, and shall be in accordance with any reasonable instructions issued by the Company. Products are to be shipped via clean trucks and trailers suitable for transportation of food and protection of its contents with respect to integrity and quality, in compliance with good commercial practice and all applicable laws, rules and regulations, including, without limitation, Department of Transportation regulations. NAI is responsible for shipping all Products in accordance with this Agreement. Shipping charges shall be considered a part of the actual cost of production and shall be charged to the Company as a part thereof under Section 6 below.

3.7 Shipping Instructions. NAI shall prepare the Products for shipment to the Company or its designees in quantities and on dates designated by the Company. The Company shall send shipping instructions via facsimile to NAI at least three weeks before the shipment date designated by the Company. NAI shall use its best efforts to accommodate any adjustments to shipping instructions the Company wishes to make; however, adjustments to shipping instructions made less than three weeks prior to the requested shipping date may delay shipping dates, or otherwise be made only upon the mutual agreement of the Company and NAI.

3.8 Production and Shipping Reports. NAI shall regularly provide the Company with production reports and shipment of finished goods reports, in such form as the Company reasonably requests. Reports from NAI's facilities shall be sent to the Company by facsimile in the manner set forth in Section 17.1.

3.9 Inventory Reports. NAI shall provide the Company with regular periodic reports of NAI's inventories of finished Products and raw materials. The report shall be delivered by facsimile in the manner set forth in Section 17.1.

4. NAI's Exclusive Status

4.1 Exclusive Supplier. Except as provided for herein, the Company agrees to order and purchase all requirements it may have, from time to time, for all Products from NAI. The Company may enter into other agreements for the purchase or manufacture of Products during the term of this Agreement without the prior written consent of NAI if any of the following occur:

(a) NAI does not currently directly manufacture or produce the Products that the Company requires or desires and declines to commence manufacturing or producing them within 15 days of request by the Company;

(b) The Company can acquire the Products from other supplier(s) on substantially identical terms as provided in this Agreement and at a lower cost than that charged by NAI and NAI fails or refuses to meet such price; or

(c) Any other failed conditions as set forth in Section 4.2 below occurs.

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4.2 Failed Conditions. In connection with the Products referenced herein, if following diligent investigation, inquiry and conference with NAI, the Company in good faith does not believe NAI satisfies any one or more of the conditions contained herein or any Products are not being manufactured in accordance with the Specifications, or that NAI is unable to provide the Products required, the Company shall give NAI written notice of such determination. Such notice shall state in detail the condition(s) NAI does not satisfy, the reasons the Company believes NAI does not satisfy the stated condition(s), and a detailed statement of facts that would have to exist for NAI to satisfy the failed condition(s). NAI shall have fourteen (14) days following receipt of the written notice referenced in this Section to cure any inability or failure to satisfy any condition(s) listed in a notice from the Company. In the event such failure cannot be reasonably cured within fourteen (14) days, NAI may request from the Company whatever longer period is reasonably required, provided NAI commences such cure within seven (7) days of receipt of a notice from the Company and thereafter diligently pursues the cure to completion. The Company shall not unreasonably withhold its consent to such an additional cure period.

4.3 Effect of Failed Condition. In the event NAI does not cure its inability to satisfy the conditions contained in a notice received from the Company pursuant to Section 4.2 within the time periods set forth therein, then the Company may, upon the earlier to occur of: (i) expiration of such time periods; or (ii) receipt of NAI's written notice it will not cure such conditions, enter into a manufacturing, supply or similar agreement provided the agreement is with an independent third party to purchase the Products that are the subject of the failed condition.

4.4 Alternative Source for Products. The Company may investigate alternative suppliers of the Products in order to (i) determine whether there are Products which the Company may desire to purchase that are not directly manufactured or produced by NAI; (ii) determine whether the Products that the Company is purchasing from NAI are being offered at the lowest available price; and/or (iii) to determine the availability of an alternative source for Products should NAI be unable or unwilling to supply such Products as provided for herein. The Company reserves the right to enter into Agreements and/or purchase Products from such alternative sources on terms and conditions substantially identical to the terms and conditions of this Agreement. NAI shall assist in the investigation and may recommend possible alternative sources of Products, but the Company reserves the right to approve any such alternative sources.

5. Means of Production. NAI shall furnish and maintain, at its own cost and expense, all equipment or resources necessary to manufacture and package the Product in accordance with the Specifications and in compliance with federal, state and local laws, rules and regulations.

6. Compensation, Payment, Materials and Title

6.1 Compensation. As full and complete compensation for all services performed and Products sold hereunder, NAI shall be entitled to receive compensation on a per Product basis at a price set forth in the then current, approved price schedule for all Products. From time to time, upon a change in costs, modification of a Product or development of a new Product, NAI shall deliver a revised price schedule along with the underlying documentation or explanation for the price change(s), to the

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Company for the Company's approval, which approval shall not be unreasonably withheld. Prices for all Products shall not exceed the Company's fully burdened actual cost of producing the Products, including but not limited to materials, testing, capitalized equipment costs, labor, capitalized leasehold improvements, storage, shipping, general and administrative costs. It is the intent of the Parties that NAI shall charge the Company the full cost of the Products as determined by Generally Accepted Accounting Principles prior to any profit. The price paid by the Company to NAI shall include all federal, state and local

taxes that may be imposed on the sale or manufacture of the Products. In no event, however, shall the price paid by the Company to NAI exceed the price for which the Company could obtain the same Products from an alternative source on substantially identical terms as this Agreement. The price to the consumer for each Product will be established by the Company at the time of establishment of the Specifications and all subsequent changes thereto shall be made only with the approval of the Company.

6.2 Costs. NAI shall to use its best efforts to contain costs by obtaining competitive prices on raw materials and packaging materials and by continually reviewing and adjusting its operations in the manner deemed desirable by NAI to maintain the quality of the Products at the lowest reasonable cost to the Company, and otherwise to operate efficiently. The Company shall be entitled, at any reasonable time following advance notice to NAI, to audit any underlying documents relating to ingredients, packaging materials and other costs used by NAI to determine the price for Products.

6.3 Research. The Parties agree that from time to time, the other may suggest research, development, testing, and studies concerning the Products. Prior to commencement of such research, the Parties will meet, confer and cooperate in an effort to determine how to conduct, direct, control, and fund such research. The conduct of all studies shall be approved by the Company. The cost of any such research, development, testing and studies will be borne by the Company, unless otherwise agreed. This Section 6.3 shall not apply to NAI's testing or development of Products in the ordinary course of NAI's performance of its obligations under the terms of this Agreement.

6.4 Invoices. Invoices for Products shall be sent to the Company at the time of shipment. Payment in full shall be due within thirty (30) days after receipt by the Company of invoice. A late charge of 1.5% shall be paid by the Company for every 30-day period, or part thereof, any invoice remains unpaid after 30 days.

6.5 Production, Inventory and Audits. The Company and its agents shall have access to NAI's production plants once each calendar quarter, or otherwise following reasonable notice, for the purpose of performing production and inventory audits pertaining to this Agreement. NAI shall be notified in advance of the names of all visiting personnel or agents and their intended dates and times of arrival.

6.6 Title. Title to all Products shall be and remain in NAI until shipped, at which time title shall transfer to the Company, unless the Parties otherwise mutually agree.

7. Quality Control, Testing

7.1 Specifications. NAI shall manufacture the Products strictly in accordance with all applicable laws, rules and regulations, and the Specifications.

7.2 Raw Materials. NAI shall store all raw materials, packaging materials and finished Products in a clean, dry area, free from insects and rodents, in a manner to prevent entry of foreign materials. Storage and handling shall be strictly in accordance with the provisions of all applicable laws, rules, regulations and the Specifications and any reasonable written instructions issued by the Company.

7.3 Quality of Materials. NAI shall have each shipment of raw materials and packaging materials, analyzed for such matters as it may reasonably elect before any said materials can be used in making and packaging the Product. Such analysis will be in the nature of quality control and may be conducted in-house or by an outside laboratory of NAI's choosing. Outside lab tests are intended as an exception and expenses of the same will be considered a part of the actual cost of production and shall be charged to the Company as a part thereof. Prior to the retention of an outside lab, NAI shall notify the Company of its intention to retain such lab and the reasons therefore. If the Company objects to paying the cost of the use of an outside lab to perform the tests, NAI will proceed with the retention and use of such lab at its own risk. All unresolved disputes related to this issues shall be resolved pursuant to Section 16.3

hereto. All test results are to be documented and copies provided to the Company at its request and expense.

7.4 Production Quality. NAI shall perform all in-process and finished Product checks necessary to assure Product quality. These tests are to be undertaken as a routine part of the manufacturing process, the cost of which will be included in the actual costs of production and shall be charged to the Company as a part thereof. All test results shall be documented and summarized by NAI.

7.5 Product Release. A Product shall not be released for shipment unless it strictly complies with the Specifications and all applicable laws, rules and regulations. NAI shall place any noncomplying Products on hold. Products that do not strictly comply shall be put on hold and may be released only with the prior approval of the Company.

7.6 Rejected Products. All rejected Products will be disposed of in a manner consistent with the law and as approved by all Parties to this Agreement. Approval thereof shall be provided within two (2) business days of request therefor, and shall not be unreasonably withheld. The Company shall not be charged for the cost of such rejected Products.

7.7 Codes. Production codes for Products will be maintained in accordance with NAI's existing policies as of the date hereof. NAI shall maintain detailed records on raw and packaging materials usage, finished Product production by code date and shipping of Products, so that Products can be traced in case of a recall. Unless necessary to prevent serious injury or death, NAI cannot initiate a recall or withdrawal of the Products ordered by or shipped to the Company without the consent of the Company. If a recall or withdrawal must be initiated before consent of the Company can be obtained, in order to prevent serious injury or death, notice to the Company must be provided as soon as is reasonably feasible.

7.8 FDCA Standards. NAI's Premises shall be kept and maintained in conformity with all applicable FDCA requirements and all Products shall be manufactured consistently with all applicable FDCA requirements.

8. Plant Inspections, Regulatory Action

8.1 Plant Inspection. NAI's plant shall meet all requirements established by state, local or federal regulations including, but not limited to, Good Manufacturing Practices, Hazard Analysis Critical Control Points programs and EPA requirements, rules and regulations. The Company and its agents shall have access to NAI's plant at any reasonable time and all reasonable times while Products are in process for the purpose of conducting inspections and performing quality control audits, and shall have access to the results of any test performed by NAI or at NAI's direction.

8.2 Regulatory Action. If the Food and Drug Administration or any other federal, state or local government agency gives notice of or makes an inspection at any party's premises, seizes any Products or requests a recall, directs any party to this Agreement to take or cease taking any action, the other Parties shall be notified immediately, but in no event later than the next business day. Duplicates of any samples of Products taken by such agency shall be sent to the other party promptly. In the event of any action described in this Section, the Parties shall cooperate in determining the response, if any, to be made to such action and each party agrees to cooperate with, assist and allow NAI to be the primary spokesperson in responding to any communication or inquiry, and/or attempting to resolve any such action, and to refrain from any activity with respect to such action which is not previously approved by NAI, unless otherwise required by law.

9. Samples. At its own cost and expense, NAI shall collect and keep retention samples in accordance with reasonable manufacturer's general practices for similar products.

10. Warranty and Inspection

10.1 Warranty. The Products furnished to the Company or its customers

under this Agreement shall be in conformance with Specifications and free from adulteration, and NAI does hereby warrant and guarantee to the Company that at the time of delivery the Products shall: (i) comply with all applicable federal, state and local laws and regulations, including, without limitation, the FDCA and the FTCA, including any and all laws, rules and regulations regarding the labeling, warning and instructions to be placed upon or included with the Products; (ii) not be adulterated or misbranded within the meaning of the FDCA; (iii) not be an article which, under the provisions of Section 404 and 505 of the FDCA, may not be introduced into interstate commerce; (iv) not be in violation of the provisions of the Food Additives Amendment of 1958; and (v) be in full compliance with California's Safe Drinking Water and Toxic Enforcement Act of 1986, as amended from time to time, and all regulations promulgated thereunder, and are Products which do not require any form of warning under such act.

10.2 Inspection of Products. The Company shall inspect all of the Products shipped to it promptly upon receipt thereof, and in no event later than fifteen (15) days after receipt thereof. NAI warrants that the Products: (i) will, when delivered, conform to the description on the face of the purchase order relating to such Products; (ii) will be free of defects in materials and workmanship; and (iii) will meet the Specifications. NAI shall, at the Company's option, replace (F.O.B. the Company's point of destination) or issue a credit or refund to the Company for any nonconforming Products provided, however, that the Company furnishes to NAI written notice, in reasonable detail, of the nonconformity of the Products within fifteen (15) days after the receipt thereof by the Company, and the Company provides NAI with a reasonable opportunity to inspect such goods and offers to return such goods to NAI at NAI's cost.

10.3 Limitation. The warranty set forth in Section 10.1 hereof shall not extend to the Company's customers or their customers, if any. NAI shall indemnify, defend and hold the Company and its employees, agents, representatives, directors, officers, members and shareholders harmless for, from and against all liabilities, suits, actions, proceedings, claims, demands, losses, damages, fees, taxes, costs, penalties and expenses including, but not limited to, reasonable attorneys' and accountants' fees caused by, arising out of or otherwise related to any defective Products or product liability claims brought by any person or entity with respect to any Products manufactured for the Company by NAI. NAI agrees to name the Company as an additional insured on NAI's current insurance policy and maintain product liability coverage in an amount of no less than Ten Million Dollars ($10,000,000), and NAI shall maintain an additional Ten Million Dollars ($10,000,000) in excess product liability coverage for the entire term of this Agreement.

10.4 Standards. In connection with orders of Products hereunder, NAI will formulate, manufacture and package the Products for the Company of the same quality and with the same care as it uses for Products it produces for its valued customers. NAI will not change the packaging or shipping of Products hereunder without the Company's prior written consent except for minimum deviations that do not affect the quality of the Products or legal compliance of the labels, packaging and Product documentation.

10.5 NO ADDITIONAL WARRANTIES. THE WARRANTIES SET FORTH HEREIN, AND ANY ADDITIONAL WARRANTY EXPRESSLY STATED TO BE A WARRANTY AND SET FORTH IN WRITING AS PART OF THESE TERMS HEREIN ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

10.6 NO CONSEQUENTIAL DAMAGES. UNDER NO CIRCUMSTANCES SHALL NAI OR ANY AFFILIATE OF NAI HAVE ANY LIABILITY WHATSOEVER FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, such as, but not limited to, loss of profit or revenue; loss of use of the Products; cost of capital; or claims resulting from contracts between the Company, its customers and/or suppliers. Unless expressly provided for herein, in no event shall NAI or any affiliate of NAI assume responsibility or liability for (i) penalties, penalty clauses or liquidated damages clauses of any

description, or (ii) indemnification of the Company or others for costs, damages or expenses arising out of or related to the actions of the Company or its distributors, agents, licensees, or customers.

10.7 Labor Laws. NAI warrants and represents that NAI will comply with all applicable labor and employment laws, including, without limitation, all laws and regulations under the federal Occupational Safety Hazards Act (OSHA), as amended.

10.8 Cumulative Rights. The foregoing provisions are in addition to and are not intended to limit or replace any of the Company's rights or NAI's duties and obligations arising out of any other provision of this Agreement or any other applicable law.

11. Trademark: Proprietary Information

11.1 Proprietary Assets. During the course of its performance of this Agreement, NAI may, employing artwork, mechanical and packaging cylinders furnished by the Company or FitnessAge, and in compliance with all applicable laws, cause to be printed on the packaging materials and shipping containers of the Products those trademarks and/or trade names that the Company or FitnessAge may designate in writing from time to time. NAI will not use in any way, and will not remove, alter or change in any way, any trademark, trade name, logo or other commercial symbol of the Company or FitnessAge, without the prior permission of the Company or FitnessAge. NAI agrees to execute any and all consents or other documents that the Company or FitnessAge may deem reasonably required in relation to NAI's use, display or reproduction of any trademark, trade name, logo or other commercial symbol or designation belonging to the Company or Fitness Age.

11.2 Limited Use. Nothing set forth in this Agreement shall be construed to grant to NAI any right to or interest in any trademark, trade name, copyright, patent or know-how owned or asserted to be owned by FitnessAge or any of its affiliates. NAI's use of such trademarks, trade names, copyrights, patents or know-how shall be limited exclusively to its performance of this Agreement and in accordance with any written consent reasonably required by the Company and/or FitnessAge. NAI will exercise due care to protect the trade name, trademarks and general goodwill of FitnessAge and refrain from any activities detrimental thereto. NAI shall immediately cease any further use or display of any intellectual property owned by the Company or FitnessAge if this Agreement is terminated (even if such termination is determined to be wrongful) or the owner of the intellectual property withdraws, resigns, or otherwise terminates its relationship with the Company or with NAI. NAI recognizes that money damages are not adequate to compensate Company or FitnessAge for any unauthorized use of the intellectual property in violation of this Section 11, and consents to the imposition of injunctive relief by any court or administrative body, including without limitation, temporary protective orders, preliminary injunctions and permanent injunctions, to prevent NAI from so using the intellectual property in a manner contrary to the provisions of this Agreement.

12. Indemnification, Insurance

12.1 Indemnification NAI. NAI shall provide all proper safeguards and shall assume all risks in its performance of this Agreement and shall indemnify and save the Company (including its employees, agents, representatives, directors, officers, members and shareholders) harmless from and against any and all loss, liability, damages, claims for damages, suits, recoveries, judgements or executions, including costs, expenses and reasonable attorneys' fees, that may be claimed asserted or recovered against the Company by any person, firm or corporation whatsoever or whomsoever, on account of any actual or alleged injury to person or property or death occurring to any person whatsoever and arising out of: (i) any obligation of NAI under this Agreement; (ii) any possession, use of, or consumption by, any person of the Products supplied by NAI to the Company under this Agreement; (iii) any actual or alleged injury to person or property or death occurring to any of NAI's employees, agents or any individual on NAI's premises; or (iv) any damages or loss caused by NAI's breach of any warranties or representations made herein or any provision of this Agreement. In no event

shall NAI be required to indemnify the Company or any other person (other than NAI) for any liability arising solely as a result of any statement or claim made by such person with respect to Products.

12.2 Indemnification Company. The Company shall provide all proper safeguards and shall assume all risks in its performance of this Agreement and shall indemnify, defend and hold harmless NAI, its subsidiaries, affiliated and/or controlled companies and all sublicensees, as well as their respective officers, directors, agents and employees, harmless from and against any and all damage, loss, expense (including reasonable attorneys' fees and costs), award, settlement or other obligation arising out of any claims, demands, actions, suits or prosecutions that may be made or instituted against them or any of them, arising out of: (i) any alleged breach of the Company's warranties as set forth herein; (ii) any injury or death caused by the Company's breach of any provision of this Agreement; and (iii) any misrepresentations or warranties beyond those provided for herein made by the Company related to the marketing, distribution, promotion, sale or use of Products.

12.3 Insurance. NAI shall carry with companies reasonably satisfactory to the Company: (i) Workers' Compensation and Employee's Liability Insurance; (ii) Standard Form Fire and Extended Coverage Insurance for the full replacement value of any of the Product or any premiums or packaging materials; and (iii) Comprehensive General Liability Insurance including Contractual Liability and Products Liability Coverage (with Broad Form Vendor's Endorsement naming the Company and its authorized distributors, licensees and agents as additional insureds) with a combined single limit of not less than Ten Million Dollars ($10,000,000). NAI shall submit policies and/or certificates of insurance evidencing the above coverage (which shall include an agreement by the insurer not to cancel or materially alter its coverage except upon thirty (30) days prior written notice to the Company) to the Company within five (5) days after execution of this Agreement. Products Liability Insurance shall continue in effect for the Company's benefit for a period of one (1) year from the date of the last delivery of Products to the Company. In case of NAI's failure to carry said policies and/or furnish certificates of insurance or upon cancellation of any required insurance, the Company may, at its option, immediately terminate this Agreement unless (in the case of cancellation) NAI has obtained substitute insurance coverage before such insurance becomes canceled and provides the Company with satisfactory evidence thereof or the Company, at its option, obtains equivalent insurance at a reasonable rate, the premiums for which will be charged to NAI.

13. Relationship of the Parties. NAI shall be deemed an independent contractor with respect to the terms and provisions of this Agreement and it shall not in any respect act as an agent, employee, partner or joint venturer of the Company or of FitnessAge, except as specifically set forth in the Operating Agreement of the Company. All persons employed in connection with the manufacture and/or supply of the Products shall be employees or agents of NAI and under no circumstances shall NAI or any of its employees or agents be deemed to be employees or agents of the Company or of FitnessAge.

14. Term of Agreement

14.1 Term. This Agreement shall remain in effect for a period of ten (10) years unless earlier terminated in accordance with this Section. Upon expiration of the initial term, the term of this Agreement will automatically be extended for successive one (1) year periods unless terminated by either party by written notice delivered at least ninety (90) days prior to the expiration of any such period in accordance with Section 17.1.

14.2 Termination for Non-compliance. Either party may terminate this Agreement prior to the end of its term only after notice to the other and only if the other materially fails to comply with any covenant in this Agreement and such failure continues for more than thirty (30) days after written notice thereof from the other party, unless such failure cannot be cured within thirty (30) days then only if the defaulting party fails to commence such cure within thirty (30) days and diligently thereafter prosecute such cure to completion. This paragraph 14.2 shall not affect the rights and obligations of the Parties as set forth in Paragraph 4.2 above.

14.3 Termination on Other Specific Events. Either party may terminate this Agreement immediately only if:

14.3.1 The other party dissolves, suspends or discontinues its business operations, makes any assignment for the benefit of its creditors, commences voluntary proceedings for liquidation in bankruptcy, admits in writing its inability to pay its debts generally as they become due or consents to the appointment of a receiver, trustee or liquidator of the other party or of all or any material part of its property, or if there is an execution which applies to a material portion of its assets.

14.3.2 The other party shall commence any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts.

14.3.3 (A) There shall be commenced against the other party any case, proceeding or other action of a nature referred to in clause 14.3.2 above which results in the entry of an order for relief or any such adjudication or appointment or remains undismissed, undischarged, unstayed or unbonded for period of ninety (90) days; or (B) there shall be commenced against the other party any case,

proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged or stayed or bonded pending appeal within ninety (90) days from the entry thereof; or (C) the other party shall take any action in furtherance of, or indicating its consent to, approval of or acquiescence in, any of the acts set forth in clause (A) or (B) above.

14.3.4 A party to this Agreement assigns its rights to an unrelated third person who is at the time of transfer involved as an adverse party in material and adverse litigation against the other party to this Agreement or its Affiliate.

14.3.5 A party to this Agreement is in substantial breach of the terms and conditions of this Agreement, including the expiration of any cure period provided for herein.

14.4 Duties on Termination. Upon termination of this Agreement, copies of all records related to the Company shall be kept by NAI for a minimum of three (3) years following production. In addition, NAI shall complete all work in process in a timely fashion and deliver the same to the Company as provided herein against payment as provided herein. The Parties shall cooperate and utilize their best efforts to prepare such final reconciliations of Products and amounts to be provided as between them in connection with such termination. Upon termination of this Agreement, NAI shall immediately return to the Company and FitnessAge all of such party's artwork and other materials containing such party's trademarks, trade names, logos, brands, slogans, trade dress or other intellectual property, and thereafter cease any further use thereof. The obligations of the Parties with respect to Intellectual Property (Section 11), Indemnity and Insurance (Section 12) and Confidentiality (Section 15) shall survive the termination of this Agreement and remain fully enforceable.

15. Confidentiality

15.1 Duty to Protect Confidential Information. Any confidential information disclosed or conveyed by any party to another in connection with its business by written communication and marked as confidential, or by oral communication and confirmed in writing to be confidential within thirty (30) working days of oral disclosure, shall be treated by the receiving party as a trade secret of the disclosing party and as confidential proprietary information. The information disclosed shall be held in trust by the receiving party for the benefit of the disclosing party. The receiving party shall treat such information as confidential proprietary and/or trade secret information,

and shall take such steps to assure its continued confidentiality in like manner as it would use to protect its own trade secrets or confidential information and will not, except as required by law, disclose any such confidential information received from the other party to any person unless such disclosure is approved in writing by the disclosing party.

15.2 Means of Protecting Confidential Information. NAI and the Company agree to take reasonable steps to ensure the proprietary and confidential nature of one another's confidential information and of the Plants, Products, Specifications and Technical Information in which confidential

information is embodied or included and to protect the same form loss or theft and agree to clearly mark such confidential information and properly indicate its proprietary nature.

15.3 Terms of Agreement. The Parties agree that the terms contained in this Agreement are proprietary and confidential, as is the existence of this Agreement. Other than as required by law, including NAI's compliance with the 1934 U.S. Securities and Exchange Act, each party agrees to maintain the existence of this Agreement and the terms and information contained herein strictly confidential and will not disclose any such information to any person who is not a party hereto without the prior written consent of all Parties, which consent may be granted or withheld in the absolute discretion of each party.

15.4 Plant, Products, Specifications and Technical Information. The Parties agree that the Plant, Products, Specifications and Technical Information pursuant to Sections 1.3, 1.4, 1.5 and 1.6 are proprietary and confidential and are furnished only for the purpose of designing, researching, formulating, developing, manufacturing and packaging the Nutritional Products for the Company. Other than as required by law, including NAI's compliance with the 1934 U.S. Securities and Exchange Act, any other use of the information by the Company is understood and agreed by the Parties to constitute a material breach of this Agreement that cannot be cured.

15.5 Audits. The Parties agree the information arising, created, compiled or developed in connection with inspections and audits permitted pursuant to Sections 6.2, 6.5, 7.3 and 8.1 are proprietary and confidential, and the information revealed therein is furnished only for the purpose of confirming compliance with the terms of this Agreement. Any other use of the information revealed by such inspections or audits is understood and agreed by the Parties to constitute a material breach of this Agreement that cannot be cured.

15.6 Extended Term of Confidentiality. It is recognized by all Parties that due to their respective positions of confidence giving rise to access to confidential, proprietary information during the term of this Agreement, that the provisions of this Section 15 apply during the term of this Agreement and for a period of three (3) years thereafter.

15.7 Provisions Divisible. It is agreed by all Parties that the foregoing covenants are appropriate and reasonable in light of the nature and extent of the business conducted by the Parties and their respective relationships. It is further agreed that the covenants set forth herein are divisible in the event they are held to be invalid, unreasonable, arbitrary or against public policy. Further, it is agreed by the Parties that if any court of competent jurisdiction makes such a determination, the court may determine what time period and geographical area are reasonably necessary to protect the Parties' legitimate business interests and which are enforceable. Nothing contained in this Agreement shall be construed or interpreted to prevent the Parties hereto from using such confidential information in any dispute between themselves, so long as reasonable care is taken to implement a protective order to prevent such confidential information from being disclosed to unnecessary third Parties.

15.8 Irreparable Injury. Each party acknowledges that damages at law will be an insufficient remedy for violation of the terms of this Article and that the other Parties would suffer irreparable injury as a result of such violation. Accordingly, it is agreed the Parties may obtain injunctive relief to enforce the provisions of this Article of this Agreement, which injunctive relief shall be in addition to any other rights or remedies available to it or them.

16. Applicable Law

16.1 Law. This Agreement shall be construed in accordance with the laws of the State of California, without regard to its rules on conflicts of law.

16.2 Venue. Subject to the obligation to arbitrate disputes set forth herein any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the Parties only in the courts of the State of California, County of San Diego, or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of California, and each of the Parties consents to such venue and to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world.

16.3 Arbitration. Any dispute, controversy or claim arising from, out of or in connection with, or relating to, this Agreement or any breach or alleged breach of this Agreement, except allegations of violations of Federal or State securities laws, will upon the request of any party involved be submitted to the Judicial Arbitration and Mediation Service or any other private arbitration service utilizing former judges as mediators and approved by the Parties. The dispute once submitted shall be resolved by arbitration in the County of San Diego, California (or at any other place or under any other form of arbitration mutually acceptable to Parties involved). The arbitrator shall follow and apply the California Evidence Code in the conduct of the arbitration, and the Parties shall be entitled to discovery in accordance with the provisions of the California Code of Civil Procedure. Any award rendered shall be final, binding and conclusive upon the Parties and shall be non-appealable, and a judgment thereon may be entered in the highest State or Federal court of the forum, having jurisdiction. The expenses of the arbitration shall be borne equally by the Parties to the arbitration, provided that each party shall pay for and bear the cost of its own experts, evidence and attorneys' fees, except that in the discretion of the arbitrator, any award may include the costs, fees and expenses of a party's attorneys. Neither this Section 16.3 nor this arbitration provision shall preclude any party to this Agreement from seeking and obtaining enforcement of this arbitration provision from a court of competent jurisdiction or from seeking and obtaining equitable relief, including injunctive relief, to enforce the terms and conditions of the sections of this Agreement which relate to Intellectual Property (Section 11), Indemnity (Section 12) and Confidentiality (Section 15).

16.4 Attorneys Fees. If any arbitration or legal proceeding is brought for the enforcement of this Agreement, or because of an alleged breach, default or misrepresentation in connection with any provision of this Agreement or other dispute concerning this Agreement, the successful or prevailing

party shall be entitled to recover reasonable attorneys fees incurred in connection with such arbitration or legal proceeding. The term "prevailing party" shall mean the party which is entitled to recover its costs in the proceeding under applicable law, or the party designated as such by the court or the arbitrator.

17. Notice; Designation

17.1 Notices. Unless otherwise indicated herein, all notices, requests, demands or other communication sot the respective Parties hereto shall be deemed to have been given or made when deposited in the mails, registered or certified mail, return receipt requested, postage prepaid, or by means of overnight delivery service when delivered to such service addressed to the respective

party at the following address:

If to NAI:

Natural Alternatives International, Inc.
1185 Linda Vista Drive
San Marcos, California 92069
Attention: Mark LeDoux, Chief Executive Officer
Telephone: (760) 744-7340
Facsimile: (760) 591-9637

with a copy to:

Natural Alternatives International, Inc.
1185 Linda Vista Drive
San Marcos, California 92069
Attention: David Lough, Executive Vice President
Telephone: (760) 744-7340
Facsimile: (760) 591-9637

and with an additional copy to:

Fisher Thurber LLP
4225 Executive Square, Suite 1600
La Jolla, California 92037
Attention: David A. Fisher
Telephone: (858) 535-9400
Facsimile: (858) 535-1616

If to Company:

FitnessAge Nutrition, LLC
4250 Executive Square, Suite 101
La Jolla, CA 92037
Attention: Michael L. Jeub
Telephone: (858) 625-4222
Facsimile: (858) 625-4200

with a copy to:

Barnhorst, Schreiner & Goonan
550 West "C" Street, Suite 1350
San Diego, CA 92101
Telephone: (619) 544-0900
Facsimile: (619) 544-0703
Attention: Brian W. DeWitt, Esq.

17.2 Designated Contact. If a specific contact person is designated in a provision, notice concerning the subject matter of such provision shall be directed to such person. The address or the name of any party or contact person may be changed by sending notice in the manner set forth above.

18. Successors, Assignment. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the Parties. NAI and the Company may assign their rights and obligations under this Agreement to their Affiliate. Any such assignment will not release or discharge them from any liability or obligation hereunder. The rights and obligations of the Company and NAI may only be assigned after first obtaining the other party's written consent, which consent may not be unreasonably withheld. As used herein, Affiliate shall refer to any person or entity that is under direct or indirect control of the applicable party. The term "control" includes without limitation, ownership of interest representing a majority of the total voting power in an entity or the ability to manage or direct such entity.

19. Modification, Severability

19.1 Modification. Neither this Agreement nor any part hereof may be changed, altered or amended orally. Any modification must be by written instrument signed by the party against whom enforcement of the change,

alteration or amendment is sought.

19.2 Severability. If any provisions of the Agreement is held ineffective for any reason, the other provisions shall remain effective.

20. Further Assurances. The Parties agree (a) to furnish upon request to each other such further information, (b) to execute and deliver to each other such other documents, and (c) to do such other acts

and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the documents referred to in this Agreement.

21. Waiver. The rights and remedies of the Parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or the documents referred to in this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

22. Entire Agreement. This Agreement supersedes all prior agreements between the Parties with respect to its subject matter and, together with the Operating Agreement of the Company and its Exhibits, constitutes a complete and exclusive statement of the terms of the agreement between the Parties with respect to its subject matter.

23. Section Headings, Construction. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

24. Time of Essence. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

25. Severability of Provisions. Each provision of this Agreement shall be considered severable, and if for any reason any provision which is not essential to effect the basic purposes of this Agreement is determined to be invalid and contrary to any existing or future law, then such invalidity shall not impair the operation of or affect those provisions of this Agreement which are valid.

26. Saving Clause. If and to the extent any provision of this Agreement is, or is found by an arbitrator or court of competent jurisdiction to be, prohibited under, contrary to or ineffective under any existing or future law, this Agreement shall be considered amended to the smallest degree necessary to make this Agreement conform to such law and effective thereunder.

27. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

28. Conflicts. Each party represents and warrants to the other that neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereunder will violate or constitute a default under any agreement or instrument previously entered into by any party by which any party is bound.

29. Force Majeure. No party shall be liable to any other for its failure to timely perform any such obligations such as a result of fire, flood, epidemic, earthquake, explosion, accident, labor dispute or strike, an act of God or public enemy, riot or civil disturbance, war (whether declared or undeclared) or armed conflict, inability to obtain personnel or facilities, failure of common carrier, any municipal ordinance, any state or federal law, governmental order or regulation, or order of any court of competent jurisdiction, or any other similar event or occurrence not within the control of the defaulting party, as the case may be.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Manufacturing Agreement as of the day and year first above written.

NATURAL ALTERNATIVES INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Mark LeDoux

Mark LeDoux, Chief Executive Officer

CUSTOM NUTRITION, LLC, a Delaware limited liability company By its Members:

FitnessAge Incorporated
a Nevada corporation

By: /s/ Michael L. Jeub

Michael L. Jeub, President

NATURAL ALTERNATIVES INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Mark LeDoux

Mark LeDoux, Chief Executive Officer

EXHIBIT 10.3

LOAN AGREEMENT

This loan agreement ("Agreement") is entered into as of November 11, 1999, by and between FitnessAge, Inc., a Nevada corporation ("Corporation"), and Natural Alternatives International, Inc., a Delaware corporation ("Lender"). Borrower and Lender agree as follows:

SECTION 1. LOAN TO THE CORPORATION

Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties made in this Agreement by the Corporation, the Lender agrees to lend to the Corporation the aggregate amount of up to $750,000 consisting of $400,000 to be funded concurrently with the execution hereof and $350,000 to be funded on or about November 23, 1999, subject to the terms and conditions set forth herein. The loans made pursuant to this Loan Agreement ("Loan") shall be evidenced by Convertible Secured Promissory Notes in the form attached hereto and incorporated herein by this reference ("Notes").

SECTION 2. SECURITY

As security for the performance and payment of all obligations and indebtedness of the Corporation to the Lender, the Corporation agrees that at all times prior to the performance and payment of all such obligations and indebtedness, the Lender shall have a perfected security interest, superior to all other liens in all the rights, title, and interest of the Corporation in Custom Nutrition, LLC, a Delaware limited liability company, including, without limitation, rights held by the Corporation as a member, manager or creditor of Custom Nutrition, LLC, as well as the allocable interest of the Corporation in any amount received by Custom Nutrition, LLC from Bally Total Fitness Holding Corporation or its affiliates, whether such interests are now owned or hereafter acquired and wherever the same may be located, and shall include the proceeds, products, and accessories of any kind to any thereof. The interests described above are referred to herein as the "Collateral". In this connection, the Corporation has executed and delivered to the Lender concurrently herewith the Security Agreement attached hereto and incorporated herein by this reference ("Security Agreement").

SECTION 3. THE BORROWING

3.1 Initial Loan Funding. Upon execution of this Agreement, the Note and Security Agreement and receipt of signed Articles of Formation and authorization to file for Custom Nutrition, LLC, Lender shall deliver to the Corporation funds in the amount of $400,000.

3.2 Subsequent Loan Funding. Upon the later of (i) November 23, 1999 or (ii) satisfaction or waiver by the Lender of each of the conditions set forth in Section 9 of this Agreement, the Lender shall deliver to the Corporation funds in the amount of $350,000, less expenses of Lender including its legal fees incurred in connection herewith. If the conditions set forth in Section 9 of this Agreement are not satisfied, or waived by Lender (in its sole discretion) by

December 1, 1999, the amounts due under the Note(s) shall be all due and payable and the Corporation shall be in default of this Agreement.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

The Corporation represents and warrants to the Lender as follows:

4.1 Due Organization. The Corporation is a corporation duly organized, legally existing, and in good standing under the laws of Nevada and is duly

qualified as a foreign corporation in all jurisdictions in which it is required to be so qualified. The Corporation has no active subsidiaries.

4.2 Capital Stock. The outstanding Securities of the Corporation have been duly authorized, validly issued, and are fully paid and nonassessable. Except for 6,182,000 shares of Common Stock reserved for issuance to employees, consultants and directors pursuant to outstanding options; 5,002,916 shares of Common Stock are reserved for issuance to employees, consultants and directors pursuant to outstanding warrants, 6,000,000 shares of Common Stock reserved for issuance pursuant to the pending private placement of Common Stock at $0.75 per share, and a proposed 1,000,000 share issuance pursuant to an asset purchase, there are no existing warrants, options, conversion rights, calls, or commitments of any character pursuant to which the Corporation is or may become obligated to issue or repurchase any shares of capital stock or other securities other than pursuant to the various transactions undertaken between the Corporation and Lender of even date herewith. No shareholder of the Corporation has any preemptive right to acquire any securities of the Corporation. The Corporation has repurchased none of its outstanding capital stock.

4.3 Corporate Authorization. The Corporation is duly authorized and empowered to create, issue, and deliver the Note, this Loan Agreement, and the Security Agreement. The Corporation has all corporate authority necessary to execute and deliver this Agreement and all other instruments referred to or mentioned in this Agreement to which the Corporation is a party, and all corporate action requisite for the due creation, issuance, and delivery of the Note, the due execution and delivery of this Agreement and the Security Agreement has been duly and effectively taken. This Agreement, the Note, the Security Agreement, and all other instruments referred to or mentioned in this Agreement or in the Note, or the Security Agreement to which the Corporation is a party are, or when executed and delivered will be, the valid and binding obligations of the Corporation enforceable in accordance with their terms. The Loan is convertible into Common Stock in accordance with the terms of the Note, and the shares of Common Stock initially issuable upon conversion of the Loan have been, and any additional shares of Common Stock which hereafter may be so issuable shall be, duly authorized and reserved for issuance upon such conversion or exercise, are not and shall not be subject to preemptive rights, and, when issued upon such conversion or exercise in accordance with the terms of this Agreement or the Note, will be duly issued, fully paid, and nonassessable.

4.4 No Default. This Agreement, the Note, and the Security Agreement, and the transactions contemplated under each, do not violate any provisions of the Corporation's articles of incorporation or bylaws, or any contract, agreement, law, or regulation to which the Corporation or any of its properties is party or subject, and the same do not require the consent or approval of any regulatory authority or governmental body of the United States or of any state or subdivision thereof or of any other person, except as set forth in or contemplated by this Agreement or the Security Agreement.

4.5 Litigation and Other Matters. As of the date of this Agreement, there is no litigation or any other action or proceeding of any nature pending or, to the knowledge of the Corporation, threatened against or affecting the Corporation that involves the possibility of any judgment or liability not fully covered by insurance, or that may adversely affect the business, financial position, or assets of the Corporation or its ability to carry on business as now conducted. The Corporation is not a party to any indenture, loan, or credit agreement or any lease or other agreement or instrument or subject to any charter or corporate restriction that could have a material adverse effect on the business, financial condition, or assets of the Corporation, or on the ability of the Corporation to carry out its obligations under this Agreement, the Note, and the Security Agreement.

4.6 Title to Collateral. The Corporation has good and marketable title to the Collateral, free and clear of all mortgages, liens, and encumbrances, other than those created by the Security Agreement.

4.7 Compliance With Laws. The Corporation has substantially complied with all laws, regulations, ordinances, franchises, licenses, and orders applicable to the Corporation, its assets or its business as currently

conducted.

4.8 Governmental Licenses. The Corporation has all governmental licenses, permits, and other governmental authorizations currently necessary for the conduct of its business, and such licenses, permits, and authorizations are in full force and effect and have been and are now being fully complied with by the Corporation.

4.9 Security Interests. The Security Agreement creates and grants to the Lender a legal, valid, and enforceable security interest in the Collateral. The Collateral is not subject to any other liens or security interests whatsoever.

4.10 Reliance by the Lender. The foregoing representations and warranties are made by the Corporation with the knowledge and understanding that the Lender is placing complete reliance on such representations and warranties and is thereby induced to enter into this Agreement and consummate the transactions contemplated by this Agreement.

SECTION 5. REPRESENTATIONS OF THE LENDER

5.1 Purchase for Investment. The Lender hereby represents and warrants to and agrees with the Corporation that the Note is being acquired by the Lender for its own account for investment and not with a view to, or for resale in connection with, the distribution thereof, nor with any intention of distributing or selling the Note, or the Common Stock into which the Loan is convertible pursuant to the terms of the Note ("Conversion Shares"). If the Lender should in the future decide to dispose of the Note, or any of the Conversion Shares, the Lender understands and agrees that the Lender may do so only in accordance with Rule 144 under the Securities Act of 1933 (Act) or otherwise in compliance with the Act, as then in effect. If the Lender should decide to dispose of the Note, or any of the Conversion Shares (other than Conversion Shares that have been registered under the Act), the Lender will, at the Lender's expense, designate counsel in connection with such disposition, which may be the Corporation's outside counsel or other outside counsel of the Lender reasonably acceptable to the Corporation, who shall provide an opinion to the Corporation as to whether the proposed sale or other distribution of the Note, or any of the Conversion Shares would require registration under the Act as then in effect. If the opinion of such counsel is to the effect that the proposed sale or other distribution does not require any registration under the Act as then in effect, the Lender shall be entitled to complete such sale or other disposition. If the opinion of such counsel is to the effect that the proposed sale or other disposition requires registration, such sale or other disposition may not be made unless such registration is duly completed in accordance with the opinion of such counsel.

5.2 Accredited Investor. The Lender is an "accredited investor," as that term is defined in Rule 501, Regulation D promulgated by the Securities and Exchange Commission ("SEC") under the Act.

5.3 No Violations. This Agreement, the Note, and the Security Agreement and the transactions contemplated under each do not violate any provisions of the Lender's articles of incorporation or bylaws, or any contract, agreement, law or regulation to which the Lender or any of its properties is party or subject and the same do not require the consent or approval of any regulatory authority or governmental body of the United States or of any state or subdivision thereof or of any other person, except as set forth in or contemplated by the Loan Agreement or the Security Agreement.

SECTION 6. AFFIRMATIVE COVENANTS

The Corporation covenants and agrees as set forth below until the earlier of: (i) the principal and interest due on the Notes have been paid in full; or (ii) the effective date of an initial public offering of its Common Stock pursuant to a registration statement filed under the Securities Act of 1933.

6.1 Financial Statements. The Corporation will promptly furnish to the Lender from time to time upon request the following information regarding the business affairs and financial condition of the Corporation:

6.1.1 Annual Statements. As soon as available and in any event within 90 days after the end of each fiscal year of the Corporation (being December 31 in each calendar year), balance sheets and statements of income and cash flows of the Corporation and its consolidated subsidiaries on a consolidated and consolidating basis, commencing with the fiscal year 1999, such year-end financial reports to be prepared in accordance with generally accepted accounting principles ("GAAP") and audited and certified by independent public accountants.

6.1.2 Quarterly Statements. Within 45 days after the end of each fiscal quarter, unaudited balance sheets and statements of income and cash flows showing the financial condition and results of operations and changes in financial position of the Corporation and its consolidated subsidiaries on a consolidated basis as of the end of each such quarter, together with an instrument executed by the Chief Financial Officer or President of the Corporation certifying that such financial reports were prepared in accordance with GAAP consistently applied with prior practices for earlier periods (with the exception of footnotes that may be required by GAAP) and fairly present the financial condition of the Corporation and its results of operation for the periods specified, subject to year-end adjustments.

6.1.3 Government Reports. Promptly after the same become publicly available, copies of such registration statements, annual, periodic, and other reports, and such proxy statements and other information, if any, as shall be filed by the Corporation or any of its subsidiaries with the SEC pursuant to the requirements of the Act or the Securities Exchange Act of 1934, as amended, and within five days after the same are filed, copies of all financial statements and material reports which the Corporation and its subsidiaries may make to, or file with, any federal or state authority; provided, that the Corporation shall consult with the Lender prior to the filing of any report with the SEC that discloses or describes the existence or terms of this Agreement or any other agreement or instrument contemplated in this Agreement, and shall grant the Lender a reasonable opportunity to review and comment on any such report.

6.1.4 Asset Schedule. Within 90 days following the last day of the Corporation's fiscal year, and at such other time as it may be requested, a schedule of the Corporation's fixed assets and other major assets delineated by major asset category, indicating cost, accumulated depreciation, net depreciated value, and any mortgage, lien, or encumbrance upon such property, the terms of repayment of any indebtedness secured by such mortgage, lien or encumbrance, and all other indebtedness of the Corporation and the name of any creditor to whom repayment is to be made.

6.1.5 Other Information. Such other information as the Lender may reasonably request from time to time.

6.2 Taxes and Other Liens. The Corporation will comply with all statutes and governmental regulations and will pay all taxes, assessments, governmental charges, claims for labor, supplies, rent, and other obligations which if unpaid, might become a lien against the property of the Corporation except liabilities being contested in good faith and against which the Corporation will set up and maintain reserves in accordance with generally acceptable accounting principles.

6.3 Maintenance. The Corporation will maintain its corporate existence and comply with all valid and applicable statutes, rules, and regulations, and the Corporation will maintain or cause to be maintained without diminution thereof, its rights and interests comprising the Collateral, as defined in the Security Agreement.

6.4 Further Assurances. The Corporation promptly will cure any defects in the execution and delivery of this Agreement and any other instrument or instruments referred to or mentioned in this Agreement, and will immediately execute and deliver to the Lender upon request any instrument required to accomplish or satisfy the Corporation's covenants and agreements under this Agreement or instruments referred to or mentioned in this Agreement.

6.5 Performance of Obligations. On each funding of the Loan, the Corporation will pay the fees and expenses incurred by the Lender in connection with this Agreement and all transactions pursuant to or leading to this Agreement, such fees and expenses to be set forth in a schedule to be delivered by the Lender to the Corporation concurrently with such funding and may be withheld by Lender from funding. The Corporation will pay for all amounts expended, advanced, or incurred by the Lender to satisfy any obligation of the Corporation under this Agreement or the Security Agreement, or to protect the properties, assets, or business of the Corporation, or to collect the Note, or to enforce the rights of the Lender under this Agreement, the Security Agreement, or any other instrument referred to or mentioned in this Agreement or the Security Agreement or executed or to be executed in connection with such agreements, which amounts will include all court costs, attorneys' fees, fees of auditors and accountants, and investigation expenses reasonably incurred by the Lender in connection with any such matters, together with interest at the rate of 10% per annum on each such amount from the date that the same is expended, advanced, or incurred by the Lender until the date it is repaid to the Lender.

6.6 Use of Funds. The Corporation shall use the proceeds of the Loan only for those general corporate purposes that are not expressly prohibited under this Agreement, to pay the fees and expenses of the Lender as provided by Section 6.5 of this Agreement, which amount shall be paid on each funding date out of the proceeds of the Loan. Upon funding of the loan amount described in Section 3.2, not less than $150,000 of the proceeds thereof shall be delivered to Custom Nutrition, LLC as a capital contribution on behalf of the Corporation.

6.7 Director. Corporation shall cause to be elected to its Board of Directors an individual designated by Lender in writing concurrently with the execution hereof and shall maintain, at all times, such Director or a successor as may be designated by Lender from time to time for the period of time equal to the earlier of: (i) the Initial Offering of its Common Stock, or (ii) until no amount remains outstanding under this Loan or the Notes. The Corporation shall have the right to approve any individual designated by the Lender to be a member of the Corporation's Board of Directors, and the Corporation's approval shall not be unreasonably withheld.

6.8 Operation of Custom Nutrition, LLC. During the term of the Loan, Corporation will take all action necessary or appropriate in connection with the operation of Custom Nutrition, LLC to cause the treatment by Custom Nutrition, LLC of 40% of all amounts received by Custom Nutrition, LLC from Bally Total Fitness Holding Corporation or its affiliates to be paid to Lender as consideration for its entering into the Loan. The Corporation agrees to cause the remaining 60% of such payments to be deposited in an escrow account of Custom Nutrition, LLC for the benefit of Lender to be held as additional Collateral for the performance of the terms of this Agreement, the Security Notes and the Security Agreement. Said 60% of such payments shall be remitted to Corporation when the Loan is repaid.

SECTION 7. NEGATIVE COVENANTS

A deviation from the provisions of this Section 7 shall not constitute an Event of Default under this Agreement if such deviation is consented to in writing (in the manner hereinafter provided) by the Lender. In the absence of such a written consent, so long as any part of the principal or interest on the Notes shall remain unpaid or not converted, the Corporation will not undertake any of the following actions:

7.1 Dividends. The Corporation will not declare or pay any dividend or make any other distribution on account of the Common Stock or Preferred Stock of the Corporation, or purchase, acquire, redeem, or retire any capital stock of the Corporation, whether now or hereafter outstanding, other than as required by

the terms of the Preferred Stock currently issued and outstanding; provided, that if no Event of Default has occurred and is continuing, then the Corporation may declare and pay dividends and make distributions with respect to Preferred Stock, whether now or hereafter outstanding; and provided, further, that if an Event of Default has occurred and is continuing, then the Corporation (a) may declare and pay dividends on Preferred Stock now issued and outstanding only in shares of Common Stock, and may pay cash dividends only on such Preferred Stock now issued and outstanding only if the holders thereof exercise their rights to require cash dividends in accordance with the terms of such Preferred Stock and (b) in addition to clause (a) above, may declare and pay dividends on Preferred Stock now or hereafter issued and outstanding, in cash or in shares of Common Stock, only if the Corporation has net earnings (as defined under generally accepted accounting principles) at least equal to the value of such dividend.

7.2 Loans, Advances and Investments. Except for the transactions contemplated hereby for Custom Nutrition LLC, and except where the Company will be involved in transactions

involving a simultaneous closing, wherein the Company receives more money from an investment in the Company than it makes in the other party to the transaction, Corporation will not make loans or advances to, or make any investments in, any company, person, or entity except expense advances, and special purpose loans to finance the exercise of stock options, made to employees of the Corporation, and investments in and advances to wholly-owned subsidiaries of the Corporation that guarantee the Corporation's obligations hereunder to the extent of such investments and advances.

7.3 Mergers. The Corporation will not merge or consolidate with any corporation.

7.4 Sale of Assets. The Corporation will not sell, transfer, or otherwise dispose of all or substantially all of its assets.

SECTION 8. EVENTS OF DEFAULT

8.1 Events. Any of the following events shall be considered an Event of Default as that term is used in this Agreement:

8.1.1 Note Payments. Default shall be made in the payment of any installment of principal or interest on the Notes when due.

8.1.2 Failure of Condition Precedent. The failure of any condition precedent set forth in Section 9 on or before November 23, 1999, or such extended date as the parties may agree upon in writing.

8.1.3 Other Indebtedness. Except for the $1.6 million indebtedness to the Corporation's founders due December 31, 1999, and indebtedness which in the aggregate does not exceed $100,000, default shall be made in the payment when due, whether by acceleration or otherwise, of all or any part of any other indebtedness of the Corporation, or a nonpayment default shall be made with respect to any other indebtedness of the Corporation (other than defaults that may reasonably be expected to be cured within any applicable grace period provided therefor) if the effect of any such default shall be to accelerate, or to permit (with the giving of notice or the passage of time or both) the holder or obligee of any indebtedness at its option, to accelerate the maturity of such indebtedness.

8.1.4 Furnishing Information. The Corporation shall fail or refuse, after being requested to do so by the Lender, for a period of 30 days to furnish to the Lender any information, data, certificate, or other document required by this Agreement or the Security Agreement.

8.1.5 Other Defaults. Default shall be made in the due observance or performance of any covenant or agreement or provision contained in this Agreement, the Security Agreement or the Note to be performed by the Corporation (other than with respect to

payment on the Note) and such default shall be continuing for a period of 10 days after notice by the Lender to the Corporation of such default.

8.1.6 Representations and Warranties. Any representation or warranty made by the Corporation in this Agreement or in the Security Agreement proves to have been untrue in any material respect as of the date thereof, or any representation, statement (including financial statements), certificate, or data furnished or made by the Corporation (or any officer, accountant, or attorney of the Corporation) under this Agreement or under the Security Agreement proves to have been untrue in any material respect, as of the date which the facts therein set forth were stated or certified.

8.1.7 Financial Distress. The Corporation shall (a) discontinue business; (b) make a general assignment for the benefit or creditors; (c) apply for or consent to the appointment of a receiver, a trustee, or liquidator of itself or of all or a substantial part of its assets; (d) be adjudicated a bankrupt or insolvent; (e) file a voluntary petition in bankruptcy or file a petition or answer seeking reorganization or an arrangement with creditors or seeking to take advantage of any other law (whether federal or state) relating to relief of debtors, or admit (by answer by default or otherwise) the material allegations of a petition filed against it in any bankruptcy, reorganization, arrangement, insolvency, or other proceeding (whether federal or state) relating to relief or debtors; (f) there shall have been entered any judgment, decree, or order entered by a court of competent jurisdiction that approves a petition seeking reorganization of the Corporation or appoints a receiver, trustee, or liquidator of the Corporation or of all or a substantial part of its assets; or (g) the Board of Director of the Corporation takes or omits to take any action for the purpose or with the result of effecting or permitting any of the foregoing.

8.2 Remedies.

8.2.1 General Remedies. Upon the happening of any Event of Default specified in Section 8.1 (other than an event described in Section 8.1.6), and at any time thereafter during the continuance of such event, the Lender may, upon written notice to the Corporation (a) declare the entire principal amount of the Note then outstanding and the interest accrued thereon immediately due and payable in cash without further notice and without presentment, demand, protest, notice of protest, or other notice of default or dishonor of any kind, all of which are expressly waived by the Corporation and (b) exercise any and all such other rights of a secured creditor under Article 9 of the Uniform Commercial Code with respect to the Collateral (as defined in the Security Agreement) and all rights granted the Lender under the Security Agreement.

8.2.2 Financial Distress. With respect to a default described in Section 8.1.6 hereof, the Note and any unpaid accrued liabilities of the Corporation owing to the Lender shall automatically become due and payable, both as to principal and interest, without

presentment, demand, protest, or other notice of any kind, all of which are hereby waived by the Corporation.

SECTION 9. CONDITIONS PRECEDENT TO THE LENDER'S SUBSEQUENT FUNDING OBLIGATIONS

The obligations of the Lender to loan $350,000 to the Corporation on November 23, 1999, shall be subject to the satisfaction at or prior to the date of such subsequent funding of the Loan of the following conditions:

9.1. Representations and Warranties True. The representations and

warranties made by the Corporation in this Agreement shall be true on and as of such date with the same effect as though such representations and warranties had been made or given on and as of such date.

9.2 Compliance With Agreement. The Corporation shall have performed and complied with all of its obligations under this Agreement, the Note and the Security Agreement, which are to be performed or complied with by the Corporation prior to or on the date of such subsequent funding, and there shall exist no condition or event constituting an Event of Default under this Agreement or an event of default in any indebtedness of the Corporation or which, after notice or lapse of time, or both would constitute such an event of default.

9.3 No Litigation. No investigation, suit, action, or other proceeding shall be threatened or pending before any court or governmental agency which, in the opinion of counsel for the Lender, is likely to result in the restraint, prohibition or the obtaining of damages or other relief in connection with this Agreement or the consummation of the transactions contemplated by this Agreement, or in connection with any undisclosed claims against the Corporation.

9.4 Statutory Requirements. The issuance and delivery of the Note and the Security Agreement in the manner contemplated by this Agreement shall have been duly and validly authorized and approved by the Board of Directors of the Corporation, and the Corporation shall have delivered to the Lender evidence of such authorization and approval and of compliance with any other statutory requirements for the valid consummation by Corporation of the transactions contemplated by this Agreement.

9.5 Deliveries by the Corporation. The Corporation shall have delivered to the Lender the following:

9.5.1 Note. The Note reflecting the initial funding of the Loan in accordance with Section 1.1 of this Agreement.

9.5.2 Security Agreement. The Security Agreement in accordance with Section 2 of this Agreement.

9.5.3 Articles of Formation. A filed copy of the Articles of Formation of Custom Nutrition, LLC.

9.5.4 License Agreement. An executed License Agreement granting to Custom Nutrition, LLC a world-wide, perpetual, royalty-free license to all FitnessAge, Inc. intellectual property rights in connection with the sale of nutrition products. The License Agreement shall be exclusive during the period there is any amount remaining due under the Notes, and shall automatically become non-exclusive thereafter. The License Agreement and related documents shall be in a form and substance satisfactory to Lender, and provided there is no default by the Corporation under this Agreement or the Notes, the License Agreement shall provide a right to the Corporation to issue non-exclusive licenses to any licensee or customer of the Corporation who wants to use the licensed technology to sell nutritional products, and who does not wish to purchase nutritional products from Custom Nutrition, LLC.

9.5.5 Operating Agreement. An executed Operating Agreement governing the structure and operation of Custom Nutrition, LLC satisfactory to the parties by and among Custom Nutrition, LLC, and Lender in the form and substance satisfactory to Lender.

9.5.6 Manufacturing Agreement. An executed exclusive manufacturing agreement satisfactory to the parties by and among Custom Nutrition, LLC and Lender in the form and substance satisfactory to Lender.

9.5.7 Liens Subordinate to License. All parties holding any lien encumbering the technology licensed as referenced in Section 9.5.4 above shall enter into all documents reasonably required to insure the license is not subject to any lien.

9.5.8 Senior Debt Modified. The approximate $1.6 million of debt of the Company referred to in Section 3(a) of the Notes shall be modified so as

not to be in default at any time there are amounts remaining due under this Loan and the Notes.

SECTION 10. INDEMNIFICATION

The Corporation agrees to indemnify and hold harmless the Lender from and against, and to reimburse the Lender with respect to, any and all loss, damage, liability, cost, and expense, including reasonable attorney's fees, incurred by the Lender by reason of or arising out of or in connection with:

10.1 Breach of Representations and Warranties. A breach of any representation or warranty contained in this Agreement or in any certificate delivered to the Lender by the Corporation pursuant to the provisions of this Agreement.

10.2 Breach of Obligations. The failure of the Corporation to perform any covenant or agreement required by this Agreement to be performed by the Corporation.

10.3 Third-Party Obligations. The alleged existence by any third party of any liability, obligation, lease, agreement, contract, other commitment, or state of facts that, if it existed, would constitute a breach of any representation or warranty contained in this Agreement or in any certificate delivered to the Lender pursuant to the provisions of this Agreement. The Lender agrees to give prompt notice to the Corporation of the alleged existence by any third party of any liability, obligation, lease, agreement, contract, other commitment, or state of facts referred to in this Section 10.3, and the Corporation shall have the right to participate in, and, with the consent of the Lender, which consent shall not be unreasonably withheld, to control the contest and defense of any such claim at its own cost and expense including the cost and expense of attorney's fees in connection with such contest and defense. In the event that the contest and defense of any such claim is so controlled by the Corporation, the Corporation will not be liable to the Lender pursuant to the provisions of this Section 10 for any legal or other expense incurred by the Lender in connection with the defense thereof, other than reasonable costs of investigations, subsequent to the control being so assumed.

SECTION 11. NATURE AND SURVIVAL OF REPRESENTATIONS

All statements contained in any certificate, instrument, or document delivered by or on behalf of any of the parties pursuant to this Agreement and the transactions contemplated by this Agreement shall be deemed representations and warranties by the respective parties. All representations and warranties made by the parties, each to the other, in or pursuant to this Agreement shall survive the consummation of the transactions contemplated by this Agreement, notwithstanding any investigation heretofore or hereafter made by either of the parties or on behalf of either of them, and shall expire on the second anniversary of the payment or conversion in full of the Notes.

SECTION 12. ASSIGNMENT

Neither this Agreement nor any right or obligation hereunder shall be assigned by the Corporation without the prior written consent of the Lender. It is expressly understood that there are no restrictions on the transfer or assignment of this Agreement, the Note, the Warrant, or the Security Agreement by the Lender.

SECTION 13. MISCELLANEOUS PROVISIONS

13.1 Further Assurances. The Corporation will, without cost or expense to the Lender, execute and deliver or cause to be executed and delivered to the Lender such further instruments of transfer and conveyance and will take such other action as the Lender may reasonably request to more effectively consummate the transactions contemplated by this Agreement.

13.2 Binding Effect. The provisions of this agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties.

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13.3 Notice. Any notice or other communication required or permitted to be given under this agreement shall be in writing and shall be mailed by certified mail, return receipt requested, postage prepaid, addressed to the parties at the following addresses.

Corporation:

Attention: Chief Financial Officer
FitnessAge, Inc.
4250 Executive Square, Suite 101
La Jolla, California 92037

Lender:

Natural Alternatives International, Inc.
1185 Linda Vista Drive
San Marcos, California 92069
Attention: Chief Financial Officer

with a copy to:

David A. Fisher
Fisher Thurber LLP
4225 Executive Square, Suite 1600
La Jolla, California 92037

All notices and other communications shall be deemed to be given at the expiration of three days after the date of mailing. The address of a party to which notices or other communications shall be mailed may be changed from time to time by giving written notice to the other parties.

13.4 Litigation Expense. In the event of a default under this agreement, the defaulting party shall reimburse the nondefaulting party or parties for all costs and expenses reasonably incurred by the nondefaulting party or parties in connection with the default, including, without limitation, attorney's fees. Additionally, in the event a suit or action is filed to enforce this agreement or with respect to this agreement, the prevailing party or parties shall be reimbursed by the other party for all costs and expenses incurred in connection with the suit or action, including, without limitation, reasonable attorney's fees at the trial level and on appeal.

13.5 Waiver. No waiver of any provision of this agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

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13.6 Applicable Law. This agreement shall be governed by and shall be construed in accordance with the laws of the state of Delaware.

13.7 Entire Agreement. This Agreement, together with the Notes and the Security Agreement constitute the entire agreement between the parties pertaining to their subject matter, and supersede all prior contemporaneous agreements, representations, and understandings of the parties. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by all parties.

Corporation:	Lender:
FitnessAge, Inc. a Nevada corporation	Natural Alternatives International, Inc. a Delaware corporation

By: /s/ David G. Forster	By: /s/ Mark A. LeDoux
David G. Forster,	Mark A. LeDoux,
Chief Financial Officer	Chief Executive Officer

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EXHIBIT 10.4

FIRST AMENDMENT TO

LOAN AGREEMENT

AND SECURITY AGREEMENT

BY AND BETWEEN

FITNESSAGE, INC.

AND

NATURAL ALTERNATIVES INTERNATIONAL, INC.

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FIRST AMENDMENT
TO
LOAN AGREEMENT AND SECURITY AGREEMENT

This First Amendment to Loan Agreement and Security Agreement effective this 6th day of December, 1999, amends that certain Loan Agreement and Security Agreement dated November 11, 1999, by and between FitnessAge, Inc., a Nevada corporation ("Corporation") and Natural Alternatives International, Inc. a Delaware corporation ("Lender").

The parties to the Loan Agreement wish to amend Sections 2, 3.2 and 6.8 of the above referenced Loan Agreement to read as follows:

SECTION 2. SECURITY

As security for the performance and payment of all obligations and indebtedness of the Corporation to the Lender, the Corporation agrees that at all times prior to the performance and payment of all such obligations and indebtedness, the Lender shall have a perfected security interest, superior to all other liens in all the rights, title, and interest of the Corporation in Custom Nutrition, LLC, a Delaware limited liability company, including, without limitation, rights held by the Corporation as a member, manager or creditor of Custom Nutrition, LLC, as well as the allocable interest of the Corporation in any amount received by Custom Nutrition, LLC from the Corporation as contribution to Custom Nutrition LLC by the Corporation of proceeds received by the Corporation from Bally Total Fitness Holding Corporation or its affiliates (Bally") pursuant to Section 6.8 hereinbelow, whether such interests are now owned or hereafter acquired and wherever the same may be located, and shall include the proceeds, products, and accessories of any kind to any thereof. The interests described above are referred to herein as the "Collateral". In this connection, the Corporation has executed and delivered to the Lender concurrently herewith the Security Agreement attached hereto and incorporated herein by this reference ("Security Agreement").

3.2 Subsequent Loan Funding. Upon the later of (i) November 23, 1999 or (ii) satisfaction or waiver by the Lender of each of the conditions set forth in Section 9 of this Agreement, the Lender shall deliver to the Corporation funds in the amount of $350,000, less expenses of Lender including its legal fees incurred in connection herewith. If the conditions set forth in Section 9 of this Agreement are not satisfied, or waived by Lender (in its sole discretion) by December 6, 1999, the amounts due under the Note(s) shall be all due and payable and the Corporation shall be in default of this Agreement.

6.8 Operation of Custom Nutrition, LLC. During the term of the Loan and as additional consideration for Lender entering into the Loan, Corporation shall contribute to Custom Nutrition LLC all revenue Corporation receives from Bally in connection with the distribution offer or sale by Bally of nutritional products, and Corporation will take all action necessary or appropriate in connection with the operation of Custom Nutrition, LLC to cause 40% of such amounts to be

distributed and paid to Lender. In addition Corporation agrees to take all action necessary or appropriate in connection with the operation of Custom Nutrition, LLC to cause the remaining 60% of such amounts to be deposited in an escrow account of Custom Nutrition, LLC for the benefit of Lender to be held as Collateral for the performance by the Corporation of its obligations pursuant to the terms of this Agreement, the Notes and the Security Agreement. Upon payment in full of all amounts due under the Loan Corporation and Lender shall take all action necessary or appropriate in connection with the operation of Custom Nutrition, LLC to cause any remaining portion of funds in the escrow to be distributed and paid to Corporation.

The parties to the above referenced Security Agreement wish to amend Section 1(i) to read as follows:

1. Definitions of Terms Used Herein.

(i) "Bally Proceeds" shall mean all of the gross receipts of the Corporation from Bally Total Fitness Holding Corporation or its affiliates ("Bally") in connection with or resulting from the offer sale and distribution by Bally of nutritional products, which amount Debtor has undertaken to cause to be contributed and transferred to Custom Nutrition, LLC, and 60% of which funds Debtor has undertaken to cause Custom Nutrition LLC to place in an escrow account, the contents of which account are to be held as security for the amounts to become due and owing on the Notes (as defined below) pursuant to this Agreement and the Loan Agreement between Debtor and Secured Party dated November 11, 1999 (the "Loan Agreement"), a copy of which is incorporated herein by this reference.

All remaining terms of both the Loan Agreement and the Security Agreement remain in full force and effect.

Corporation:	Lender:
FitnessAge, Inc. a Nevada corporation	Natural Alternatives International, Inc. a Delaware corporation
By: /s/ Michael L. Jeub Michael L. Jeub, President	By: /s/ Mark A. LeDoux Mark A. LeDoux, Chief Executive Officer

EXHIBIT 10.5

NEITHER THIS PROMISSORY NOTE NOR THE COMMON SHARES INTO WHICH IT IS CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAW. THE COMPANY WILL NOT TRANSFER THIS PROMISSORY NOTE OR THE UNDERLYING COMMON SHARES UNLESS: (i) THERE IS AN EFFECTIVE REGISTRATION COVERING SUCH PROMISSORY NOTE OR SUCH COMMON SHARES, AS THE CASE MAY BE, UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS, OR (ii) IT FIRST RECEIVES A LETTER FROM AN ATTORNEY, ACCEPTABLE TO THE BOARD OF DIRECTORS OR ITS AGENTS, STATING THAT IN THE OPINION OF THE ATTORNEY THE PROPOSED TRANSFER IS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND UNDER ALL APPLICABLE STATE SECURITIES LAWS.

FITNESSAGE, INC.

CONVERTIBLE SECURED PROMISSORY NOTE

NOVEMBER 11, 1999

FOR VALUE RECEIVED, FitnessAge, Inc., a Nevada corporation ("Company"), promises to pay to the order of Natural Alternatives International, Inc., a Delaware corporation, or any subsequent holder of this Convertible Secured Promissory Note ("Note") hereinafter collectively referred to as the "Holder," payable at the Holder's offices at 1185 Linda Vista Drive, San Marcos, California 92069, or such other place as may be designated in writing by notice to the Company from the Holder, the principal sum of $400,000.00 receipt of which is acknowledged, with interest thereon during the period that any portion of the principal balance due under this Note remains unpaid and outstanding at the rate of Twelve Percent (12%) per annum, compounded monthly. The principal hereof, together with all accrued and unpaid interest, shall be paid in full on or before November 10, 2000.

1. WAIVER

The Company and any and each other person or entity liable for the payment or collection of this Note expressly waives demand and presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, bringing of suit and diligence in taking any action to collect amounts called for under this Note and in the handling of property at any time existing as security in connection with this Note, and shall be directly and primarily liable for the payment of all sums owing and to be owing on this Note, regardless of and without any notice, diligence, act or omission as or with respect to the collection of any amount called for under this Note or in connection with

any right, lien, interest or property at any and all times had or existing as security for any amount called for under this Note.

2. COSTS OF COLLECTION

The Company agrees to pay all reasonable costs, including reasonable attorneys' fees, incurred by the Holder in collecting or enforcing payment of this Note in accordance with its terms.

3. NO SUBORDINATION

(a) This Note shall, to the extent and in the manner hereinafter set forth be subject in all cases to the provisions of any subordination agreement between the holder(s) of other indebtedness of the Company and the Holder, and otherwise shall be of first priority and shall not at any time be subordinated or subject in right of payment to the prior payment of any other indebtedness of the Company, whether now existing or hereafter created, with the sole exception

of the $1.6 million in loans due in December 1999.

(b) No payment on account of principal, premium, if any, or interest on any other indebtedness of the Company shall be made if, at the time of such payment or immediately after giving effect thereto: (i) there shall exist a default in the payment of principal, premium, if any, or interest with respect to this Note, or (ii) there shall have occurred an event of default with respect to any other indebtedness, or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity of such other indebtedness, and such event of default shall not have been cured or waived or shall not have ceased to exist.

(c) Upon: (i) any acceleration of the principal amount due on this Note; or (ii) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding up or total or partial liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal, premium, if any, and interest due or to become due upon this Note shall first be paid in full, or payment thereof provided for in money or money's worth, before any other creditor of the Company shall be entitled to retain any assets so paid or distributed in respect to such other debt (for principal, premium, if any, or interest); and upon any such dissolution or winding up or liquidation or reorganization or any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the holder of any other indebtedness would be entitled, except for these provisions, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making

such payment or distribution, or by such other creditor if received by it, directly to the Holder(s) of this Note or their representatives, to the extent necessary to pay this Note in full.

4. VOLUNTARY CONVERSION

(a) The Holder shall have the right, at the Holder's option exercisable at any time to convert this Note into such number of fully paid and nonassessable shares of Common Stock (subject to adjustment as set forth below) as shall be obtained by dividing the principal amount outstanding hereunder, plus any accrued but unpaid interest, by the Conversion Price (as hereinafter defined). The Conversion Price shall be equal to the lesser of (i) $1.00 per share or (ii) $0.25 above the purchase price of a share of Common Stock sold by the Company in the aggregate amount of $500,000 provided such sale is on or before January 31, 2000, or if the event described in this section 4(a)(ii) does not occur then the Conversion Price shall be $0.75 per share.

(b) The Conversion Price shall be adjusted from time to time as follows:

(i) In case the Company shall hereafter (A) subdivide its outstanding shares of Common Stock into a greater number of shares; (B) combine its outstanding shares of Common Stock into a smaller number of shares; or (C) issue by reclassification of its Common Stock any shares of capital stock of the Company, the Conversion Price in effect immediately prior to such action shall be adjusted so the Holder shall be entitled to receive the number of shares of Common Stock or other capital stock of the Company which it would have owned immediately following such action had this Note been converted immediately prior thereto. An adjustment made pursuant to this subsection (i) shall become retroactively effective as of immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification. If, as a result of an adjustment made pursuant to this subsection (i), the Holder shall become entitled to receive shares of two or more classes or series of capital stock, the Board of Directors of the Company, in good faith (whose determination shall be conclusive and shall be described in a notice given to the Holder) shall determine for accounting purposes the allocation of the adjusted Conversion Price between or among shares of such classes of capital stock or shares of Common Stock and other capital stock.

(ii) In case the Company shall hereafter issue options, rights or warrants to holders of its outstanding shares of Common Stock generally entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase shares of Common Stock at a price per share less than the Conversion Price on the record

date mentioned below, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of such options, rights or warrants by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such options, rights or warrants plus the number of shares which the aggregate offering price of the total number of shares of Common Stock offered pursuant to such options, rights or warrants would purchase at such current Conversion Price per share of Common Stock, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such options, rights or warrants, plus the number of additional shares of Common Stock offered for subscription or purchase pursuant to such options, rights or warrants. Such adjustment shall become retroactively effective as of immediately after the record date for the determination of stockholders entitled to receive such options, rights or warrants.

(iii) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% of such price; provided, however, that any adjustments which by reason of this subsection (iii) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

(iv) In the event that at any time as a result of an adjustment made pursuant to subsection (i) above, the Holder shall become entitled to receive any shares of the Company other than shares of Common Stock, thereafter the Conversion Price of such other shares so receivable upon conversion of this Note shall be subject to readjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provision with respect to Common Stock contained in this Note.

(v) No adjustment in the Conversion Price need be made under subsection (ii), if the Company issues or distributes to the Holder the shares, rights, options, or warrants referred to in such subsection that the Holder would have been entitled to receive had the Note been converted prior to the happening of such event or the record date with respect thereto.

(c) If at any time the Company shall be recapitalized by reclassifying its outstanding Common Stock into shares with a par value, if the Company or a successor corporation shall consolidate or merge with or convey all or substantially all of its or of any successor corporation's property and assets to any other corporation or corporations, or if the Company or a successor corporation shall distribute Common Stock or other assets pursuant to, without limitation, any spin-off, split-off or other distribution of assets, the Holder shall thereafter have the right to receive

upon the basis and on the terms and conditions specified in this Note in lieu of the Common Stock theretofore issuable upon the conversion of this Note, such shares, securities or assets as may be issued or payable with respect to, or in exchange for, the number of shares of Common Stock theretofore issuable upon the conversion of this Note had such conversion taken place immediately prior to such recapitalization, consolidation, merger, conveyance or distribution.

(d) If at any time the Company shall dissolve, liquidate or wind up its affairs, the Holder may thereafter receive upon conversion hereof in lieu of each share of Common Stock that it would have been entitled to receive the same kind and amount of any securities or assets as may be issuable, distributable or payable upon any such dissolution, liquidation or winding up with respect to each share of Common Stock.

(e) In the event (i) the Company shall issue any shares of Common Stock, options or rights to subscribe for shares of Common Stock, or any securities convertible into or exchangeable for shares of Common Stock, (ii) the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend payable otherwise than in cash or any other distribution in respect to the Common Stock pursuant to, without limitation, any spin-off, split-off or distribution of the Company's assets, or (iii) the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to subscribe for or purchase any shares of any class or to receive any other rights; or (iv) of any reclassification or other reorganization or recapitalization of the shares which the Company is authorized to issue, consolidation or merger of the Company with or into another corporation, or conveyance of all of substantially all of the assets of the Company; then, and in such event, the Company shall send to the Holder, at least 30 days prior thereto, a notice stating the date or expected date on which such event is to take place. Such notice shall specify the date or expected date if any is to be fixed, as of which holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, reorganization, consolidation or merger, as the case may be.

(f) The Company will at all times reserve and keep available out of its authorized shares, solely for issuance upon the conversion of this Note, such number of shares of Common Stock as from time to time shall be issuable upon the conversion of this Note.

(g) In order to exercise the conversion privilege, the Holder shall deliver this Note to the Company accompanied by a written request for conversion executed by the Holder. Such conversion shall be deemed to have been effected immediately prior to the close of business on the day on which such conversion request and Note shall have been received by the Company, and at such time the rights of the Holder to receive principal and interest shall cease, and the Holder shall be treated for all purposes as the record holder of such Common Stock at such time. As promptly as practicable after the receipt of such conversion request and this Note, the Company shall cause to be issued and

delivered to the Holder a certificate or certificates for the number of shares of Common Stock issuable upon conversion of this Note. Such certificate or certificates shall bear such legends required, in the opinion of counsel for the Company, under applicable securities law.

(h) It is specifically agreed that this Note may be converted in part only by the Holder and upon such conversion in part, the Company will deliver to the Holder another Note in this form for the proportionate part of this Note not converted.

(i) No fractional shares of Common Stock will be issued in connection with any conversion under this Note, but in lieu of such fractional shares, the Company shall make a cash refund therefor equal in amount to the product of the applicable fraction multiplied by the Conversion Price then in effect.

(j) The Holder and all holders of shares of Common Stock issued upon conversion of this Note ("Conversion Shares") are entitled to certain rights to registration of such Conversion Shares by the Company under an Investor Rights Agreement. Reference is made to the Investor Rights Agreement for a more complete statement of the registration rights of the Holder and the holders of Conversion Shares. Copies of the Investor Rights Agreement are on file at the office of the Company.

5. OPTIONAL PREPAYMENT

This Note is pre-payable at any time upon thirty (30) days written

notice, in whole or in part, by the Company without penalty provided, however, that upon notice of prepayment by the Company, Natural Alternatives International, Inc. or Holder shall have 30 days after the receipt of notice herein, to exercise their conversion privileges as set forth herein, including under the heading "Voluntary Conversion." Prepayments shall be applied first to accrued but unpaid interest and then to principal.

6. AMENDMENT

This Note may not be amended in any respect except by a written agreement executed by the person to be charged with the amendment.

7. SECURITY

This Note is secured by all of the rights title and interest of the Company in Custom Nutrition, LLC, a Delaware limited liability company, including without limitation any interest of the Company as a Manager, Member or creditor of Custom Nutrition, LLC and the Company's allocable share of all gross revenue received by Custom Nutrition, LLC from Bally Total Fitness

Holding Corporation or its affiliates as set forth in the Loan Agreement between the parties hereto, dated November 11, 1999, and shall include the proceeds, products and accessories of any kind to any thereof, pursuant to and with the priorities referenced in the Security Agreement executed by the Company of even date herewith.

8. APPLICABLE LAW

This Note shall be governed by and construed and enforced in accordance with the laws of the State of Delaware. It is the intention of the Company and Holder to conform strictly to the usury laws now in force in any the state whose laws may apply to this transaction. Accordingly, notwithstanding anything to the contrary in this Note or in any instrument securing the same, it is agreed that if a court of competent jurisdiction applies the laws of any state other than Delaware in construing this Note or the enforcement thereof, then in that event the aggregate of all charges that constitute interest under the laws of that state that are contracted for, chargeable or receivable under this Note or any other such instrument shall under no circumstances exceed the maximum amount of interest permitted by laws of that state, and any excess, whether occasioned by acceleration of maturity of this Note or otherwise, shall be deemed a mistake in calculation and canceled automatically and, if theretofore paid, shall be either refunded to the Company or credited on the principal amount of this Note, at the election of the Holder.

DATED: November 11, 1999

FitnessAge, Inc.,
a Nevada corporation

By: /s/ Michael L. Jeub

Michael L. Jeub, President

By: /s/ David G. Forster

David G. Forster, Chief Financial Officer

EXHIBIT 10.6

NEITHER THIS PROMISSORY NOTE NOR THE COMMON SHARES INTO WHICH IT IS CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAW. THE COMPANY WILL NOT TRANSFER THIS PROMISSORY NOTE OR THE UNDERLYING COMMON SHARES UNLESS: (i) THERE IS AN EFFECTIVE REGISTRATION COVERING SUCH PROMISSORY NOTE OR SUCH COMMON SHARES, AS THE CASE MAY BE, UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS, OR (ii) IT FIRST RECEIVES A LETTER FROM AN ATTORNEY, ACCEPTABLE TO THE BOARD OF DIRECTORS OR ITS AGENTS, STATING THAT IN THE OPINION OF THE ATTORNEY THE PROPOSED TRANSFER IS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND UNDER ALL APPLICABLE STATE SECURITIES LAWS.

FITNESSAGE, INC.

CONVERTIBLE SECURED PROMISSORY NOTE

DECEMBER 6, 1999

FOR VALUE RECEIVED, FitnessAge, Inc., a Nevada corporation ("Company"), promises to pay to the order of Natural Alternatives International, Inc., a Delaware corporation, or any subsequent holder of this Convertible Secured Promissory Note ("Note") hereinafter collectively referred to as the "Holder," payable at the Holder's offices at 1185 Linda Vista Drive, San Marcos, California 92069, or such other place as may be designated in writing by notice to the Company from the Holder, the principal sum of $350,000.00 receipt of which is acknowledged, with interest thereon during the period that any portion of the principal balance due under this Note remains unpaid and outstanding at the rate of Twelve Percent (12%) per annum, compounded monthly. The principal hereof, together with all accrued and unpaid interest, shall be paid in full on or before November 10, 2000.

1. WAIVER

The Company and any and each other person or entity liable for the payment or collection of this Note expressly waives demand and presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, bringing of suit and diligence in taking any action to collect amounts called for under this Note and in the handling of property at any time existing as security in connection with this Note, and shall be directly and primarily liable for the payment of all sums owing and to be owing on this Note, regardless of and without any notice, diligence, act or omission as or with respect to the collection of any amount called for under this Note or in connection with

any right, lien, interest or property at any and all times had or existing as security for any amount called for under this Note.

2. COSTS OF COLLECTION

The Company agrees to pay all reasonable costs, including reasonable attorneys' fees, incurred by the Holder in collecting or enforcing payment of this Note in accordance with its terms.

3. NO SUBORDINATION

(a) This Note shall, to the extent and in the manner hereinafter set forth be subject in all cases to the provisions of any subordination agreement between the holder(s) of other indebtedness of the Company and the Holder, and otherwise shall be of first priority and shall not at any time be subordinated or subject in right of payment to the prior payment of any other indebtedness of the Company, whether now existing or hereafter created, with the sole exception of the $1.6 million in loans due in December 1999.

(b) No payment on account of principal, premium, if any, or interest on any other indebtedness of the Company shall be made if, at the time of such payment or immediately after giving effect thereto: (i) there shall exist a default in the payment of principal, premium, if any, or interest with respect to this Note, or (ii) there shall have occurred an event of default with respect to any other indebtedness, or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity of such other indebtedness, and such event of default shall not have been cured or waived or shall not have ceased to exist.

(c) Upon: (i) any acceleration of the principal amount due on this Note; or (ii) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding up or total or partial liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal, premium, if any, and interest due or to become due upon this Note shall first be paid in full, or payment thereof provided for in money or money's worth, before any other creditor of the Company shall be entitled to retain any assets so paid or distributed in respect to such other debt (for principal, premium, if any, or interest); and upon any such dissolution or winding up or liquidation or reorganization or any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the holder of any other indebtedness would be entitled, except for these provisions, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, or by such other creditor if received by it, directly to the Holder(s) of this Note or their representatives, to the extent necessary to pay this Note in full.

4. VOLUNTARY CONVERSION

(a) The Holder shall have the right, at the Holder's option exercisable at any time to convert this Note into such number of fully paid and nonassessable shares of Common Stock (subject to adjustment as set forth below) as shall be obtained by dividing the principal amount outstanding hereunder, plus any accrued but unpaid interest, by the Conversion Price (as hereinafter defined). The Conversion Price shall be equal to the lesser of (i) $1.00 per share or (ii) $0.25 above the purchase price of a share of Common Stock sold by the Company in the aggregate amount of $500,000 provided such sale is on or before January 31, 2000, or if the event described in this section 4(a)(ii) does not occur then the Conversion Price shall be $0.75 per share.

(b) The Conversion Price shall be adjusted from time to time as follows:

(i) In case the Company shall hereafter (A) subdivide its outstanding shares of Common Stock into a greater number of shares; (B) combine its outstanding shares of Common Stock into a smaller number of shares; or (C) issue by reclassification of its Common Stock any shares of capital stock of the Company, the Conversion Price in effect immediately prior to such action shall be adjusted so the Holder shall be entitled to receive the number of shares of Common Stock or other capital stock of the Company which it would have owned immediately following such action had this Note been converted immediately prior thereto. An adjustment made pursuant to this subsection (i) shall become retroactively effective as of immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification. If, as a result of an adjustment made pursuant to this subsection (i), the Holder shall become entitled to receive shares of two or more classes or series of capital stock, the Board of Directors of the Company, in good faith (whose determination shall be conclusive and shall be described in a notice given to the Holder) shall determine for accounting purposes the allocation of the adjusted Conversion Price between or among shares of such classes of capital stock or shares of Common Stock and other capital stock.

(ii) In case the Company shall hereafter issue options, rights or warrants to holders of its outstanding shares of Common Stock generally entitling them (for a period expiring within 45 days after the record

date mentioned below) to subscribe for or purchase shares of Common Stock at a price per share less than the Conversion Price on the record date mentioned below, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of such options, rights or warrants by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such options, rights or warrants plus the number of shares which the aggregate offering price of

the total number of shares of Common Stock offered pursuant to such options, rights or warrants would purchase at such current Conversion Price per share of Common Stock, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such options, rights or warrants, plus the number of additional shares of Common Stock offered for subscription or purchase pursuant to such options, rights or warrants. Such adjustment shall become retroactively effective as of immediately after the record date for the determination of stockholders entitled to receive such options, rights or warrants.

(iii) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% of such price; provided, however, that any adjustments which by reason of this subsection (iii) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

(iv) In the event that at any time as a result of an adjustment made pursuant to subsection (i) above, the Holder shall become entitled to receive any shares of the Company other than shares of Common Stock, thereafter the Conversion Price of such other shares so receivable upon conversion of this Note shall be subject to readjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provision with respect to Common Stock contained in this Note.

(v) No adjustment in the Conversion Price need be made under subsection (ii), if the Company issues or distributes to the Holder the shares, rights, options, or warrants referred to in such subsection that the Holder would have been entitled to receive had the Note been converted prior to the happening of such event or the record date with respect thereto.

(c) If at any time the Company shall be recapitalized by reclassifying its outstanding Common Stock into shares with a par value, if the Company or a successor corporation shall consolidate or merge with or convey all or substantially all of its or of any successor corporation's property and assets to any other corporation or corporations, or if the Company or a successor corporation shall distribute Common Stock or other assets pursuant to, without limitation, any spin-off, split-off or other distribution of assets, the Holder shall thereafter have the right to receive upon the basis and on the terms and conditions specified in this Note in lieu of the Common Stock theretofore issuable upon the conversion of this Note, such shares, securities or assets as may be issued or payable with respect to, or in exchange for, the number of shares of Common Stock theretofore issuable upon the conversion of this Note had such conversion taken place immediately prior to such recapitalization, consolidation, merger, conveyance or distribution.

(d) If at any time the Company shall dissolve, liquidate or wind up its affairs, the Holder may thereafter receive upon conversion hereof in lieu of each share of Common Stock that it would have been entitled to receive the same kind and amount of any securities or assets as may be issuable, distributable or

payable upon any such dissolution, liquidation or winding up with respect to each share of Common Stock.

(e) In the event (i) the Company shall issue any shares of Common Stock, options or rights to subscribe for shares of Common Stock, or any securities convertible into or exchangeable for shares of Common Stock, (ii) the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend payable otherwise than in cash or any other distribution in respect to the Common Stock pursuant to, without limitation, any spin-off, split-off or distribution of the Company's assets, or (iii) the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to subscribe for or purchase any shares of any class or to receive any other rights; or (iv) of any reclassification or other reorganization or recapitalization of the shares which the Company is authorized to issue, consolidation or merger of the Company with or into another corporation, or conveyance of all of substantially all of the assets of the Company; then, and in such event, the Company shall send to the Holder, at least 30 days prior thereto, a notice stating the date or expected date on which such event is to take place. Such notice shall specify the date or expected date if any is to be fixed, as of which holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, reorganization, consolidation or merger, as the case may be.

(f) The Company will at all times reserve and keep available out of its authorized shares, solely for issuance upon the conversion of this Note, such number of shares of Common Stock as from time to time shall be issuable upon the conversion of this Note.

(g) In order to exercise the conversion privilege, the Holder shall deliver this Note to the Company accompanied by a written request for conversion executed by the Holder. Such conversion shall be deemed to have been effected immediately prior to the close of business on the day on which such conversion request and Note shall have been received by the Company, and at such time the rights of the Holder to receive principal and interest shall cease, and the Holder shall be treated for all purposes as the record holder of such Common Stock at such time. As promptly as practicable after the receipt of such conversion request and this Note, the Company shall cause to be issued and delivered to the Holder a certificate or certificates for the number of shares of Common Stock issuable upon conversion of this Note. Such certificate or certificates shall bear such legends required, in the opinion of counsel for the Company, under applicable securities law.

(h) It is specifically agreed that this Note may be converted in part only by the Holder and upon such conversion in part, the Company will deliver to the Holder another Note in this form for the proportionate part of this Note not converted.

(i) No fractional shares of Common Stock will be issued in connection with any conversion under this Note, but in lieu of such fractional shares, the Company shall make a cash refund therefor equal in amount to the product of the applicable fraction multiplied by the Conversion Price then in effect.

(j) The Holder and all holders of shares of Common Stock issued upon conversion of this Note ("Conversion Shares") are entitled to certain rights to registration of such Conversion Shares by the Company under an Investor Rights Agreement. Reference is made to the Investor Rights Agreement for a more complete statement of the registration rights of the Holder and the holders of Conversion Shares. Copies of the Investor Rights Agreement are on file at the office of the Company.

5. OPTIONAL PREPAYMENT

This Note is pre-payable at any time upon thirty (30) days written notice, in whole or in part, by the Company without penalty provided, however, that upon notice of prepayment by the Company, Natural Alternatives International, Inc. or Holder shall have 30 days after the receipt of notice herein, to exercise their conversion privileges as set forth herein, including under the heading "Voluntary Conversion." Prepayments shall be applied first to

accrued but unpaid interest and then to principal.

6. AMENDMENT

This Note may not be amended in any respect except by a written agreement executed by the person to be charged with the amendment.

7. SECURITY

This Note is secured by all of the rights title and interest of the Company in Custom Nutrition, LLC, a Delaware limited liability company, including without limitation any interest of the Company as a Manager, Member or creditor of Custom Nutrition, LLC and the Company's allocable share of all gross revenue received by Custom Nutrition, LLC from Bally Total Fitness Holding Corporation or its affiliates as set forth in the Loan Agreement between the parties hereto, dated November 11, 1999, as amended December 6, 1999, and shall include the proceeds, products and accessories of any kind to any thereof, pursuant to and with the priorities referenced in the Security Agreement executed by the Company of even date herewith.

8. APPLICABLE LAW

This Note shall be governed by and construed and enforced in accordance with the laws of the State of Delaware. It is the intention of the Company and Holder to conform strictly to the usury laws now in force in any the state whose laws may apply to this transaction. Accordingly, notwithstanding anything to the contrary in this Note or in any instrument securing the same, it is agreed that if a court of competent jurisdiction applies the laws of any state other than Delaware in construing this Note or the enforcement thereof, then in that event the aggregate of all charges that constitute interest under the laws of that state that are contracted for, chargeable or receivable under this Note or any other such instrument shall under no circumstances exceed the maximum amount of interest permitted by laws of that state, and any excess, whether occasioned by acceleration of maturity of this Note or otherwise, shall be deemed a mistake in calculation and canceled automatically and, if theretofore paid, shall be either refunded to the Company or credited on the principal amount of this Note, at the election of the Holder.

DATED: December 6, 1999

FitnessAge, Inc.,
a Nevada corporation

By: /s/ Michael L. Jeub

Michael L. Jeub, President

By: /s/ David G. Forster

David G. Forster, Chief Financial Officer

EXHIBIT 10.7

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Agreement") is made on November 11, 1999, between Natural Alternatives International, Inc., a Delaware corporation (referred to as "Secured Party") and FitnessAge, Inc., a Nevada corporation (referred to as "Debtor").

NOW THEREFORE, the parties agree as follows:

1. Definitions of Terms Used Herein.

(i) "Bally Proceeds" shall mean sixty percent (60%) of the gross receipts of Custom Nutrition, LLC from Bally Total Fitness Holding Corporation or its affiliates ("Bally"), which amount Debtor has undertaken to cause to be placed in an escrow account, the contents of which account are to be held as security for the amounts to become due and owing on the Notes (as defined below) pursuant to this Agreement and the Loan Agreement between Debtor and Secured Party dated November 11, 1999 (the "Loan Agreement"), a copy of which is attached hereto and incorporated herein by this reference.

(ii) "LLC Interest" shall mean all of the right title or interest of Debtor in and to Custom Nutrition, LLC, a Delaware limited liability company in whatever form such interest may take, including but not limited to any interest now held or hereafter acquired by Debtor as a member, manager or creditor of Custom Nutrition, LLC.

(iii) "Event of Default" shall mean a failure by Debtor to pay principal or accrued interest when due under any of those certain Convertible Secured Promissory Notes executed by Debtor in favor of Secured Party in the form attached to the Loan Agreement and incorporated herein by reference ("Notes") or failure by Debtor to perform any of its obligations contained in this Agreement, the Notes or the Loan Agreement.

(iv) "Collateral" shall mean (i) the LLC Interest; (ii) Bally Proceeds; and (iii) Proceeds from either of the foregoing.

(v) "Liability" or "Liabilities" shall mean all indebtedness due or to become due, of the Debtor to the Secured Party under the Notes.

(vi) "Proceeds" shall mean whatever is received, including cash, negotiable instruments and other instruments for the payment of money, chattel paper, security agreements or other documents, when any of the Collateral is sold, exchanged, leased, collected or otherwise disposed of, and any instruments, securities, contract rights, general intangibles, credits, claims, dividends and any other property, rights and interest of Debtor.

(vii) "Security Interest" shall mean a lien or other interest in the Collateral which secures payment in full of a Liability or performance of any obligation hereunder continuing in full force and effect until the payment in full of all of the Liabilities.

2. Security Interest. As security for the payment of the Liabilities, the Debtor hereby grants to the Secured Party a Security Interest in all the Collateral and in all ledger sheets, files, records and documents relating to the Collateral. Until payment in full of the Liabilities, the Security Interest in all Collateral hereby shall continue in force and effect.

3. Taxes; Financing Statements. At its option, the Secured Party may discharge taxes, liens or security interest or other encumbrances at any time levied or placed on the Collateral, and may pay for the maintenance and preservation thereof, and the Debtor agrees to reimburse the Secured Party on

demand for any payment made or any expense incurred by the Secured Party on demand for any payment made or any expense incurred by the Secured Party pursuant to the foregoing authorization. The Debtor hereby authorizes the Secured Party to file a financing statement or financing statements on Form UCC-1 and any amendments thereto without the signature of the Debtor. Such authorization is limited to the Security Interest granted by this Security Agreement.

4. Collections. Upon the occurrence of an Event of Default hereunder, the Secured Party shall have the right to receive, endorse, assign and/or deliver in its own name or the name of the Debtor any and all checks, drafts and other instruments for the payment of money relating to the Collateral and the Proceeds and the Debtor hereby waives notices of presentment, protest and nonpayment of any instrument so endorsed. In furtherance of the foregoing, upon the occurrence of an Event of Default hereunder, the Debtor hereby irrevocably appoints the Secured Party its true and lawful agent, with power of substitution for such Debtor's name or in the name of the Secured Party or otherwise, for the use and benefit of the Secured Party: (a) To endorse the name of the Debtor upon any notes, acceptances, checks, drafts, money orders or other evidences of payment that may come into the possession of the Secured Party; (b) To commence and prosecute any and all suits, actions or proceedings in law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or the Proceeds or to enforce any rights in respect thereof; (c) To settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to or pertaining to all or any of the Collateral; and (d) Generally to sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and do all other acts and things necessary to carry out this Security Agreement, as fully and completely as though the Secured Party were the absolute owner thereof for all purposes; provided, however, that, unless an Event of Default shall have occurred, the Debtor may make collections and otherwise may deal with the Collateral (including the Proceeds) in any lawful manner in the ordinary course of its business. The Secured Party shall not be responsible nor liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located regardless of the cause thereof unless the same shall happen through the Secured Party's negligence or wilful misconduct. The costs of collection, notification and enforcement, including counsel fees and out-of-pocket expenses, shall be borne solely by the Debtor whether the same are incurred by the Security Party or the Debtor.

5. Event of Default. If an Event of Default shall occur, the Secured Party may take any or all of the following actions, at the same or different times:

(i) declare any or all of the Liabilities immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding;

(ii) with or without legal process and with or without previous notice or demand for performance, enter any premises where the Collateral is located and take possession of the same, together with anything therein, and make disposition of, or proceed to enforce payment of, the Collateral subject to any and all applicable provisions of law; and/or

(iii) exercise any and all rights and remedies afforded to it under any and all applicable provisions of law or principles of equity.

If the Collateral is sold at public sale, the Secured Party may purchase all or part of the Collateral at such sale. The Secured Party shall apply the proceeds of any such sale as follows: first, to the extent the same have not been paid within 30 days of the invoice therefor, to the payment of all costs and expenses of the Secured Party incurred in connection with such sale or otherwise in connection with this Agreement, the Loan Agreement or any of the Notes including, but not limited to, the reasonable fees and expenses of its agents, attorneys and counsel; second, upon three (3) business days' notice to the Debtor of the Secured Party's intention to make such application, to the payment or reduction of any principal of or interest on the Notes then due and payable, whether at the stated maturity thereof, or by acceleration or

otherwise, and any remainder of the proceeds of such sale shall be paid over to the Debtor.

6. Waiver. The Secured Party shall not be deemed to have waived any rights hereunder under any other agreement, instrument or paper signed by the Secured Party. No delay or omission on the part of the Secured Party in exercising any right hereunder shall operate as a waiver thereof or of any other right. A waiver upon any one occasion shall not be construed as a bar or a waiver of any right or remedy on any future occasion. All of the rights and remedies of the Secured Party, whether evidenced hereby or by any other agreement, instrument or paper, shall be cumulative and may be exercised singly or concurrently.

7. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State of California and shall be construed in accordance with and governed by the laws of said State.

8. Successors and Assigns. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Secured Party in this Agreement shall bind and inure to the benefit of the successors and assigns of the Secured Party.

9. Severability. If any part of this Agreement is contrary to, prohibited by or deemed invalid under applicable laws or regulations, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given effect so far as possible.

10. Execution by the Secured Party. This Agreement shall take effect immediately upon execution by the Debtor, and the execution hereof by the Secured Party shall not be required as a condition to the effectiveness of the Security Agreement. The provision for execution of this Agreement by the Secured Party is only for purposes of filing this Agreement as a Security Agreement under the Uniform Commercial Code, if execution hereof by the Secured Party is required for purposes of such filings.

11. Headings. Sections headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such Section headings are not a part of this Agreement and shall not be used in the interpretation of any provision of this Agreement.

12. Jurisdiction; Service of Process. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the parties only in the courts of the State of California, County of San Diego, or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of California, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the proceeding sentence may be served on any party anywhere in the world.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SECURED PARTY:

Natural Alternatives, International, Inc.,
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. LeDoux, Chief Executive Officer

DEBTOR:

FitnessAge, Inc.,
a Nevada corporation

By: /s/ David G. Forster

David G. Forster, Chief Financial Officer

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EXHIBIT "A"

FORM UCC-1

EXHIBIT 10.8

WARRANT

To Purchase Shares of Common Stock of

FITNESSAGE, INC.

Dated as of November 11, 1999

Issuer:	FitnessAge, Incorporated
To:	Natural Alternatives International, Inc.
Warrant:	Exercisable for 150,000 shares of Common Stock
Expiration Date:	November 11, 2002
Issuance Date:	November 11, 1999

THIS WARRANT CERTIFICATE certifies that Natural Alternatives International, Inc., 1185 Linda Vista Drive, San Marcos, CA 92069, ("Holder"), for the value received is entitled, subject to the terms following, to purchase from FitnessAge, Inc, a Nevada Corporation (the "Company"), 150,000 (the "Shares") fully paid common shares in the Company ("Common Stock") at an exercise price ("Purchase Price") equal to the lesser of: (i) $1.00 per share; or (ii) $0.25 above the purchase price of a share of Common Stock sold by the Company in the aggregate amount of $500,000 when such sale is made on or before January 31, 2000, or if the transaction in this (ii) does not occur, then the Purchase Price shall be $0.75 per share. The exercise of this Warrant and the payment of the Purchase Price therefor shall be made at any time up to and including November 11, 2002. Such exercise of this Warrant becomes effective upon surrender to the Company, at its principal office at 4250 Executive Square, Ste. 101 La Jolla, Ca. 92037 89014, Attention: Treasurer (or at such other location as the Company may advise in writing) of this Warrant properly endorsed with the form of Subscription Agreement attached duly completed and signed with payment in cash, cashiers check or cleared funds into the Company's bank of the aggregate Purchase Price for the number of Shares for which the Warrant is being exercised, or in accordance with the net issuance provisions provided at Section 1(d) herein.

The Purchase Price and the number of shares purchasable under this Warrant are subject to adjustment as provided in Section 3 of this Warrant.

1. Exercise; Issue of Certificates; Payment for Shares

(a) Term and Record Owner. This Warrant is exercisable in the manner set forth above at the option of Holder at any time up to and including November 11, 2002 for all or a portion of the Shares which may be purchased. The Company agrees that the Shares purchased under this Warrant shall be and are deemed to be issued to Holder as the record owner of such Shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such Shares.

Subject to the provisions of Section 2, certificates for the Shares purchased shall be delivered to Holder by the Company's transfer agent at the Company's expense within ten (10) days after the rights represented by this Warrant have been exercised. Each share certificate so delivered shall be in such denominations of shares as requested by Holder and shall be registered in the name of Holder or such other name as shall be designated by Holder, subject to the limitations contained in Sections 1(b) and 2.

b) Compliance with Law. No Shares will be issued pursuant to the exercise of this Warrant unless such issue and exercise complies with all relevant provisions of the law and the requirements of any stock exchange or automated quotation system upon which the Company's shares may then be listed. Assuming such compliance, for income tax purposes, the Shares shall be considered transferred to Holder on the date on which this Warrant is exercised.

c) Issuance of New Certificate. If less than all of the shares which may be purchased under this Warrant are exercised at any time, the Company shall issue, at its expense, a new warrant certificate evidencing the right to purchase the remaining number of shares for which no exercise has been evidenced by this Warrant.

d) Net Issue Election. Holder may elect to convert all or a portion hereof into shares of Common Stock, without the payment of any additional consideration, by the surrender of this Warrant or such portion to Company, with the net issue election notice annexed hereto duly executed, at the principal office of Company. Thereupon, Company shall issue to Holder such number of fully paid and nonassessable shares of Common Stock as is computed using the following formula:

$$X = \frac{Y\ (A-B)}{A}$$

Where X = the number of shares of Common Stock to be issued to the Holder pursuant to this Section 1(d);
Y = Exercise Quantity;
A = the Fair Market Value of one share of Common Stock; and
B = the Purchase Price

e) Fair Market Value. "Fair Market Value" of a share of Common Stock as of a particular date means: (a) if traded on an exchange or quoted on the NASDAQ National Market System, then the average of the closing prices for the five (5) days prior to the date of the Holder's notice of exercise, (b) if conversion or exercise is on a date from the filing of, through to the effective date of, the registration statement for an underwritten public offering registered under the Securities Act, the initial public offering price (before deducting commissions, discounts or expenses) per share sold in such offering, (c) if listed by the National Daily Quotation Service "Pink Sheets," then the average of the most-recently reported bid and ask prices for the ten (10) day period ending two (2) days prior to the day the fair market value is being determined, and (d) otherwise, the price, not less than book value, determined in good faith and in such reasonable manner as prescribed by a majority of Company's Board of Directors; provided, however, that (i) Company will notify Holder of such price within ten business days after Holder provides the Company written notice of its election; (ii) Holder will have ten business days after receipt of such notice to dispute such price by written notice to Company; and (iii) Holder will thereafter appoint an appraiser reasonably acceptable to Company to determine Fair Market Value, the costs of which Company will bear if the appraisal is 110% or more of that determined by the non-employee Directors of the Company.

2. Representations, Warranties and Covenants of the Company.

(a) Reservation of Common Stock. The Common Stock issuable upon exercise of the Warrant has been duly and validly reserved and, when issued in accordance with the provisions of this Warrant, will be validly issued, fully paid and non-assessable, and will be free of any taxes, liens, charges or encumbrances of any nature whatsoever; provided, however, that the Common Stock issuable pursuant to this Warrant may be subject to restrictions on transfer under state and/or Federal securities laws. The Company has made available to the Warrantholder true, correct and complete copies of its Articles and Bylaws, as amended. The issuance of certificates for shares of Common Stock upon exercise of the Warrants shall be made without charge to the Warrantholder for any issuance tax in respect hereof, or other cost incurred by the Company in connection with such exercise. The Company shall not be required to pay any tax which may be payable in respect of any transfer involved the issuance and

delivery of any certificate in a name other than that of the Warrant Holder.

(b) Due Authority. The execution and delivery by the Company of this Warrant and the performance of all obligations of the Company hereunder, including the issuance to Warrantholder of the right to acquire the shares of Common Stock, have been duly authorized by all necessary corporate action on the part of the Company, and this Warrant is not inconsistent with the Company's Articles or Bylaws, does not contravene any law or governmental rule, regulation or order applicable to it, does not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound, and this Warrant constitutes a legal, valid and binding agreement of the Company, enforceable in accordance with its terms.

(c) Consents and Approvals. No consent or approval of giving of notice to, registration with or taking of any other action in respect of any state, Federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Company of its obligations under this Warrant, except for the filing of notices pursuant to Regulation D under the 1933 Act and any filing required by applicable state securities law, which filing will be effective by the time required thereby.

(d) Issued Securities. All issued and outstanding shares of Common Stock, or any other securities of the Company have been duly authorized and validly issued and are fully paid and nonassesable. All outstanding shares of Common Stock and any other securities were issued in full compliance with all Federal and state securities laws. In addition:

(i) The authorized capital of the Company consists of (A) 100,000,000 shares of Common Stock of which 30,206,657 shares are issued and outstanding; and (B) 25,000,000 shares of preferred stock, of which 0 (zero) shares are issued and outstanding.

(ii) The Company has previously reserved 6,182,000 million shares of Common Stock for issuance to employees, consultants and directors pursuant to outstanding options and has reserved 5,002,916 million shares of Common Stock for issuance to employees, consultants and directors pursuant to outstanding warrants. There are no other options, warrants, conversion privileges or other rights presently outstanding to purchase or otherwise acquire any authorized but unissued shares of the Company's capital stock or other securities of the Company.

(iii) In accordance with the Company's Charter, no shareholder of the Company has preemptive rights to purchase the Company's Common Stock subject to this Warrant.

(e) Exempt Transaction. Based on the Warrantholder's representations set forth in Section 4 hereof, the issuance of the Warrant and the Common Stock upon exercise of this Warrant will constitute a transaction exempt from (i) the registration requirements of Section 5 of the 1933 Act, in reliance upon Section 4(2) thereof, and (ii) the qualification requirements of the applicable state securities laws.

(f) Compliance with Rule 144. At the written request of the Warrantholder, who proposes to sell Common Stock issued upon the exercise of the Warrant in compliance with the Rule 144 promulgated by the Securities and Exchange Commission, the Company shall furnish to the Warrantholder, within ten days after receipt of such request, a written statement confirming the Company's compliance with the filing requirements of the Securities and Exchange Commission as set forth in such Rule, as such may be amended from time to time.

3. Adjustment of Share Purchase Price and Number of Shares

The Purchase Price and the number of Shares purchasable upon the exercise of this Warrant shall be subject to adjustment from time to time upon the occurrence of certain events described as follows:

3.1 Subdivision or Combination of Shares

In case the Company at any time a) subdivides its shares on issue into a greater number of shares, or b) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or on any other class of capital stock and not the Common Stock payable in shares of Common Stock, the Purchase Price in effect immediately prior to each subdivision shall be proportionately reduced and the number of shares issued upon exercise of this Warrant shall be proportionately increased.

Conversely, in the case of the Company's shares on issue be combined into a smaller number of shares, the Share Purchase Price in effect immediately prior to such combination shall be proportionately increased and the number of shares issued upon exercise of this Warrant shall be proportionately reduced.

In case of any reclassification of the Common Stock, any consolidation or merger of the Company with or into another person, the sale or transfer of all or substantially all of the assets of the Company or any compulsory share exchange pursuant to which the Common Stock is converted into other securities, cash or property, then the Holder shall have the right thereafter to exercise this Warrant only into the shares of stock and other securities and property receivable upon or deemed to be held by holders of Common Stock following such reclassification, consolidation, merger, sale, transfer or share exchange, and the Holder shall be entitled upon such event to receive such amount of securities or property equal to the amount of Common Stock such Holder would have been entitled to had such Holder exercised this Warrant immediately prior to such reclassification, consolidation, merger, sale, transfer or share exchange. The terms of any such consolidation, merger, sale, transfer or share exchange shall include such terms so as to continue to give to the Holder the right to receive the securities or property set forth in this Section upon any exercise following such consolidation, merger, sale, transfer, or share exchange. This provision shall similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges.

3.2 Notice of Adjustment

Promptly after the adjustment of the Purchase Price for any increase or decrease in the number of Shares purchasable upon exercise of this Warrant, the Company shall give written notice thereof, by first class mail, postage prepaid, addressed to Holder at the address of Holder shown in the books of the Company. The notice shall be signed by an authorized officer of the Company and shall state the effective date of the adjustment and the new Purchase Price resulting from such adjustment and the increase or decrease, if any, in the number of shares purchasable at such price upon the exercise of this Warrant, setting forth in reasonable details the method of calculation and the facts upon which such calculation is based.

4. Investment Representations

By receipt of this Warrant, by its execution and by its exercise in whole or in part, Holder represents to the Company the following:

(i) it is understood that this Warrant and any Shares purchased upon its exercise are securities, the issue of which requires compliance with federal and state securities laws;

(ii) Holder is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire such securities;

(iii) Holder is acquiring these securities for investment only and does not have a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Act"); and

(iv) Holder acknowledges and understands that the securities constitute "restricted securities" under the Act and must be held indefinitely unless they are subsequently registered under the Act or an exemption from such registration is available.

5. Issue Tax

The issue of certificates for Shares upon the exercise of the Warrant shall be made without charge to the holder of the Warrant for any issue tax in respect thereof, provided however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the then holder of the Warrant being exercised.

6. No Voting or Dividend Rights; Limitation of Liability

Nothing contained in this Warrant shall be construed as conferring upon the Holder hereof the right to vote or to consent or to receive notice as a shareholder in respect of meetings of shareholders for the election of directors of the Company or any other matters or any rights whatsoever as a shareholder of the Company. No dividends or interest shall be payable or accrued in respect of this Warrant or the shares purchasable hereunder until, and only to the extent that, this Warrant shall have been exercised. No provisions hereof, in the absence of affirmative action by the holder to purchase Shares, and no mere enumeration herein of the rights or privileges of the holder hereof, shall give rise to any liability of such

holder for the Purchase Price or as a shareholder of the Company whether such liability is asserted by the Company or by its creditors.

7. Transfer and Registration of Securities

7.1 Warrants not Transferable

The Warrants are not transferable in the absence of a registration statement made under the Act with respect to such Warrants, or an exemption therefrom.

7.2 Shares Issued upon Exercise of Warrants Not Transferable

The Shares issued to Holder upon exercise of the Warrants shall not be transferable until such time as there exists an effective registration statement with respect to those Shares under the Act, or there exists an exemption from registration.

7.3 Restrictive Legend on Shares Issued

In the absence of registration under the Act or an exemption therefrom as contemplated by Section 7.2, each certificate representing the Shares or any other securities issued in respect of the Shares, shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required under applicable state securities laws):

> THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER THE SECURITIES NOR ANY INTEREST THEREIN MAY, IN THE ABSENCE OF REGISTRATION OR AN EXEMPTION THEREFROM UNDER THE SAID ACT OR SUCH LAWS, BE TRANSFERRED.

7.4 Registration Rights

All shares of Common Stock issuable upon exercise of this Warrant shall be "Registrable Securities" or such other definition of securities entitled to registrable rights pursuant to the Investor Rights Agreement dated November 11, 1999, by and among the Company and the Holder.

8. Modification and Waiver

This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought.

9. Notices

Any notice, request or other document required or permitted to be given or delivered to the holder hereof or the Company shall be sent by certified or registered mail, postage prepaid, to each such holder at the address shown in the books of the Company or to the Company at the address indicated therefore in the first paragraph of the Warrant Certificate.

10. Descriptive Headings and Governing Law

The descriptive headings of the several sections and paragraphs of this Warrant are inserted for convenience only and do not constitute a part of this Warrant. This Warrant shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of California without reference to the principles of conflicts of laws.

11. Lost Warrants or Share Certificates

The Company represents and warrants to Holder that upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Warrant or Share certificate representing the Warrant Shares and in the case of any such loss, theft, destruction or mutilation, upon receipt of an indemnity and, if requested, bond reasonably satisfactory to the Company, or in the case of any such mutilation, upon surrender and cancellation of such Warrant or share certificate, the Company at its expense will make and deliver a new Warrant or Share certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or Share certificate.

12. Attorney's Fees

In any litigation, arbitration or court proceeding between the Company and the Warrant Holder relating hereto, the prevailing party shall be entitled to attorneys' fees and expenses and all costs of proceedings incurred in enforcing this Warrant.

13. Counterparts

This Warrant may be executed in tow or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14. Remedies

In the event of any default hereunder, the non-defaulting party may proceed to protect and enforce its rights either by suit in equity an/or by action at law, including but not limited to an action for damages as a result of any such default, and/or an action for specific performance for any default where Warrant Holder will not have an adequate remedy at law and where damages will not be readily ascertainable.

15. Survival

The representations, warranties, covenants and conditions of the respective parties contained herein or made pursuant to this Warrant shall survive the execution and delivery of this Warrant.

16. Severability

In the event any one or more of the provisions of this Warrant shall for any reason be held invalid, illegal or unenforceable, the remaining provisions of this Warrant shall be unimpaired, and the invalid, illegal

or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision, which comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision.

17. No Impairment

Company will not, by amendment of its Articles or through any reclassification, capital reorganization, consolidation, merger, sale or conveyance of assets, dissolution, liquidation, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance of performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of Holders.

18. Warrant Holder Registry

The Company shall maintain a registry showing the name and address of the registered holders of this Warrant.

IN WITNESS WHEREOF, the said corporation has caused this certificate to be signed its duly authorized officers.

/s/ Michael L. Jeub	/s/ David G. Forster
Michael L. Jeub, President	David G. Forster, Chief Financial Officer

Warrant
Exercise Subscription Form

To be completed and submitted to FitnessAge to exercise the Warrant.

To: FitnessAge, Inc.
4250 Executive Square, Ste 101
La Jolla, Ca. 92037
USA

Attention: Secretary and Treasurer

Natural Alternatives International, Inc., the holder of a Warrant to purchase 150,000 shares of Common Stock, hereby irrevocably elects to exercise the purchase right represented by such Warrant and therefore purchases _____ common shares of FitnessAge, Inc. (the "Company") at $_____ per share for a total consideration of

_____ Dollars ($_____).

<<Company>> requests that the certificates for the shares being acquired be issued as follows:

Name on Certificate: _____

Delivery address: _____

_____

_____

_____

If the exercise of this Warrant is not covered by a registration statement effective under the Securities Act of 1933, as amended (the "Securities Act"), Natural Alternatives International, Inc. represents that:

(i) Natural Alternatives International, Inc. is acquiring the Shares for investment and is not acting as nominee or agent requiring the later distribution of the Shares and Natural Alternatives International, Inc. has not assigned or otherwise arranged for the selling, granting any participation in or otherwise distributing the same;

(ii) Natural Alternatives International, Inc. has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Company's shares;

(iii) Natural Alternatives International, Inc. has received all of the information that was requested from the Company and considers it necessary or appropriate for deciding whether to purchase the shares;

(iv) Natural Alternatives International, Inc. has the ability to bear the economic risks of the prospective investment;

(v) Natural Alternatives International, Inc. is able, without material financial impact, to hold the shares for an indefinite period of time and can suffer complete loss of the investment;

(vi) Natural Alternatives International, Inc. understands and agrees that the investment may not be able to be easily liquidated and the shares must be held indefinitely unless a subsequent disposition thereof is registered or qualified under the Securities Act and applicable state securities or Blue Sky laws or is exempt from such registration or qualification, and that the Company is not required to register the same or to take any action or make such an exemption available except to the extent provided by the Warrant.

(vii) Natural Alternatives International, Inc. is either (A) familiar with the definition of and is an "accredited investor' within the meaning under Rule 501 of Regulation D promulgated under the Securities Act, or (B) is providing representations and warranties reasonably satisfactory to the Company and its counsel, to the effect that the sale and issue of shares upon exercise the Warrant may be made without registration under the Securities Act or any applicable state securities and Blue Sky laws; and

(viii) the address set forth is the true and correct address of Natural Alternatives International, Inc.

_____
DATED

_____
SIGNATURE

_____
NAME

_____
NAME OF OWNERSHIP ENTITY (if applicable)

NET ISSUE ELECTION NOTICE

To: _____ Date: _____

the undersigned hereby elects under Section 1(d) to surrender the right to purchase _____ Warrant Shares pursuant to this Warrant. The certificate(s) for such shares issuable upon such net issue election shall be issued in the name of the undersigned or as otherwise indicated below:

_____
Signature

_____
Name for Registration

_____
Mailing Address

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TRANSFER NOTICE

(To transfer or assign the foregoing Warrant execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby transferred and assigned to_____

_____
(Please Print)

whose address is _____

Dated: _____

Holder's Signature: _____

Holder's Address: _____

_____
Signature

Guaranteed:_____

NOTE: The signature to this Transfer Notice must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

EXHIBIT 10.9

INVESTOR RIGHTS AGREEMENT

This INVESTOR RIGHTS AGREEMENT is made as of November 11, 1999, by and among FitnessAge, Inc., a Nevada corporation (the "Company") and Natural Alternatives International, Inc., a Delaware corporation (the "Investor").

RECITALS

WHEREAS, the Company proposes to borrow a total of $750,000 in two tranches from the Investor pursuant to Convertible Promissory Notes ("Notes") and Loan Agreement (collectively "Notes and Loan Agreement") of even date herewith;

WHEREAS, the Company proposes to issue a Warrant to purchase 150,000 shares of common stock of the Company ("Warrant") to Investor in connection with the Notes and Loan Agreement;

WHEREAS, as a condition of entering into the Notes and Loan Agreement, the Investor has requested that the Company extend to it registration rights, information rights and certain other rights as set forth below, and the Company is willing to grant such rights to the Investor;

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth herein and in the Notes and Loan Agreement, the parties mutually agree as follows:

1. DEFINITIONS

As used in this Agreement, the following terms shall have the following respective meanings:

"Act" means the Securities Act of 1933, as amended.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Form S-3" means such form under the Act as in effect on the date hereof or any registration form under the Act subsequently adopted by the SEC that permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"Holder" means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 2.12 hereof.

"Initial Offering" means the Company's initial public offering of its Common Stock registered under the Act.

"Register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document.

"Registrable Securities" means (i) the shares of Common Stock issuable or issued upon conversion of the Notes (ii) the shares of Common Stock issuable or issued upon exercise of the Warrant and (iii) any shares of Common Stock of the Company issued (or issuable upon the conversion or exercise of any warrant, right, the Notes, or other security which is issued) as a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in (i) and/or (ii) above, excluding in all cases, however, any Registrable Securities sold by a person in a private transaction in which the transferor's rights under Section 2 are not assigned or assignable and any Registrable Securities sold to the public pursuant to a registration statement

or Rule 144 promulgated under the Act. In the event of any merger, reorganization, consolidation, recapitalization or other change in corporate structure affecting the Common Stock, such adjustment shall be made in the definition of Registrable Securities as is appropriate in order to prevent any dilution of the rights granted herein.

"Registrable Securities then outstanding" means (i) the aggregate number of shares of Common Stock outstanding and (ii) the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities, that are Registrable Securities.

"SEC" means the Securities and Exchange Commission.

"Shares" means any shares of, or securities convertible into or exercisable for any shares of, any class of the Company's capital stock.

2. REGISTRATION RIGHTS

2.1 Demand Registration.

(a) Subject to the conditions of this Section 2.1, if the Company shall receive a written request from the Holders of a majority of the Registrable Securities then outstanding (the "Initiating Holders") that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities then outstanding, then the Company shall, within thirty (30) days of the receipt thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 2.1, use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered, provided, however, the rights in this Section 2.1(a) shall not be exercisable until 60 days after the Initial Offering of the Company.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2.1 or any request pursuant to Section 2.2 and the Company shall include such information in the written notice referred to in Section 2.1(a) or Section 2.2(a), as applicable. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders, which underwriter or underwriters shall be reasonably acceptable to the Company. Notwithstanding any other provision of this Section 2.1 or

Section 2.2, if the underwriter advises the Company that marketing factors require a limitation of the number of securities to be underwritten (including Registrable Securities) then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities on a pro rata basis based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) The Company shall not be required to effect a registration pursuant to this Section 2.1:

(i) after the fifth anniversary of the date of the Loan Agreement; or

(ii) after the Company has effected one (1) registration pursuant to this Section 2.1, and such registration has been declared or ordered effective; or

(iii) prior to sixty (60) days following the effective

date of a registration statement pertaining to the Initial Offering.

2.2 Piggyback Registrations.

(a) The Company shall notify all Holders of Registrable Securities in writing at least thirty (30) days prior to the filing of any registration statement under the Act for purposes of a public offering of securities of the Company (including, but not limited to, registration statements relating to the Initial Offering or secondary offerings of securities of the Company, but excluding registration statements relating to employee benefit plans or with respect to corporate reorganizations or other transactions under Rule 145 of the Act) and will afford each such Holder an opportunity to include in such registration statement all or part of the Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within twenty (20) days after the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Holder. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(b) Underwriting. If the registration statement under which the Company gives notice under this Section 2.2 is for an underwritten offering, the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder to be included in a registration pursuant to this Section 2.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of the Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated,

first, to the Common Stock the Company proposes to sell; second, the Common Stock the founders and Company executives propose to sell; and third, to any stockholder of the Company and the Holders on a pro rata basis based on the total number of Registrable Securities held by the Holders. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. For any Holder which is a partnership or corporation, the partners, retired partner and stockholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "Holder," and any pro rate reduction with respect to such "Holder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "Holder," as defined in this sentence.

2.3 Obligations of the Company. Whenever required under this Section 2 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and keep such registration statement effective for a period of up to one hundred eighty (180) days provided, however, that (i) such 180-day period shall be extended for a period of time equal to the period the Holder refrains from selling any securities included in such registration at the request of an underwriter of Common Stock

(or other securities) of the Company; and (ii) in the case of any registration of Registrable Securities on Form S-3 which are intended to be offered on a continuous or delayed basis, such 180-day period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold, provided that Rule 415, or any successor rule under the Act, permits an offering on a continuous or delayed basis, and provided further that applicable rules under the Act governing the obligation to file a post-effective amendment permit, in lieu of filing a post-effective amendment that (I) includes any prospectus required by Section 10(a)(3) of the Act or (II) reflects facts or events representing a material or fundamental change in the information set forth in the registration statement, the incorporation by reference of information required to be included in (I) and (II) above to be contained in periodic reports filed pursuant to Section 13 or 15(d) of the 1934 Act in the registration statement.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions, including

California, as shall be reasonably requested by the Holders and do any and all other acts and things which may be necessary or advisable to enable the Holders to consummate the public sale or other disposition in California and in such jurisdiction where the securities are owned by such Holders; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Act.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting also shall enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Cause all such Registrable Securities registered pursuant hereto to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereto and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

(i) Furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 2, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 2, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the

counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities, and (ii) a letter, dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

2.4 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities, as shall be required to effect the registration of such Holder's Registrable Securities.

2.5 Expenses of Company Registration. The Company shall bear and pay all expenses incurred in connection with any registration, filing or qualification of Registrable Securities with respect to the registrations pursuant to Section 2.1 and Section 2.2 for each Holder, including (without limitation) all registration, filing, qualification, printers' and accounting fees, fees and disbursements of counsel for the Company (including fees and disbursements of counsel for the Company in its capacity as counsel to the selling Holders hereunder; if Company counsel does not make itself available for this purpose, the Company will pay the reasonable fees and disbursements, not to exceed fifteen thousand dollars ($15,000), of one counsel for the selling Holders), but excluding underwriting discounts and commissions relating to Registrable Securities.

2.6 Underwriting Requirements.

(a) In connection with any offering involving an underwriting of Shares, the Company shall not be required under Section 2.1 or 2.2 to include any of the Registrable Securities in such underwriting unless the Holders of a majority of the Registrable Securities that indicated interest in including their Registrable Securities in the underwriting accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the underwriters), and then only in such quantity as the underwriters determine, in their sole discretion, will not jeopardize the success of the offering by the Company.

(b) If the total number of Shares, including Registrable Securities, requested by shareholders to be included in such offering exceeds the number of Shares to be sold (other than by the Company) that the underwriters determine, in their sole discretion, will be compatible with the success of the offering, then the Company shall be required to include in the offering only that number of Shares, including Registrable Securities, that the underwriters determine in their sole discretion will not jeopardize the success of the offering.

With respect to a demand registration under Section 2.1, the Shares held by selling shareholders to be included in such offering shall be apportioned pro rata among the selling shareholders according to the total number of Shares entitled to be included therein owned by each selling shareholder or in such other proportions as they shall mutually agree, but in no event shall (i) the number of Registrable Securities included in the offering be reduced below fifty percent (50%) of the total number of Shares (including Shares sold by the Company) included in such offering, unless such offering is the Initial Offering in which case the selling shareholders may be excluded if the underwriters make the determination described above and no other shareholder's securities are included; or (ii) any shares being sold by a shareholder exercising a demand registration right be excluded from such offering, notwithstanding (i) above.

(c) In apportioning the Shares in accordance with

subsection 2.6(b), if a "selling shareholder" is a Holder of Registrable Securities and a partnership or corporation, then the partners, retired partners and shareholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons, shall be deemed to be a single "selling shareholder," and any pro-rata reduction with respect to such "selling shareholder" shall be based upon the aggregate number of shares having registration rights owned by all entities and individuals deemed to be such "selling shareholder."

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.8 Indemnification. In the event any Registrable Securities are included in a registration statement under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) to which they may become subject under the Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements made therein not misleading; or (iii) any violation or alleged violation by the Company of the Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Act, and the Company will pay to each such Holder, underwriter or controlling person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided; however, that the indemnity agreement contained in this subsection 2.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation that occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person or any such underwriter or Holder, against any losses, claims, damages or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 2.8(b), in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection 2.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided, however, that in no event shall any indemnity under this subsection 2.8(b) exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly notified, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflicts of interest between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.8, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.8.

(d) If the indemnification provided for in this Section 2.8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with an underwritten public offering are in conflict with the foregoing provisions, the provisions of the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 2.7 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 2, and otherwise.

2.9 Exchange Act Reports. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after ninety (90) days after the effective date of the registration statement pertaining to the Initial Offering;

(b) take such action, including the voluntary registration

of its Common Stock under Section 12 of the Exchange Act, as is necessary to enable the Holders to use Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the Exchange Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, promptly upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Act, and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies); (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company; and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

2.10 "Market Stand-Off" Agreement. Each Holder hereby agrees that, during the period of duration specified by the Company and the managing underwriter of the Initial Offering, it shall not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Company held by it at any time during such period except common stock included in such registration; provided, however, that:

(a) such agreement shall be applicable only with respect to the Initial Offering;

(b) all officers and directors of the Company, all other persons with registration rights (whether or not pursuant to this Agreement) and all shareholders who are required by the underwriter to execute lock-ups enter into similar agreements;

(c) such market stand-off time period shall not exceed one hundred eighty (180) days after the effective date of the registration statement pertaining to the Initial Offering; and

(d) such agreement shall not apply to any Registrable Securities included in the registration statement pertaining to the Initial Offering.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of the period.

Notwithstanding the foregoing, the obligations described in this Section 2.10 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future.

2.11 Limitation on Subsequent Registration Rights. From and after the date this Agreement is signed, the Company shall not enter into any agreement granting any holder, or prospective holder of any securities of the Company, registration rights with respect to such securities without the written consent of the Holders of a majority of the Registrable Securities then outstanding, unless: (i) such other registration rights are equal to or subordinate to the registration rights granted to the Holders hereunder; and (ii) the holders of such rights are subject to market standoff obligations no more favorable to such persons than those contained herein.

2.12 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may be assigned by a Holder to a transferee or assignee of Registrable Securities which (i) is a subsidiary, parent, affiliate, general partner, limited partner or retired partner of a Holder, or (ii) is a Holder's family member or trust for the benefit of an individual Holder. No assignment of Registrable Securities pursuant to this Section 2.12 shall be effective unless (A) the transferor shall, within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned and (B) such transferee shall agree to be subject to all restrictions set forth in this Agreement.

2.13 Termination of Registration Rights.

(a) No Holder shall be entitled to exercise any right provided for in this Section 2 after five (5) years following the closing of the Initial Offering.

(b) In addition, the right of any Holder to request registration or inclusion in any registration pursuant to Section 2 shall terminate on such date, after the closing of the Initial Offering, that all shares of Registrable Securities held or entitled to be held upon conversion by such Holder may immediately be sold under Rule 144 during any 90-day period; provided, however, that the provisions of this Section 2.13(b) shall not apply to any Holder who owns at least one percent (1%) of the Company's outstanding stock.

3. COVENANTS OF THE COMPANY

3.1 Delivery of Financial Statements.

(a) The Company shall deliver to each Holder or instead, to the Investor:

(i) as soon as practicable, but in any event within ninety (90) days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance

sheet of the Company and statement of shareholder's equity as of the end of such year, and a statement of cash flows for such year, such year-end financial reports to be prepared in accordance with generally accepted accounting principles ("GAAP"), and audited and certified by independent public accountants selected by the Company's Board of Directors; and

(ii) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited profit or loss statement, statement of cash flows for such fiscal quarter and an unaudited balance sheet as of the end of such fiscal quarter, together with an instrument executed by the Chief Financial Officer or President of the Company certifying that such financial reports were prepared in accordance with GAAP consistently applied with prior practices for earlier periods (with the exception of footnotes that may be required by GAAP) and fairly present the financial condition of the Company and its results of operation for the period specified, subject to year-end audit adjustments.

(b) The Company shall deliver to each Holder who holds Registrable Securities (or Common Stock issued or issuable upon exercise or conversion thereof, as adjusted for stock splits, stock dividends and the like):

(i) as soon as practicable, but in any event thirty (30) days prior to the end of each fiscal year, a budget and business plan for the next fiscal year, prepared on at least a quarterly basis, including balance sheets and statements of cash flows for such quarters or other such periods (the "Annual Financial Plan"), and, as soon as prepared, any other budgets or revised budgets prepared by the Company;

(ii) such other information relating to the

financial condition, business, prospects or corporate affairs of the Company as any of such Holders or any assignee of any of such Holders may from time to time reasonably request; provided, however, that the Company shall not be obligated under this subsection 3.1(b)(ii) or any other subsection of Section 3.1 to provide information that it deems in good faith to be a trade secret or similar confidential information unless the Holder or Holders provide assurances in writing to the Company that it will maintain the confidentiality of the information.

3.2 Inspection. The Company shall permit each Holder, at such Holder's expense, to visit and inspect the Company's properties, to examine its books of account and records, and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by such Holder; provided, however, that the Company shall not be obligated pursuant to this Section 3.2 to provide access to any information that it reasonably considers to be a trade secret or similar confidential information unless such Holder provides assurances in writing to the Company that it will maintain the confidentiality of the information.

3.3 Meeting of Directors, Committees and Appointment of Director Rights. The Company shall:

(a) Hold meetings of the Board of Directors on not less than a quarterly basis;

(b) Permit the Investor to have one representative nominated to the Board of Directors of the Company ("Board"). The Company shall have the right to approve any individual requested by the Investor to be nominated to be a member of the Board, which approval shall not be unreasonably withheld. The Company shall take such actions as may be necessary to ensure that such individual is duly appointed or elected as director of the Company and remains a director until the earlier of (i) the Initial Offering; or (ii) there is no amount remaining outstanding pursuant to this Loan or the Notes. In the event Investor declines to nominate a representative as a member of the Board, Investor shall have the right to have a representative attend all meetings in a non-voting capacity;

(c) Send to such Investor representative the notice of the time and place of each such meeting in the same manner and at the same time as it shall send such notice to its directors or committee members; and

(d) Provide to such Investor representative copies of all notices, reports, minutes and consents at the same time and in the same manner as they are provided to the Board or any committee members; provided that Company may require as a condition precedent to these rights that each person proposing to attend any Board meeting and each person who will have access to any of the information provided by Company to the Board, who is not a member of the Board, shall agree to hold in confidence and trust, and to act in a fiduciary manner with respect to, all such information received during such meetings or otherwise; and provided further that Company reserves the right not to provide information and to exclude such representative from any meeting or portion of any meeting if delivery of the information or attendance at the meeting or portion of such meeting by such representative would result in trade secrets disclosure to such representative or would adversely affect the attorney-client privilege between Company and its counsel or if such representative is affiliated with a direct competitor of Company.

3.4 Expenses of Directors. Company shall promptly reimburse in full the Investor representative for all reasonable out-of-pocket expenses incurred in attending each meeting of the Board or any committee of the Board.

3.5 Indemnification. At all times, Company shall maintain provisions in its articles of incorporation and bylaws exculpating and indemnifying all directors from and against liability, to the maximum extent permitted under the laws of the State of Nevada.

3.6 Records and Books of Account. Company shall keep adequate records and books of account in which complete entries will be made in accordance with GAAP, reflecting all financial transactions of Company, and in

which, for each fiscal year, all proper reserves for depreciation, depletion, obsolescence, amortization, taxes, bad debts and other purposes in connection with its business shall be made.

3.7 Certain Operating Covenants. Without the consent of the Holders of a majority of the Registrable Securities, the Company shall not:

(d) declare or pay dividends on the Company's capital stock;

(e) make any loan or guarantee (excluding accounts receivable) senior to the Notes and Loan Agreement;

3.8 Confidentiality and Employee Inventions Agreements. The Company shall cause each of its officers, employees, consultants and independent contractors to enter into a confidentiality and inventions agreement with the Company that restricts the disclosure of the Company's proprietary information to third parties and provides for assignment to the Company of all inventions and intellectual property created and developed by such employees, consultants and contractors in the course of their employment or engagement, as the case may be, by the Company.

3.9 Termination of Covenants. The covenants set forth in this Section 3 shall, except as otherwise specifically provided, terminate and be of no further force or effect upon the earlier of:

(a) the effective date of the Registration Statement pertaining to the Initial Offering;

(b) the closing date of (i) a sale, lease or other disposition of all or substantially all of the Company's assets, or (ii) an acquisition of the Company by another entity by stock purchase, consolidation, merger or other reorganization in which the holders of the Company's outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing less than fifty percent (50%) of the voting power of the entity surviving such transaction;

(c) when the Company first becomes subject to the periodic reporting requirements of Section 15(d) of the Securities Exchange Act of 1934, as amended; or

(d) repayment of the loan pursuant to the Notes and Loan Agreement.

4. RIGHT OF CO-SALE

4.1 Right of Co-Sale. Each of Ross Lyndon-James and Brian Harcourt (individually, a Founder," and collectively, the "Founders") grants the Holders the right to participate in any sale, assignment, pledge or other transfer ("Transfer") of any Shares owned by the Founders on the same terms and conditions on which they, or any one of them, proposes to Transfer their Shares. To the extent that the Holders exercise their right of co-sale as set forth below, the number of Shares that the Founders, or any one of them, may Transfer in a proposed the transaction shall be correspondingly reduced.

4.2 Exercise of Right. Each time a Founder proposes to Transfer any Shares, he shall first notify the Investor as follows:

(a) The selling Founder shall deliver a notice ("Participation Notice") to the Holders stating (i) the Founder's bona fide intention to Transfer his Shares, (ii) the number of such Shares to be Transferred, and (iii) the price and other terms upon which he proposes to Transfer his Shares.

(b) By written notification to the selling Founder within five (5) days after receiving the Participation Notice, the Holders may elect to Transfer, at the price and on the terms specified in the Participation Notice, up to that portion of such Shares that equals the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion of the Notes and upon exercise of the Warrant then held by such Holder bears to the total number of shares of Common Stock outstanding or issuable upon conversion of the Notes and exercise of the Warrant.

(c) Each Holder shall effect its participation in the Transfer by promptly delivering to the selling Founder, for transfer to the prospective purchaser, one or more certificates, properly endorsed for transfer, which represent (i) the type and number of Shares that the Holder elects to Transfer; or (ii) that number of Shares that is at such time convertible into or exercisable for the number of shares of Common Stock that such Holder elects to sell; provided, however, that if the prospective purchaser objects to the delivery of the Warrant in lieu of Common Stock, such Holder shall exercise such Warrant for Common Stock and deliver Common Stock to the prospective purchaser. The Company agrees to make any such conversion concurrent with the actual transfer of such shares to the purchaser.

4.3 Obligation to Effect Transfer. The stock certificate or certificates that the Holders deliver to the selling Founder pursuant to paragraph 4.2(c) shall be transferred to the prospective purchaser upon consummation of the Transfer of the Shares pursuant to the terms and conditions specified in the Participation Notice, and the Founder shall concurrently therewith remit to each participating Holder that portion of the Transfer proceeds to which such Holder is entitled by reason of its participation in such Transfer.

4.4 Termination of Rights. The rights of co-sale set forth in this Section 4 shall terminate upon the earlier of (a) the effective date of the registration statement pertaining to a public offering of shares of Common Stock resulting in gross proceeds to the Company of no less than ten million dollars ($10,000,000); (b) a sale, lease or other disposition of all or substantially all of the Company's assets; or (c) an acquisition of the Company by another entity by stock purchase, consolidation, merger or other reorganization in which the holders of the Company's outstanding voting stock immediately prior to such transaction own, immediately after such transaction, securities representing less than fifty percent (50%) of the voting power of the entity surviving such transaction.

5. MISCELLANEOUS

5.1 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties, including permitted transferees of any Registrable Securities. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

5.2 Governing Law. This Agreement shall be governed by and construed under the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

5.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

5.4 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

5.5 Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed

effectively given upon personal delivery to the party to be notified or upon deposit with the United States Post Office, by registered or certified mail, postage prepaid or upon delivery to a recognized courier service and addressed to the party to be notified at the address indicated for such party on the signature page hereof, or at such other address as such party may designate by ten (10) days' advance written notice to the other parties.

5.6 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any Holder, upon any breach, default or noncompliance of the Company under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance or the acquiescence thereof, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind of character on any Holder's part of any breach default or noncompliance under the Agreement or any waiver on such Holder's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law or otherwise afforded to Holders, shall be cumulative and not alternative.

5.7 Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

5.8 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders of more than fifty percent (50%) of the Registrable Securities. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each Holder of any Registrable Securities, or shares of Series A Stock, then outstanding and the Company.

5.9 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

5.10 Aggregation of Stock. All shares of Registrable Securities or Series A Preferred Stock held or acquired by an Investor and All Related Parties of such Investor shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

5.11 Entire Agreement. This Agreement and the Purchase Agreement constitute the full and entire understanding and agreement between the parties with regard to the subject matter hereof and thereof.

5.12 Additional Parties. In the event of a subsequent closing with one or more additional investor as provided for in Section 1.3 of the Purchase Agreement between the Company and the Investors, such investor shall become a party to this Agreement as an "Investor" upon receipt from such investor of a fully executed signature page hereto.

5.13 Jurisdiction; Service of Process. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the parties only in the courts of the State of California, County of San Diego, or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of California, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the proceeding sentence may be served on any party anywhere in the world.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the

date first above written.

The Company:	Investor:
FitnessAge, Inc. a Nevada corporation	Natural Alternatives International, Inc. a Delaware corporation
By: /s/ David G. Forster David G. Forster, Chief Financial Officer	By: /s/ Mark A. LeDoux Mark A. LeDoux, Chief Executive Officer

EXHIBIT 10.10

EXECUTIVE EMPLOYMENT AGREEMENT

Mark A. Le Doux ("Employee") hereby accepts the offer of Natural Alternatives International, Inc. ("NAI") for employment as Chief Executive Officer and President beginning October 1, 1999. Collectively, NAI and Employee will be referred to herein as the "Parties."

1. The Parties anticipate that Employee will be employed for a period of twelve (12) months (the "Term"). During the Term, Employee's employment will be at-will and may be terminated by either Employee or NAI at any time for any reason or no reason, with or without cause and with or without notice. The at-will status of the employment relationship may not be modified except in writing signed by the Chief Executive Officer of NAI and Employee.

2. Employee and NAI further understand and agree that nothing in the NAI Employee Handbook is intended to be, and nothing in it should be construed to be, a limitation of NAI's right to terminate, transfer, demote, suspend and administer discipline at any time for any reason. Employee and NAI understand and agree nothing in the Handbook is intended to, and nothing in the Handbook should be construed to, create an implied or express contract of employment contrary to this agreement.

3. A. Salary. Employee's compensation will be $260,000 per year, payable no less frequently than monthly. The compensation set forth in this Section 3 will be Employee's only compensation except standard employee benefits or any other written compensation arrangement approved by the Board of Directors and the Company.

B. Expenses. Employee shall receive during the Term a monthly amount equal to $1,500.00 to reimburse Employee for actual expenses incurred in ownership and operation of one (1) automobile that Employee shall make and maintain available for Employee's use on any matter require by or for the benefit of the Company.

4. If Employee continues working for NAI past the end of the Term, and if NAI still desires Employee's services, then the following terms and conditions will apply:

(a) Employee shall be an at-will employee and either Employee or NAI will be entitled to terminate the employment relationship for any reason or for no reason, with or without cause and with or without notice. Employee understands and agrees that transfers, demotions and suspensions may occur and that employee discipline may be administered at the will of NAI at any time for any reason, with or without cause and with or without notice;

(b) Employee will be compensated at the rate set forth in section 3.A hereinabove unless another rate is mutually agreed upon; and

(c) As to benefits and other terms of employment, Employee shall be subject to the same policies and procedures as other employees of NAI in similar positions.

5. During the Term, and any extension thereof, Employee shall have such responsibilities, duties and authority as NAI may from time to time assign to Employee. Employee's initial title shall be Chief Executive Officer and President.

6. In the event this Agreement is terminated by NAI without cause, or NAI does not allow Employee to continue as such following the completion of the Term, Employee shall be entitled to severance pay, including standard employee benefits, in an amount equivalent to one year's compensation. One half of such

amount shall be paid upon termination and the balance shall be paid on a bi-weekly basis during said one (1) year severance period. For purposes of this Section 6, Employee shall be deemed terminated without cause if such termination is for any reason other than a willful breach or habitual neglect of Employee's duties under the terms of this Agreement.

7. In the event of any Change in Control, the following provisions will apply.

A. Any of the following shall constitute a "Change in Control" for purposes of this Section 7:

(1) Merger or consolidation where shareholders of NAI immediately prior to such transaction own less than 50% of the voting securities of the surviving entity immediately following such transaction;

(2) Transfer of all or substantially all of the assets of NAI; or

(3) Voluntary or involuntary dissolution of NAI.

B. In the event of any such Change in Control, Employee at his sole option, and at any time may elect one of the following provisions:

(a) Continued employment by NAI, and/or the surviving or resulting corporation, said successor to be bound by all the provisions of this Agreement;

(b) Voluntary termination of this Agreement and payment to Employee as severance pay or liquidated damages, or both, a lump sum payment ("Severance Payment") equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3.B. above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

C. In the event this Agreement is terminated following a Change in Control by NAI, and/or the surviving or resulting corporation, without cause, Employee shall be entitled to a Severance Payment equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3.B. above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

D. Any Severance Payment shall be made not later than the fifteenth (15th) day following the effective date of the voluntary or involuntary termination of this Agreement in connection with a Change in Control; provided, however, that if the amount of such payments cannot

be finally determined on or before such date, NAI shall pay to Employee on such date a good faith estimate of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate provided in Internal Revenue Code Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined, but in no event later than the thirtieth (30th) day after the applicable termination date. In the event the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by NAI payable on the fifteenth (15th) day after receipt by Employee of a written demand for payment from NAI (together with interest calculated as above). The total of any payment pursuant to this Section 7 shall be limited to the extent necessary, in the opinion of legal counsel acceptable to Employee and NAI, to avoid the payment of an "excess parachute" payment within the meaning of Internal Revenue Code Section 280 G or any similar successor provision.

8. Employee and NAI hereby agree to the Mutual Agreement to Arbitrate attached hereto and made a part hereof as Attachment #1.

9. Employee and NAI hereby agree to the Assignment of Inventions, Patents and Copyrights Agreement Regarding Confidential Information Covenant of Exclusivity and Not to Compete attached hereto and made a part hereof as Attachment #2.

10. This Agreement contains the entire agreement between the parties. It supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to Employee's employment by NAI. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein and acknowledges that no other agreement, statement of promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended by oral agreement or course of conduct, but only by an agreement in writing signed by the Chief Executive Officer of NAI and Employee.

11. This Executive Employment Agreement shall be construed and enforced in accordance with the laws of the State of California.

12. Should any part or provision of this Executive Employment Agreement be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts shall not be affected by such holding.

"EMPLOYEE"

/s/ Mark A. LeDoux

Mark A. Le Doux

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ David Lough

David Lough, Executive Vice President

ATTACHMENT #1

MUTUAL AGREEMENT TO ARBITRATE CLAIMS

This Mutual Agreement to Arbitrate Claims is entered into between Mark A. Le Doux ("Employee") and Natural Alternatives International, Inc. ("NAI").

1. Binding Arbitration of Disagreement and Claims

We each voluntarily promise and agree to arbitrate any claims covered by this Agreement. We further agree that such binding arbitration pursuant tot his Agreement shall be the sole and exclusive remedy for resolving any such claims or disputes.

2. Claims Covered by this Agreement

A. Claims and disputes covered by this Agreement include all claims against NAI (as defined below) and all claims that NAI may have against the Employee, including, without limitation, those arising under:

(1) Any federal, state or local laws, regulations or statutes prohibiting employment discrimination (such as, without limitation: race, sex, national origin, age, disability, religion, sexual orientation) and harassment.

(2) Any alleged or actual agreement or covenant (oral, written or implied) between Employee and NAI.

(3) Any company policy or compensation or benefit plan, unless the decision in question was made by an entity other than NAI.

(4) Any public policy.

(5) Any other claim for personal, emotional, physical or economic injury.

B. The only disputes between Employee and NAI which are not included

within this Mutual Agreement to Arbitrate Claims are:

(1) Any claim by Employee for workers' compensation benefits.

(2) Any claim by Employee for benefits under a company plan which provides for its own arbitration procedure.

3. Arbitration Procedure

A. The arbitration will be conducted in accordance with the rules of the current Judicial Arbitration and Mediation Services ("JAMS"), except that the arbitrator shall be mutually acceptable to both parties. The arbitration will be held in the state and county of the Employee's primary employment at the time of the act giving rise to the dispute. The fees and expenses of the Arbitrator, and the arbitration, will be borne by the Company. Each party will pay for the fees and expenses of its

own attorneys, experts, witnesses, transcripts and preparation and presentation of proofs and post-hearing briefs, unless the party prevails on a claim for which attorneys' fees and costs are recoverable by statute or contract.

B. Before such arbitration, each party shall have the right to conduct discovery on the same basis and to the same extent as a civil action brought in the Federal District Court for the Southern District of California.

C. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable, and otherwise by applicable state law.

4. Miscellaneous Provisions

A. The term "company" means NAI, and all related entities, all officers, employees, directors, agents, shareholders, partners, benefit plan sponsors, fiduciaries, administrators or affiliates of any of the above, and all successors and assignees of any of the above.

B. If either party pursues a covered claim against the other by any action, method or legal proceeding other than the arbitration provided herein, the responding party shall be entitled to dismissal or injunctive relief regarding such action and recovery of all costs, losses and attorneys' fees related to such other action or proceeding.

C. The parties of this arbitration agreement acknowledge and agree that they are wavering their right to a jury trial on the issues covered by this Agreement.

D. This is the complete Agreement of the parties on the subject of arbitration of disputes and claims. This Agreement supersedes any prior or contemporaneous oral, written or implied understanding on the subject, shall survive the termination of Employee's employment and can only be revoked or modified by a written agreement signed by the parties which specifically states an intent to revoke or modify this agreement. If any provision of this Agreement is adjusted to be void or otherwise unenforceable in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement.

E. If any provision of this Agreement is held to be unenforceable by a final court decision, the remainder of the Agreement shall continue in full force and effect.

My signature below signifies that I have read, understand and agree to the Arbitration Agreement.

"EMPLOYEE"

/s/ Mark A. LeDoux

Mark A. Le Doux

NATURAL ALTERNATIVES INTERNATIONAL, INC.

a Delaware corporation

By: /s/ David Lough

David Lough, Executive Vice President

ATTACHMENT #2

ASSIGNMENT OF INVENTIONS, PATENTS AND COPYRIGHTS AGREEMENT REGARDING CONFIDENTIAL INFORMATION COVENANT OF EXCLUSIVITY AND NOT TO COMPETE

In consideration of and as a condition of my prospective and continued employment and the compensation afforded to me under the terms and conditions thereof by Natural Alternatives International, Inc. (the "Company"), I agree to the following, and I agree the following shall be in addition to the terms and conditions of any Confidential Information and Invention Assignment Agreement executed by employees of the Company generally, and which I may execute in addition hereto:

1. INVENTIONS

a. Disclosure. I will disclose promptly in writing to the appropriate officer or other representative of the Company, any idea, invention, work of authorship, design, formula, pattern, compilation, program, device, method, technique, process, improvement, development or discovery, whether or not patentable or copyrightable or entitled to legal protection as a trade secret, trademark service mark, trade name or otherwise ("Invention"), that I may conceive, make, develop, reduce to practice or work on, in whole or in part, solely or jointly with others ("Invent"), during the term of my employment with the Company. The disclosure required by this Section 1 (a) applies to each and every Invention that I Invent (i) whether during my regular hours of employment or during my time away from work (ii) whether or not the Invention was made at the suggestion of the Company, and (iii) whether or not the Invention was reduced to or embodied in writing, electronic media or tangible form. The disclosure required by this Section 1 (a) also applies to any Invention which may relate at the time of conception or reduction to practice of the Invention to the Company's business or actual or demonstrably anticipated research or development of the Company, and to any Invention which results from any work performed by me for the Company. The disclosure required by this Section 1 (a) shall be received in confidence by the Company within the meaning of and to the extent required by California Labor Code Section 2871, the provisions of which are set forth on Exhibit "A" hereto.

b. Assignment. I hereby assign to the Company without royalty or any other further consideration my entire right, title and interest in and to each and every Invention I am required to disclose under Section 1 (a) other than an Invention that (i) I have or shall have developed entirely on my own time without using the Company's equipment, supplies, facilities or trade secret information, (ii) does not relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company and (iii) does not result from any work performed by me for the Company. I acknowledge that the Company has notified me that the assignment provided for in this Section l(b) does not apply to any Invention to which the assignment may not lawfully apply under the provisions of Section Section 2870 of the California Labor Code, a copy of which is attached as Exhibit "A" hereto.

c. Additional Assistance and Documents. I will assist the Company in obtaining, maintaining and enforcing patents, copyrights, trade secrets, trademarks, service marks, trade names and

other proprietary rights in connection with any Invention I have assigned to the Company under Section l(b), and I further agree that my obligations under this Section l(c) shall continue beyond the termination of my employment with the Company. Among other things, for the foregoing purposes I will (i) testify at the request of the Company in any interference, litigation or other legal proceeding that may arise during or after my employment, and (ii) execute, verify, acknowledge and deliver any proper document (and, if, because of my mental or physical incapacity or for any other reason whatsoever, the Company is unable to obtain my signature to apply for or to pursue any application for any United States or foreign patent or copyright covering Inventions assigned to the Company by me, I hereby irrevocably designate and appoint each of the Company and its duly authorized officers and agents as my agent and attorney in fact to act for me and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of any United States or foreign patent or copyright thereon with the same legal force and effect as if executed by me). I shall be entitled to reimbursement of any out-of-pocket expenses incurred by me in rendering such assistance and, if I am required to render such assistance after the termination of my employment, the Company shall pay me a reasonable rate of compensation for time spent by me in rendering such assistance to the extent permitted by law (provided, I understand that no compensation shall be paid for my time in connection with preparing for or rendering any testimony or statement under oath in any judicial proceeding, arbitration or similar proceeding).

d. Prior Contracts and Inventions; Rights of Third Parties. I represent to the Company that, except as set forth on Exhibit "B" hereto, there are no other contracts to assign Inventions now in existence between me and any other person or entity (and if no Exhibit "B" is attached hereto or there is no such contract described thereon, then it means that by signing this Agreement, I represent to the Company that there is no such other contracts). In addition, I represent to the Company that I have no other employments or undertaking which do or would restrict or impair my performance of this Agreement. I further represent to the Company that Exhibit "C" hereto sets forth a brief description of all Inventions made or conceived by me prior to my employment with the Company which I desire to be excluded from this Agreement (and if no Exhibit "C" is attached hereto or there is no such description set forth thereon, then it means that by signing this Agreement I represent to the Company that there is no such Invention made or conceived by me prior to my employment with the Company). In connection with my employment with the Company, I promise not to use or disclose to the Company any patent, copyright, confidential trade secret or other proprietary information of any previous employer or other person that I am not lawfully entitled so to use or disclose. If in the course of my employment with the Company I incorporate into an Invention or any product process or service of the Company any Invention made or conceived by me prior to my employment with the Company, I hereby grant to the Company a royalty-free, irrevocable, worldwide nonexclusive license to make, have made, use and sell that Invention without restriction as to the extent of my ownership or interest.

2. CONFIDENTIAL INFORMATION

a. Company Confidential Information. I will not use or disclose Confidential Information, whether before, during or after the term of my employment except to perform my duties as an employee of the Company based on my reasonable judgment as an Officer of the Company, or in accordance with instruction or authorization of the Company, without prior written consent of the Company or pursuant to process or requirements of law after I have disclosed such process or requirements to the Company so as to afford it the opportunity to seek appropriate relief therefrom. "Confidential Information" means any Invention of any person in which the Company has an interest and in addition means any financial, client, customer, supplier, marketing, distribution and other

information of a confidential or private nature connected with the business of the Company or any person with whom it deals, provided by the Company to me or to which I have access during or in the course of any employment.

b. Third Party Information. I acknowledge that during my employment with the Company I may have access to patent, copyright, confidential, trade secret or other proprietary information of third parties

subject to restrictions on the use or disclosure thereof by the Company. During the term of my employment and thereafter I will not use or disclose any such information other than consistent with the restrictions and my duties as an employee of the Company.

3. PROPERTY OF THE COMPANY. All documents, instruments, notes, memoranda, reports, drawings, blueprints, manuals, materials, data and other papers and records of every kind which come into my possession during or in the course of my employment, relating to any Inventions or Confidential Information, are and shall remain the property of the Company and shall be surrendered by me to the Company upon termination of my employment with the Company, or upon the request of the Company, at any time during or after termination of my employment with the Company.

4. NO SOLICITATION OF COMPANY EMPLOYEES. While employed by the Company and for a period of one year after termination of my employment with the Company, I agree not to induce or attempt to influence directly or indirectly any employee of the Company to terminate employment with the Company or to work for me or any other person or entity.

5. COVENANT OF EXCLUSIVITY AND NOT TO COMPETE. During the term of my employment with the Company, I will not engage in any other professional employment or consulting or directly or indirectly participate in or assist any business which is a current or potential supplier, customer or competitor of the Company without prior written approval from the Chief Executive Officer of the Company.

6. GENERAL.

a. Assignments, Successors and Assignees. All representations, warranties, covenants and agreements of the parties shall bind their respective heirs, executors, personal representatives, successors and assignees ("transferees") and shall inure to the benefit of their respective permitted transferees. The Company shall have the right to assign any or all of its rights and to delegate any or all of its obligations hereunder. The undersigned employee shall not have the right to assign any rights or delegate any obligations hereunder without the prior written consent of the Company or its transferee.

b. Number of Gender Headings. Each number and gender shall be deemed to include each other number and gender as the context may require. The headings and captions contained in this agreement shall not constitute a part thereof and shall not be used in its construction or interpretation.

c. Severability. If any provision of this agreement is found by any court or arbitral tribunal of competent jurisdiction to be invalid or unenforceable, the invalidity of such provision shall not affect the other provisions of this agreement and all provisions not affected by the invalidity shall remain in full force and effect.

d. Amendment and Modification. This agreement may be amended or modified only by a writing executed by each party.

e. Government Law. The construction, interpretation and performance of this agreement and all transactions under it shall be governed by the internal laws of California.

f. Remedies. I acknowledge that breach by me of any of the provisions of this agreement will cause irreparable injury that cannot adequately be compensated by money damages. The Company shall be entitled to specific performance, temporary restraining orders, preliminary injunctions and permanent injunctive relief to enforce my obligations under this agreement. No remedy conferred by any of the specific provisions of this agreement is intended to be exclusive of any other remedy. I agree to arbitrate on a final and binding basis all disputes under this Agreement in accordance with and before the Judicial Arbitration and Mediation Service ("JAMS").

g. Attorneys' Fees. In the event of any litigation or other action in connection with this agreement, the prevailing party shall be entitled

to recover its reasonable attorneys' fees and disbursements from the other party as costs of suit and not as damages.

h. No Effect on Other Terms or Conditions of Employment. I acknowledge that this agreement does not affect any term or condition of my employment except as expressly provided in this agreement, and that this agreement does not give rise to any right or entitlement on my part to employment or continued employment with the Company. I further acknowledge that this agreement does not affect in any way the right of the Company to terminate my employment.

IN WITNESS WHEREOF, I have executed this agreement as of the date set forth next to my signature below.

/s/ Mark A. LeDoux

Signature of Employee

Mark A. Le Doux

Printed Name of Employee

ACCEPTED:
NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ David Lough

David Lough, Executive Vice President

EXHIBIT "A"

CALIFORNIA LABOR CODE

SECTION 2870. INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT.

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information expect for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

SECTION 2871. RESTRICTIONS ON EMPLOYER FOR CONDITION OF EMPLOYMENT.

No employer shall require a provision made void or unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

EXHIBIT "B"

Except as set forth below, Employee represents to the Company that there are no other contracts to assign Inventions now in existence between Employee and any other person or entity (see Section l(d) of the Agreement):

EXHIBIT "C"

Set forth below is a brief description of all Inventions made or conceived by Employee prior to Employee's employment with the Company which Employee desires to be excluded from this agreement (see Section l(d) of the Agreement):

EXHIBIT 10.11

EXECUTIVE EMPLOYMENT AGREEMENT

David Lough ("Employee") hereby accepts the offer of Natural Alternatives International, Inc. ("NAI") for employment as Executive Vice President beginning October 1, 1999. Collectively, NAI and Employee will be referred to herein as the "Parties."

1. The Parties anticipate that Employee will be employed for a period of twelve (12) months (the "Term"). During the Term, Employee's employment will be at-will and may be terminated by either Employee or NAI at any time for any reason or no reason, with or without cause and with or without notice. The at-will status of the employment relationship may not be modified except in writing signed by the Chief Executive Officer of NAI and Employee.

2. Employee and NAI further understand and agree that nothing in the NAI Employee Handbook is intended to be, and nothing in it should be construed to be, a limitation of NAI's right to terminate, transfer, demote, suspend and administer discipline at any time for any reason. Employee and NAI understand and agree nothing in the Handbook is intended to, and nothing in the Handbook should be construed to, create an implied or express contract of employment contrary to this agreement.

3. A. Salary. Employee's compensation will be $150,000 per year, payable no less frequently than monthly. The compensation set forth in this Section 3 will be Employee's only compensation except standard employee benefits or any other written compensation arrangement approved by the Board of Directors and the Company.

B. Expenses. Employee shall receive during the Term a monthly amount equal to $1,500.00 to reimburse Employee for actual expenses incurred in ownership and operation of one (1) automobile that Employee shall make and maintain available for Employee's use on any matter require by or for the benefit of the Company.

4. If Employee continues working for NAI past the end of the Term, and if NAI still desires Employee's services, then the following terms and conditions will apply:

(a) Employee shall be an at-will employee and either Employee or NAI will be entitled to terminate the employment relationship for any reason or for no reason, with or without cause and with or without notice. Employee understands and agrees that transfers, demotions and suspensions may occur and that employee discipline may be administered at the will of NAI at any time for any reason, with or without cause and with or without notice;

(b) Employee will be compensated at the rate set forth in section 3.A hereinabove unless another rate is mutually agreed upon; and

(c) As to benefits and other terms of employment, Employee shall be subject to the same policies and procedures as other employees of NAI in similar positions.

5. During the Term, and any extension thereof, Employee shall have such responsibilities, duties and authority as NAI may from time to time assign to Employee. Employee's initial title shall be Executive Vice President.

6. In the event this Agreement is terminated by NAI without cause, or NAI does not allow Employee to continue as such following the completion of the Term, Employee shall be entitled to severance pay, including standard employee benefits, in an amount equivalent to his then current compensation rate for the

period set forth below opposite the number of complete calendar months which have elapsed from the beginning date set forth in the first paragraph hereof at the time of termination. One half of such amount shall be paid upon termination and the balance shall be paid on a bi-weekly basis during said severance period:

MONTHS OF EMPLOYMENT	SEVERANCE PERIOD
1 through 6 months	2 months
7 through 12 months	6 months
13 through 24 months	9 months
more than 24 months	12 months

For purposes of this Section 6, Employee shall be deemed terminated without cause if such termination is for any reason other than a willful breach or habitual neglect of Employee's duties under the terms of this Agreement.

7. In the event of any Change in Control, the following provisions will apply.

A. Any of the following shall constitute a "Change in Control" for purposes of this Section 7:

(1) Merger or consolidation where shareholders of NAI immediately prior to such transaction own less than 50% of the voting securities of the surviving entity immediately following such transaction;

(2) Transfer of all or substantially all of the assets of NAI; or

(3) Voluntary or involuntary dissolution of NAI.

B. In the event of any such Change in Control, Employee at his sole option, and at any time may elect one of the following provisions:

(a) Continued employment by NAI, and/or the surviving or resulting corporation, said successor to be bound by all the provisions of this Agreement;

(b) Voluntary termination of this Agreement and payment to Employee as severance pay or liquidated damages, or both, a lump sum payment ("Severance Payment") equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3.B. above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

C. In the event this Agreement is terminated following a Change in Control by NAI, and/or the surviving or resulting corporation, without cause, Employee shall be entitled to a Severance Payment equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3.B. above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

D. Any Severance Payment shall be made not later than the fifteenth (15th) day following the effective date of the voluntary or involuntary termination of this Agreement in connection with a Change in Control; provided, however, that if the amount of such payments cannot be finally determined on or before such date, NAI shall pay to Employee on such date a good faith estimate of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate provided in Internal Revenue Code Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined, but in no event later than the thirtieth (30th) day after the applicable termination date. In the event the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by NAI payable on the fifteenth (15th) day after receipt by Employee of a written demand for payment from NAI (together with interest

calculated as above). The total of any payment pursuant to this Section 7 shall be limited to the extent necessary, in the opinion of legal counsel acceptable to Employee and NAI, to avoid the payment of an "excess parachute" payment within the meaning of Internal Revenue Code Section 280 G or any similar successor provision.

8. Employee and NAI hereby agree to the Mutual Agreement to Arbitrate attached hereto and made a part hereof as Attachment #1.

9. Employee and NAI hereby agree to the Assignment of Inventions, Patents and Copyrights Agreement Regarding Confidential Information Covenant of Exclusivity and Not to Compete attached hereto and made a part hereof as Attachment #2.

10. This Agreement contains the entire agreement between the parties. It supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to Employee's employment by NAI. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein and acknowledges that no other agreement, statement of promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended by oral agreement or course of conduct, but only by an agreement in writing signed by the Chief Executive Officer of NAI and Employee.

11. This Executive Employment Agreement shall be construed and enforced in accordance with the laws of the State of California.

12. Should any part or provision of this Executive Employment Agreement be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts shall not be affected by such holding.

"EMPLOYEE"

/s/ David Lough

David Lough

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. Le Doux, Chief Executive Officer

ATTACHMENT #1

MUTUAL AGREEMENT TO ARBITRATE CLAIMS

This Mutual Agreement to Arbitrate Claims is entered into between David Lough ("Employee") and Natural Alternatives International, Inc. ("NAI").

1. Binding Arbitration of Disagreement and Claims

We each voluntarily promise and agree to arbitrate any claims

covered by this Agreement. We further agree that such binding arbitration pursuant tot his Agreement shall be the sole and exclusive remedy for resolving any such claims or disputes.

2. Claims Covered by this Agreement

A. Claims and disputes covered by this Agreement include all claims against NAI (as defined below) and all claims that NAI may have against the Employee, including, without limitation, those arising under:

(1) Any federal, state or local laws, regulations or statutes prohibiting employment discrimination (such as, without limitation: race, sex, national origin, age, disability, religion, sexual orientation) and harassment.

(2) Any alleged or actual agreement or covenant (oral, written or implied) between Employee and NAI.

(3) Any company policy or compensation or benefit plan, unless the decision in question was made by an entity other than NAI.

(4) Any public policy.

(5) Any other claim for personal, emotional, physical or economic injury.

B. The only disputes between Employee and NAI which are not included within this Mutual Agreement to Arbitrate Claims are:

(1) Any claim by Employee for workers' compensation benefits.

(2) Any claim by Employee for benefits under a company plan which provides for its own arbitration procedure.

3. Arbitration Procedure

A. The arbitration will be conducted in accordance with the rules of the current Judicial Arbitration and Mediation Services ("JAMS"), except that the arbitrator shall be mutually acceptable to both parties. The arbitration will be held in the state and county of the Employee's primary employment at the time of the act giving rise to the dispute. The fees and expenses of the Arbitrator, and the arbitration, will be borne by the Company. Each party will pay for the fees and expenses of its

own attorneys, experts, witnesses, transcripts and preparation and presentation of proofs and post-hearing briefs, unless the party prevails on a claim for which attorneys' fees and costs are recoverable by statute or contract.

B. Before such arbitration, each party shall have the right to conduct discovery on the same basis and to the same extent as a civil action brought in the Federal District Court for the Southern District of California.

C. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable, and otherwise by applicable state law.

4. Miscellaneous Provisions

A. The term "company" means NAI, and all related entities, all officers, employees, directors, agents, shareholders, partners, benefit plan sponsors, fiduciaries, administrators or affiliates of any of the above, and all successors and assignees of any of the above.

B. If either party pursues a covered claim against the other by any action, method or legal proceeding other than the arbitration provided herein, the responding party shall be entitled to dismissal or injunctive relief regarding such action and recovery of all costs, losses and attorneys' fees related to such other action or proceeding.

C. The parties of this arbitration agreement acknowledge and agree that

they are wavering their right to a jury trial on the issues covered by this Agreement.

D. This is the complete Agreement of the parties on the subject of arbitration of disputes and claims. This Agreement supersedes any prior or contemporaneous oral, written or implied understanding on the subject, shall survive the termination of Employee's employment and can only be revoked or modified by a written agreement signed by the parties which specifically states an intent to revoke or modify this agreement. If any provision of this Agreement is adjusted to be void or otherwise unenforceable in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement.

E. If any provision of this Agreement is held to be unenforceable by a final court decision, the remainder of the Agreement shall continue in full force and effect.

My signature below signifies that I have read, understand and agree to the Arbitration Agreement.

"EMPLOYEE"

/s/ David Lough

David Lough

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. Le Doux, Chief Executive Officer

ATTACHMENT #2

ASSIGNMENT OF INVENTIONS, PATENTS AND COPYRIGHTS AGREEMENT REGARDING CONFIDENTIAL INFORMATION COVENANT OF EXCLUSIVITY AND NOT TO COMPETE

In consideration of and as a condition of my prospective and continued employment and the compensation afforded to me under the terms and conditions thereof by Natural Alternatives International, Inc. (the "Company"), I agree to the following, and I agree the following shall be in addition to the terms and conditions of any Confidential Information and Invention Assignment Agreement executed by employees of the Company generally, and which I may execute in addition hereto:

1 . INVENTIONS

a. Disclosure. I will disclose promptly in writing to the appropriate officer or other representative of the Company, any idea, invention, work of authorship, design, formula, pattern, compilation, program, device, method, technique, process, improvement, development or discovery, whether or not patentable or copyrightable or entitled to legal protection as a trade secret, trademark service mark, trade name or otherwise ("Invention"), that I may conceive, make, develop, reduce to practice or work on, in whole or in part, solely or jointly with others ("Invent"), during the term of my employment with the Company. The disclosure required by this Section 1 (a) applies to each and every Invention that I Invent (i) whether during my regular hours of employment or during my time away from work (ii) whether or not the Invention was made at the suggestion of the Company, and (iii) whether or not the Invention was reduced to or embodied in writing, electronic media or tangible form. The disclosure required by this Section 1 (a) also applies to any Invention which

may relate at the time of conception or reduction to practice of the Invention to the Company's business or actual or demonstrably anticipated research or development of the Company, and to any Invention which results from any work performed by me for the Company. The disclosure required by this Section 1 (a) shall be received in confidence by the Company within the meaning of and to the extent required by California Labor Code Section 2871, the provisions of which are set forth on Exhibit "A" hereto.

b. Assignment. I hereby assign to the Company without royalty or any other further consideration my entire right, title and interest in and to each and every Invention I am required to disclose under Section 1 (a) other than an Invention that (i) I have or shall have developed entirely on my own time without using the Company's equipment, supplies, facilities or trade secret information, (ii) does not relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company and (iii) does not result from any work performed by me for the Company. I acknowledge that the Company has notified me that the assignment provided for in this Section l(b) does not apply to any Invention to which the assignment may not lawfully apply under the provisions of Section 2870 of the California Labor Code, a copy of which is attached as Exhibit "A" hereto.

c. Additional Assistance and Documents. I will assist the Company in obtaining, maintaining and enforcing patents, copyrights, trade secrets, trademarks, service marks, trade names and

other proprietary rights in connection with any Invention I have assigned to the Company under Section l(b), and I further agree that my obligations under this Section l(c) shall continue beyond the termination of my employment with the Company. Among other things, for the foregoing purposes I will (i) testify at the request of the Company in any interference, litigation or other legal proceeding that may arise during or after my employment, and (ii) execute, verify, acknowledge and deliver any proper document (and, if, because of my mental or physical incapacity or for any other reason whatsoever, the Company is unable to obtain my signature to apply for or to pursue any application for any United States or foreign patent or copyright covering Inventions assigned to the Company by me, I hereby irrevocably designate and appoint each of the Company and its duly authorized officers and agents as my agent and attorney in fact to act for me and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of any United States or foreign patent or copyright thereon with the same legal force and effect as if executed by me). I shall be entitled to reimbursement of any out-of-pocket expenses incurred by me in rendering such assistance and, if I am required to render such assistance after the termination of my employment, the Company shall pay me a reasonable rate of compensation for time spent by me in rendering such assistance to the extent permitted by law (provided, I understand that no compensation shall be paid for my time in connection with preparing for or rendering any testimony or statement under oath in any judicial proceeding, arbitration or similar proceeding).

d. Prior Contracts and Inventions; Rights of Third Parties. I represent to the Company that, except as set forth on Exhibit "B" hereto, there are no other contracts to assign Inventions now in existence between me and any other person or entity (and if no Exhibit "B" is attached hereto or there is no such contract described thereon, then it means that by signing this Agreement, I represent to the Company that there is no such other contracts). In addition, I represent to the Company that I have no other employments or undertaking which do or would restrict or impair my performance of this Agreement. I further represent to the Company that Exhibit "C" hereto sets forth a brief description of all Inventions made or conceived by me prior to my employment with the Company which I desire to be excluded from this Agreement (and if no Exhibit "C" is attached hereto or there is no such description set forth thereon, then it means that by signing this Agreement I represent to the Company that there is no such Invention made or conceived by me prior to my employment with the Company). In connection with my employment with the Company, I promise not to use or disclose to the Company any patent, copyright, confidential trade secret or other proprietary information of any previous employer or other person that I am not lawfully entitled so to use or disclose. If in the course of my employment with the Company I incorporate into an Invention or any product process or

service of the Company any Invention made or conceived by me prior to my employment with the Company, I hereby grant to the Company a royalty-free, irrevocable, worldwide nonexclusive license to make, have made, use and sell that Invention without restriction as to the extent of my ownership or interest.

2. CONFIDENTIAL INFORMATION

a. Company Confidential Information. I will not use or disclose Confidential Information, whether before, during or after the term of my employment except to perform my duties as an employee of the Company based on my reasonable judgment as an Officer of the Company, or in accordance with instruction or authorization of the Company, without prior written consent of the Company or pursuant to process or requirements of law after I have disclosed such process or requirements to the Company so as to afford it the opportunity to seek appropriate relief therefrom. "Confidential Information" means any Invention of any person in which the Company has an interest and in addition means any financial, client, customer, supplier, marketing, distribution and other

information of a confidential or private nature connected with the business of the Company or any person with whom it deals, provided by the Company to me or to which I have access during or in the course of any employment.

b. Third Party Information. I acknowledge that during my employment with the Company I may have access to patent, copyright, confidential, trade secret or other proprietary information of third parties subject to restrictions on the use or disclosure thereof by the Company. During the term of my employment and thereafter I will not use or disclose any such information other than consistent with the restrictions and my duties as an employee of the Company.

3. PROPERTY OF THE COMPANY. All documents, instruments, notes, memoranda, reports, drawings, blueprints, manuals, materials, data and other papers and records of every kind which come into my possession during or in the course of my employment, relating to any Inventions or Confidential Information, are and shall remain the property of the Company and shall be surrendered by me to the Company upon termination of my employment with the Company, or upon the request of the Company, at any time during or after termination of my employment with the Company.

4. NO SOLICITATION OF COMPANY EMPLOYEES. While employed by the Company and for a period of one year after termination of my employment with the Company, I agree not to induce or attempt to influence directly or indirectly any employee of the Company to terminate employment with the Company or to work for me or any other person or entity.

5. COVENANT OF EXCLUSIVITY AND NOT TO COMPETE. During the term of my employment with the Company, I will not engage in any other professional employment or consulting or directly or indirectly participate in or assist any business which is a current or potential supplier, customer or competitor of the Company without prior written approval from the Chief Executive Officer of the Company.

6. GENERAL.

a. Assignments, Successors and Assignees. All representations, warranties, covenants and agreements of the parties shall bind their respective heirs, executors, personal representatives, successors and assignees ("transferees") and shall inure to the benefit of their respective permitted transferees. The Company shall have the right to assign any or all of its rights and to delegate any or all of its obligations hereunder. The undersigned employee shall not have the right to assign any rights or delegate any obligations hereunder without the prior written consent of the Company or its transferee.

b. Number of Gender Headings. Each number and gender shall be deemed to include each other number and gender as the context may require. The headings and captions contained in this agreement shall not constitute a part thereof and shall not be used in its construction or interpretation.

c. Severability. If any provision of this agreement is found by any court or arbitral tribunal of competent jurisdiction to be invalid or unenforceable, the invalidity of such provision shall not affect the other provisions of this agreement and all provisions not affected by the invalidity shall remain in full force and effect.

d. Amendment and Modification. This agreement may be amended or modified only by a writing executed by each party.

e. Government Law. The construction, interpretation and performance of this agreement and all transactions under it shall be governed by the internal laws of California.

f. Remedies. I acknowledge that breach by me of any of the provisions of this agreement will cause irreparable injury that cannot adequately be compensated by money damages. The Company shall be entitled to specific performance, temporary restraining orders, preliminary injunctions and permanent injunctive relief to enforce my obligations under this agreement. No remedy conferred by any of the specific provisions of this agreement is intended to be exclusive of any other remedy. I agree to arbitrate on a final and binding basis all disputes under this Agreement in accordance with and before the Judicial Arbitration and Mediation Service ("JAMS").

g. Attorneys' Fees. In the event of any litigation or other action in connection with this agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and disbursements from the other party as costs of suit and not as damages.

h. No Effect on Other Terms or Conditions of Employment. I acknowledge that this agreement does not affect any term or condition of my employment except as expressly provided in this agreement, and that this agreement does not give rise to any right or entitlement on my part to employment or continued employment with the Company. I further acknowledge that this agreement does not affect in any way the right of the Company to terminate my employment.

IN WITNESS WHEREOF, I have executed this agreement as of the date set forth next to my signature below.

/s/ David Lough

Signature of Employee

David Lough

Printed Name of Employee

ACCEPTED:
NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. Le Doux, Chief Executive Officer

EXHIBIT "A"

CALIFORNIA LABOR CODE

SECTION 2870. INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT.

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information expect for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

SECTION 2871. RESTRICTIONS ON EMPLOYER FOR CONDITION OF EMPLOYMENT.

No employer shall require a provision made void or unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

EXHIBIT "B"

Except as set forth below, Employee represents to the Company that there are no other contracts to assign Inventions now in existence between Employee and any other person or entity (see Section l(d) of the Agreement):

EXHIBIT "C"

Set forth below is a brief description of all Inventions made or conceived by Employee prior to Employee's employment with the Company which Employee desires to be excluded from this agreement (see Section l(d) of the Agreement):

EXHIBIT 10.12

EXECUTIVE EMPLOYMENT AGREEMENT

Peter C. Wulff ("Employee") hereby accepts the offer of Natural Alternatives International, Inc. ("NAI") for employment as Chief Financial Officer and Treasurer beginning October 25, 1999. Collectively, NAI and Employee will be referred to herein as the "Parties."

1. The Parties anticipate that Employee will be employed from the date hereof through September 30, 2000 (the "Term"). During the Term, Employee's employment will be at-will and may be terminated by either Employee or NAI at any time for any reason or no reason, with or without cause upon written notice to the other. The at-will status of the employment relationship may not be modified except in writing authorized in advance by the Board of Directors of NAI and signed by the Chief Executive Officer of NAI and Employee.

2. Employee and NAI further understand and agree that nothing in the NAI Employee Handbook is intended to be, and nothing in it should be construed to be, a limitation of NAI's right to terminate, transfer, demote, suspend and administer discipline at any time for any reason. Employee and NAI understand and agree nothing in the Handbook is intended to, and nothing in the Handbook should be construed to, create an implied or express contract of employment contrary to this agreement.

3. While Employee is employed by NAI, Employee's rate of compensation will be at least $12,500 per month, which will be reviewed at least annually to determine, based upon Employee's performance and the performance of NAI, the amount of increase, (if any), in the rate of compensation. The compensation set forth in this Section 3 will be Employee's only compensation except standard employee benefits available to other level one executives of NAI or any other written compensation arrangement approved by the Board of Directors of NAI. NAI is currently evaluating a system of bonus compensation for certain of its employees. Employee will be entitled to participate in any such bonus compensation in a manner and at a level consistent with other level one executives of NAI. Currently all the level one executives of NAI include all of the Corporate Officers of NAI, except for the Chief Executive Officer.

4. If Employee continues working for NAI past the end of the Term, and if NAI still desires Employee's services, then the following terms and conditions will apply:

(a) Employee shall be an at-will employee and either Employee or NAI will be entitled to terminate the employment relationship for any reason or for no reason, with or without cause and with or without notice.

(b) Employee will be compensated at the rate set forth in section 3 herein above unless another rate is mutually agreed upon; and

(c) As to benefits and other terms of employment, Employee shall be subject to the same policies and procedures as other employees of NAI in similar positions.

5. During the Term, and any extension thereof, Employee shall have such responsibilities, duties and authority as NAI through its Chief Executive Officer may from time to time assign to Employee, and that are normal and customary duties of a Chief Financial Officer and Treasurer of a publicly held corporation. Employee's initial title shall be Chief Financial Officer and Treasurer.

6. In the event this Agreement is terminated by NAI without cause,

whether during or at the end of the Term (and any renewals thereof), Employee shall be entitled to severance pay, including standard employee benefits available to other level one executives of NAI, in an amount equivalent to his then current compensation rate for the period set forth below opposite the number of complete calendar months which have elapsed from the beginning date set forth in the first paragraph hereof at the time of termination. One half of such amount shall be paid upon termination and the balance shall be paid on a bi-weekly basis during said severance period:

MONTHS OF EMPLOYMENT	SEVERANCE PERIOD
1 through 6 months	2 months
7 through 12 months	6 months
13 through 24 months	9 months
more than 24 months	12 months

NAI may terminate this Agreement with cause, which shall be limited to the occurrence of one or more of the following events: (i) the Employee's commission of any fraud against NAI; (ii) Employee's intentional appropriation for his personal use or benefit the funds of the Company not authorized by the Chief Executive Officer of the Board of Directors, (iii) Employee's conviction of any crime involving moral turpitude, (iv) Employee's conviction of a violation of any state or federal law which could result in a material adverse impact upon the business of NAI; or (v) Employee's material violation of this Agreement, provided that Employee shall be given written notice by NAI of any alleged material violation of the Agreement and an opportunity within 60 days, to cure the alleged breach, which Employee must diligently pursue to completion. No severance pay shall be due to Employee if Employee is terminated for cause.

7. In the event of any Change in Control, the following provisions will apply.

Any of the following shall constitute a "Change in Control" for the purposes of this Section 7:

A. A "person" (meaning an individual, a partnership, or other group or association as defined in sections 13(d) and 14(d) of the Securities Exchange Act of 1934) acquires fifty percent (50%) or more of the combined voting power of the outstanding securities of NAI having a right to vote in elections of directors; or

B. The members of the Board of Directors of the Company who were members of the Board of Directors on the commencement date hereof, shall for any reason cease to constitute a majority of the Board of Directors of the Company; or

C. All, or substantially all of the business of NAI is disposed of by NAI to a party or parties other than a subsidiary or other affiliate of NAI, in which NAI owns less than a majority of the equity, pursuant to a partial or complete liquidation of NAI, sale of assets (including stock of a subsidiary of NAI) or otherwise.

In the event of any such Change in Control, this Agreement shall continue in effect unless the Employee at his sole option, and at any time elects voluntarily to terminate this Agreement. In such case, NAI shall pay Employee as severance pay or liquidated damages, or both, a lump sum payment ("Change in Control Severance Payment") equal to one hundred fifty percent (150%) of the Employee's annual salary and bonus specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

In the event this Agreement is terminated following a Change in Control by NAI, and/or the surviving or resulting corporation, without cause, Employee shall be entitled to a Change in Control Severance Payment equal to one hundred

fifty percent (150%) of the Employee's annual salary specified in Section 3 above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

Any Severance Payment shall be made not later than the fifteenth (15th) day following the effective date of the voluntary or involuntary termination of this Agreement in connection with a Change in Control; provided, however, that if the amount of such payments cannot be finally determined on or before such date, NAI shall pay to Employee on such date a good faith estimate of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate provided in Internal Revenue Code Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined, but in no event later than the thirtieth (30th) day after the applicable termination date. In the event the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by NAI payable on the fifteenth (15th) day after receipt by Employee of a written demand for payment from NAI (together with interest calculated as above). The total of any payment pursuant to this Section 7 shall be limited to the extent necessary, in the opinion of legal counsel acceptable to Employee and NAI, to avoid the payment of an "excess parachute" payment within the meaning of Internal Revenue Code Section 280 G or any similar successor provision.

In the event of termination of this Agreement either by the Employee under paragraph 7(B) or by NAI under paragraph 7(C), NAI shall cause each stock option heretofore granted by NAI to the Employee to become fully exercisable and to remain exercisable for the term of the option.

8. Employee and NAI hereby agree to the Mutual Agreement to Arbitrate attached hereto and made a part hereof as Attachment #1.

9. Employee and NAI hereby agree to the Assignment of Inventions, Patents and Copyrights Agreement Regarding Confidential Information Covenant of Exclusivity and Not to Compete attached hereto and made a part hereof as Attachment #2.

10. This Agreement contains the entire agreement between the parties. It supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to Employee's employment by NAI. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein and acknowledges that no other agreement, statement of promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended by oral agreement or course of conduct, but only by an agreement in writing signed by the Chief Executive Officer of NAI and Employee.

11. This Executive Employment Agreement shall be construed and enforced in accordance with the laws of the State of California.

12. Should any part or provision of this Executive Employment Agreement be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts shall not be affected by such holding.

"EMPLOYEE"

/s/ Peter C. Wulff

Peter C. Wulff

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. Le Doux, Chief Executive Officer

ATTACHMENT #1

MUTUAL AGREEMENT TO ARBITRATE CLAIMS

This Mutual Agreement to Arbitrate Claims is entered into between Peter C. Wulff ("Employee") and Natural Alternatives International, Inc. ("NAI").

1. Binding Arbitration of Disagreement and Claims

We each voluntarily promise and agree to arbitrate any claims covered by this Agreement. We further agree that such binding arbitration pursuant tot his Agreement shall be the sole and exclusive remedy for resolving any such claims or disputes.

2. Claims Covered by this Agreement

A. Claims and disputes covered by this Agreement include all claims against NAI (as defined below) and all claims that NAI may have against the Employee, including, without limitation, those arising under:

(1) Any federal, state or local laws, regulations or statutes prohibiting employment discrimination (such as, without limitation: race, sex, national origin, age, disability, religion, sexual orientation) and harassment.

(2) Any alleged or actual agreement or covenant (oral, written or implied) between Employee and NAI.

(3) Any company policy or compensation or benefit plan, unless the decision in question was made by an entity other than NAI.

(4) Any public policy.

(5) Any other claim for personal, emotional, physical or economic injury.

B. The only disputes between Employee and NAI which are not included within this Mutual Agreement to Arbitrate Claims are:

(1) Any claim by Employee for workers' compensation or unemployment compensation benefits.

(2) Any claim by Employee for benefits under a company plan which provides for its own arbitration procedure.

3. Arbitration Procedure

A. The arbitration will be conducted in accordance with the rules of the current Judicial Arbitration and Mediation Services ("JAMS"), except that the arbitrator shall be mutually acceptable to both parties. The arbitration will be held in the state and county of the Employee's primary

employment at the time of the act giving rise to the dispute. The fees and expenses of the Arbitrator, and the arbitration, will be borne by the Company. Each party will pay for the fees and expenses of its own attorneys, experts, witnesses, transcripts and preparation and presentation of proofs and post-hearing briefs, unless the party prevails on a claim for which attorneys' fees and costs are recoverable by statute or contract, in which case the prevailing party shall be awarded attorneys fees and costs in accordance with that statute or contract.

B. Before such arbitration, each party shall have the right to conduct discovery on the same basis and to the same extent as a civil action brought in the Federal District Court for the Southern District of California.

C. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable, and otherwise by applicable state law.

4. Miscellaneous Provisions

A. The term "company" means NAI, and all related entities, all officers, employees, directors, agents, shareholders, partners, benefit plan sponsors, fiduciaries, administrators or affiliates of any of the above, and all successors and assignees of any of the above.

B. If either party pursues a covered claim against the other by any action, method or legal proceeding other than the arbitration provided herein, the responding party shall be entitled to dismissal or injunctive relief regarding such action and recovery of all costs, losses and attorneys' fees related to such other action or proceeding.

C. The parties of this arbitration agreement acknowledge and agree that they are waiving their right to a jury trial on the issues covered by this Agreement.

D. This is the complete Agreement of the parties on the subject of arbitration of disputes and claims. This Agreement supersedes any prior or contemporaneous oral, written or implied understanding on the subject, shall survive the termination of Employee's employment and can only be revoked or modified by a written agreement signed by the parties which specifically states an intent to revoke or modify this agreement. If any provision of this Agreement is adjusted to be void or otherwise unenforceable in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement.

E. If any provision of this Agreement is held to be unenforceable by a final court decision, the remainder of the Agreement shall continue in full force and effect.

My signature below signifies that I have read, understand and agree to the Arbitration Agreement.

"EMPLOYEE"

/s/ Peter C. Wulff

Peter C. Wulff

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. Le Doux, Chief Executive Officer

ATTACHMENT #2

ASSIGNMENT OF INVENTIONS, PATENTS AND COPYRIGHTS AGREEMENT REGARDING CONFIDENTIAL INFORMATION COVENANT OF EXCLUSIVITY AND NOT TO COMPETE

In consideration of and as a condition of my prospective and continued employment and the compensation afforded to me under the terms and conditions thereof by Natural Alternatives International, Inc. (the "Company"), I agree to

the following, and I agree the following shall be in addition to the terms and conditions of any Confidential Information and Invention Assignment Agreement executed by employees of the Company generally, and which I may execute in addition hereto:

1 . INVENTIONS

a. Disclosure. I will disclose promptly in writing to the appropriate officer or other representative of the Company, any idea, invention, work of authorship, design, formula, pattern, compilation, program, device, method, technique, process, improvement, development or discovery, whether or not patentable or copyrightable or entitled to legal protection as a trade secret, trademark service mark, trade name or otherwise ("Invention"), that I may conceive, make, develop, reduce to practice or work on, in whole or in part, solely or jointly with others ("Invent"), during the term of my employment with the Company. The disclosure required by this Section 1 (a) applies to each and every Invention that I Invent (i) whether during my regular hours of employment or during my time away from work (ii) whether or not the Invention was made at the suggestion of the Company, and (iii) whether or not the Invention was reduced to or embodied in writing, electronic media or tangible form. The disclosure required by this Section 1 (a) also applies to any Invention which may relate at the time of conception or reduction to practice of the Invention to the Company's business or actual or demonstrably anticipated research or development of the Company, and to any Invention which results from any work performed by me for the Company. The disclosure required by this Section 1 (a) shall be received in confidence by the Company within the meaning of and to the extent required by California Labor Code Section 2871, the provisions of which are set forth on Exhibit "A" hereto.

b. Assignment. I hereby assign to the Company without royalty or any other further consideration my entire right, title and interest in and to each and every Invention I am required to disclose under Section 1 (a) other than an Invention that (i) I have or shall have developed entirely on my own time without using the Company's equipment, supplies, facilities or trade secret information, (ii) does not relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company and (iii) does not result from any work performed by me for the Company. I acknowledge that the Company has notified me that the assignment provided for in this Section l(b) does not apply to any Invention to which the assignment may not lawfully apply under the provisions of Section 2870 of the California Labor Code, a copy of which is attached as Exhibit "A" hereto.

c. Additional Assistance and Documents. I will assist the Company in obtaining, maintaining and enforcing patents, copyrights, trade secrets, trademarks, service marks, trade names and other proprietary rights in connection with any Invention I have assigned to the Company under Section l(b), and I further agree that my obligations under this Section l(c) shall continue beyond the termination of my employment with the Company. Among other things, for the foregoing purposes I will (i) testify at the request of the Company in any interference, litigation or other legal proceeding that may arise during or after my employment, and (ii) execute, verify, acknowledge and deliver any proper document (and, if, because of my mental or physical incapacity or for any other reason whatsoever, the Company is unable to obtain my signature to apply for or to pursue any application for any United States or foreign patent or copyright covering Inventions assigned to the Company by me, I hereby irrevocably designate and appoint each of the Company and its duly authorized officers and agents as my agent and attorney in fact to act for me and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of any United States or foreign patent or copyright thereon with the same legal force and effect as if executed by me). I shall be entitled to reimbursement of any out-of-pocket expenses incurred by me in rendering such assistance and, if I am required to render such assistance after the termination of my employment, the Company shall pay me a reasonable rate of compensation for time spent by me in rendering such assistance to the extent permitted by law (provided, I understand that no compensation shall be paid for my time in connection with preparing for or rendering any testimony or statement under oath in any judicial proceeding, arbitration or similar proceeding).

d. Prior Contracts and Inventions; Rights of Third Parties. I represent to the Company that, except as set forth on Exhibit "B" hereto, there are no other contracts to assign Inventions now in existence between me and any other person or entity (and if no Exhibit "B" is attached hereto or there is no such contract described thereon, then it means that by signing this Agreement, I represent to the Company that there is no such other contracts). In addition, I represent to the Company that I have no other employments or undertaking which do or would restrict or impair my performance of this Agreement. I further represent to the Company that Exhibit "C" hereto sets forth a brief description of all Inventions made or conceived by me prior to my employment with the Company which I desire to be excluded from this Agreement (and if no Exhibit "C" is attached hereto or there is no such description set forth thereon, then it means that by signing this Agreement I represent to the Company that there is no such Invention made or conceived by me prior to my employment with the Company). In connection with my employment with the Company, I promise not to use or disclose to the Company any patent, copyright, confidential trade secret or other proprietary information of any previous employer or other person that I am not lawfully entitled so to use or disclose. If in the course of my employment with the Company I incorporate into an Invention or any product process or service of the Company any Invention made or conceived by me prior to my employment with the Company, I hereby grant to the Company a royalty-free, irrevocable, worldwide nonexclusive license to make, have made, use and sell that Invention without restriction as to the extent of my ownership or interest.

2. CONFIDENTIAL INFORMATION

a. Company Confidential Information. I will not use or disclose Confidential Information, whether before, during or after the term of my employment except to perform my duties as an employee of the Company based on my reasonable judgment as an Officer of the Company, or in

accordance with instruction or authorization of the Company, without prior written consent of the Company or pursuant to process or requirements of law after I have disclosed such process or requirements to the Company so as to afford it the opportunity to seek appropriate relief therefrom. "Confidential Information" means any Invention of any person in which the Company has an interest and in addition means any financial, client, customer, supplier, marketing, distribution and other information of a confidential or private nature connected with the business of the Company or any person with whom it deals, provided by the Company to me or to which I have access during or in the course of any employment.

b. Third Party Information. I acknowledge that during my employment with the Company I may have access to patent, copyright, confidential, trade secret or other proprietary information of third parties subject to restrictions on the use or disclosure thereof by the Company. During the term of my employment and thereafter I will not use or disclose any such information other than consistent with the restrictions and my duties as an employee of the Company.

3. PROPERTY OF THE COMPANY. All documents, instruments, notes, memoranda, reports, drawings, blueprints, manuals, materials, data and other papers and records of every kind which come into my possession during or in the course of my employment, relating to any Inventions or Confidential Information, are and shall remain the property of the Company and shall be surrendered by me to the Company upon termination of my employment with the Company, or upon the request of the Company, at any time during or after termination of my employment with the Company.

4. NO SOLICITATION OF COMPANY EMPLOYEES. While employed by the Company and for a period of one year after termination of my employment with the Company, I agree not to induce or attempt to influence directly or indirectly any employee of the Company to terminate employment with the Company or to work for me or any other person or entity.

5. COVENANT OF EXCLUSIVITY AND NOT TO COMPETE. During the term of my employment with the Company, I will not engage in any other professional employment or consulting or directly or indirectly participate in or assist any

business which is a current or potential supplier, customer or competitor of the Company without prior written approval from the Chief Executive Officer of the Company.

6. GENERAL.

a. Assignments, Successors and Assignees. All representations, warranties, covenants and agreements of the parties shall bind their respective heirs, executors, personal representatives, successors and assignees ("transferees") and shall inure to the benefit of their respective permitted transferees. The Company shall have the right to assign any or all of its rights and to delegate any or all of its obligations hereunder. The undersigned employee shall not have the right to assign any rights or delegate any obligations hereunder without the prior written consent of the Company or its transferee.

b. Number and Gender Headings. Each number and gender shall be deemed to include each other number and gender as the context may require. The headings and captions contained

in this agreement shall not constitute a part thereof and shall not be used in its construction or interpretation.

c. Severability. If any provision of this agreement is found by any court or arbitral tribunal of competent jurisdiction to be invalid or unenforceable, the invalidity of such provision shall not affect the other provisions of this agreement and all provisions not affected by the invalidity shall remain in full force and effect.

d. Amendment and Modification. This agreement may be amended or modified only by a writing executed by each party.

e. Government Law. The construction, interpretation and performance of this agreement and all transactions under it shall be governed by the internal laws of California.

f. Remedies. I acknowledge that breach by me of any of the provisions of this agreement will cause irreparable injury that cannot adequately be compensated by money damages. The Company shall be entitled to specific performance, temporary restraining orders, preliminary injunctions and permanent injunctive relief to enforce my obligations under this agreement. No remedy conferred by any of the specific provisions of this agreement is intended to be exclusive of any other remedy. I agree to arbitrate on a final and binding basis all disputes under this Agreement in accordance with and before the Judicial Arbitration and Mediation Service ("JAMS").

g. Attorneys' Fees. In the event of any litigation or other action in connection with this agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and disbursements from the other party as costs of suit and not as damages.

h. No Effect on Other Terms or Conditions of Employment. I acknowledge that this agreement does not affect any term or condition of my employment except as expressly provided in this agreement, and that this agreement does not give rise to any right or entitlement on my part to employment or continued employment with the Company. I further acknowledge that this agreement does not affect in any way the right of the Company to terminate my employment.

IN WITNESS WHEREOF, I have executed this agreement as of the date set forth next to my signature below.

/s/ Peter C. Wulff

Signature of Employee

Peter C. Wulff

Printed Name of Employee

ACCEPTED:
NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. Le Doux, Chief Executive Officer

EXHIBIT "A"

CALIFORNIA LABOR CODE

SECTION 2870. INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT.

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information expect for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

SECTION 2871. RESTRICTIONS ON EMPLOYER FOR CONDITION OF EMPLOYMENT.

No employer shall require a provision made void or unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

EXHIBIT "B"

Except as set forth below, Employee represents to the Company that there are no other contracts to assign Inventions now in existence between Employee and any other person or entity (see Section 1(d) of the Agreement):

EXHIBIT "C"

Set forth below is a brief description of all Inventions made or conceived by Employee prior to Employee's employment with the Company which Employee desires to be excluded from this agreement (see Section 1(d) of the Agreement):

EXHIBIT 10.13

EXECUTIVE EMPLOYMENT AGREEMENT

Douglas E. Flaker ("Employee") hereby accepts the offer of Natural Alternatives International, Inc. ("NAI") for employment as Vice President - Marketing beginning October 1, 1999. Collectively, NAI and Employee will be referred to herein as the "Parties."

1. The Parties anticipate that Employee will be employed for a period of twelve (12) months (the "Term"). During the Term, Employee's employment will be at-will and may be terminated by either Employee or NAI at any time for any reason or no reason, with or without cause and with or without notice. The at-will status of the employment relationship may not be modified except in writing signed by the Chief Executive Officer of NAI and Employee.

2. Employee and NAI further understand and agree that nothing in the NAI Employee Handbook is intended to be, and nothing in it should be construed to be, a limitation of NAI's right to terminate, transfer, demote, suspend and administer discipline at any time for any reason. Employee and NAI understand and agree nothing in the Handbook is intended to, and nothing in the Handbook should be construed to, create an implied or express contract of employment contrary to this agreement.

3. A. Salary. Employee's compensation will be $115,000 per year, payable no less frequently than monthly. The compensation set forth in this Section 3 will be Employee's only compensation except standard employee benefits or any other written compensation arrangement approved by the Board of Directors and the Company.

B. Expenses. Employee shall receive during the Term a monthly amount equal to $1,500.00 to reimburse Employee for actual expenses incurred in ownership and operation of one (1) automobile that Employee shall make and maintain available for Employee's use on any matter require by or for the benefit of the Company.

4. If Employee continues working for NAI past the end of the Term, and if NAI still desires Employee's services, then the following terms and conditions will apply:

(a) Employee shall be an at-will employee and either Employee or NAI will be entitled to terminate the employment relationship for any reason or for no reason, with or without cause and with or without notice. Employee understands and agrees that transfers, demotions and suspensions may occur and that employee discipline may be administered at the will of NAI at any time for any reason, with or without cause and with or without notice;

(b) Employee will be compensated at the rate set forth in section 3.A hereinabove unless another rate is mutually agreed upon; and

(c) As to benefits and other terms of employment, Employee shall be subject to the same policies and procedures as other employees of NAI in similar positions.

5. During the Term, and any extension thereof, Employee shall have such responsibilities, duties and authority as NAI may from time to time assign to Employee. Employee's initial title shall be Vice President - Science and Technology.

6. In the event this Agreement is terminated by NAI without cause, or NAI does not allow Employee to continue as such following the completion of the Term, Employee shall be entitled to severance pay, including standard employee benefits, in an amount equivalent to his then current compensation rate for the

period set forth below opposite the number of complete calendar months which have elapsed from the beginning date set forth in the first paragraph hereof at the time of termination. One half of such amount shall be paid upon termination and the balance shall be paid on a bi-weekly basis during said severance period:

MONTHS OF EMPLOYMENT	SEVERANCE PERIOD
1 through 6 months	2 months
7 through 12 months	6 months
13 through 24 months	9 months
more than 24 months	12 months

For purposes of this Section 6, Employee shall be deemed terminated without cause if such termination is for any reason other than a willful breach or habitual neglect of Employee's duties under the terms of this Agreement.

7. In the event of any Change in Control, the following provisions will apply.

A. Any of the following shall constitute a "Change in Control" for purposes of this Section 7:

(1) Merger or consolidation where shareholders of NAI immediately prior to such transaction own less than 50% of the voting securities of the surviving entity immediately following such transaction;

(2) Transfer of all or substantially all of the assets of NAI; or

(3) Voluntary or involuntary dissolution of NAI.

B. In the event of any such Change in Control, Employee at his sole option, and at any time may elect one of the following provisions:

(a) Continued employment by NAI, and/or the surviving or resulting corporation, said successor to be bound by all the provisions of this Agreement;

(b) Voluntary termination of this Agreement and payment to Employee as severance pay or liquidated damages, or both, a lump sum payment ("Severance Payment") equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3.B. above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

C. In the event this Agreement is terminated following a Change in Control by NAI, and/or the surviving or resulting corporation, without cause, Employee shall be entitled to a Severance Payment equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3.B. above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

D. Any Severance Payment shall be made not later than the fifteenth (15th) day following the effective date of the voluntary or involuntary termination of this Agreement in connection with a Change in Control; provided, however, that if the amount of such payments cannot be finally determined on or before such date, NAI shall pay to Employee on such date a good faith estimate of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate provided in Internal Revenue Code Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined, but in no event later than the thirtieth (30th) day after the applicable termination date. In the event the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by NAI payable on the fifteenth (15th) day after

receipt by Employee of a written demand for payment from NAI (together with interest calculated as above). The total of any payment pursuant to this Section 7 shall be limited to the extent necessary, in the opinion of legal counsel acceptable to Employee and NAI, to avoid the payment of an "excess parachute" payment within the meaning of Internal Revenue Code Section 280 G or any similar successor provision.

8. Employee and NAI hereby agree to the Mutual Agreement to Arbitrate attached hereto and made a part hereof as Attachment #1.

9. Employee and NAI hereby agree to the Assignment of Inventions, Patents and Copyrights Agreement Regarding Confidential Information Covenant of Exclusivity and Not to Compete attached hereto and made a part hereof as Attachment #2.

10. This Agreement contains the entire agreement between the parties. It supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to Employee's employment by NAI. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein and acknowledges that no other agreement, statement of promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended by oral agreement or course of conduct, but only by an agreement in writing signed by the Chief Executive Officer of NAI and Employee.

11. This Executive Employment Agreement shall be construed and enforced in accordance with the laws of the State of California.

12. Should any part or provision of this Executive Employment Agreement be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts shall not be affected by such holding.

"EMPLOYEE"

/s/ Douglas E. Flaker

Douglas E. Flaker

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. Le Doux, Chief Executive Officer

ATTACHMENT #1

MUTUAL AGREEMENT TO ARBITRATE CLAIMS

This Mutual Agreement to Arbitrate Claims is entered into between Douglas E. Flaker ("Employee") and Natural Alternatives International, Inc. ("NAI").

1. Binding Arbitration of Disagreement and Claims

We each voluntarily promise and agree to arbitrate any claims covered by this Agreement. We further agree that such binding arbitration pursuant tot his Agreement shall be the sole and exclusive remedy for resolving any such claims or disputes.

2. Claims Covered by this Agreement

A. Claims and disputes covered by this Agreement include all claims against NAI (as defined below) and all claims that NAI may have against the Employee, including, without limitation, those arising under:

(1) Any federal, state or local laws, regulations or statutes prohibiting employment discrimination (such as, without limitation: race, sex, national origin, age, disability, religion, sexual orientation) and harassment.

(2) Any alleged or actual agreement or covenant (oral, written or implied) between Employee and NAI.

(3) Any company policy or compensation or benefit plan, unless the decision in question was made by an entity other than NAI.

(4) Any public policy.

(5) Any other claim for personal, emotional, physical or economic injury.

B. The only disputes between Employee and NAI which are not included within this Mutual Agreement to Arbitrate Claims are:

(1) Any claim by Employee for workers' compensation benefits.

(2) Any claim by Employee for benefits under a company plan which provides for its own arbitration procedure.

3. Arbitration Procedure

A. The arbitration will be conducted in accordance with the rules of the current Judicial Arbitration and Mediation Services ("JAMS"), except that the arbitrator shall be mutually acceptable to both parties. The arbitration will be held in the state and county of the Employee's primary employment at the time of the act giving rise to the dispute. The fees and expenses of the Arbitrator, and the arbitration, will be borne by the Company. Each party will pay for the fees and expenses of its

own attorneys, experts, witnesses, transcripts and preparation and presentation of proofs and post-hearing briefs, unless the party prevails on a claim for which attorneys' fees and costs are recoverable by statute or contract.

B. Before such arbitration, each party shall have the right to conduct discovery on the same basis and to the same extent as a civil action brought in the Federal District Court for the Southern District of California.

C. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable, and otherwise by applicable state law.

4. Miscellaneous Provisions

A. The term "company" means NAI, and all related entities, all officers, employees, directors, agents, shareholders, partners, benefit plan sponsors, fiduciaries, administrators or affiliates of any of the above, and all successors and assignees of any of the above.

B. If either party pursues a covered claim against the other by any action, method or legal proceeding other than the arbitration provided herein, the responding party shall be entitled to dismissal or injunctive relief regarding such action and recovery of all costs, losses and attorneys' fees related to such other action or proceeding.

C. The parties of this arbitration agreement acknowledge and agree that they are wavering their right to a jury trial on the issues covered by this Agreement.

D. This is the complete Agreement of the parties on the subject of arbitration of disputes and claims. This Agreement supersedes any prior or

contemporaneous oral, written or implied understanding on the subject, shall survive the termination of Employee's employment and can only be revoked or modified by a written agreement signed by the parties which specifically states an intent to revoke or modify this agreement. If any provision of this Agreement is adjusted to be void or otherwise unenforceable in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement.

E. If any provision of this Agreement is held to be unenforceable by a final court decision, the remainder of the Agreement shall continue in full force and effect.

My signature below signifies that I have read, understand and agree to the Arbitration Agreement.

"EMPLOYEE"

/s/ Douglas E. Flaker

Douglas E. Flaker

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. Le Doux, Chief Executive Officer

ATTACHMENT #2

ASSIGNMENT OF INVENTIONS, PATENTS AND COPYRIGHTS AGREEMENT REGARDING CONFIDENTIAL INFORMATION COVENANT OF EXCLUSIVITY AND NOT TO COMPETE

In consideration of and as a condition of my prospective and continued employment and the compensation afforded to me under the terms and conditions thereof by Natural Alternatives International, Inc. (the "Company"), I agree to the following, and I agree the following shall be in addition to the terms and conditions of any Confidential Information and Invention Assignment Agreement executed by employees of the Company generally, and which I may execute in addition hereto:

1. INVENTIONS

a. Disclosure. I will disclose promptly in writing to the appropriate officer or other representative of the Company, any idea, invention, work of authorship, design, formula, pattern, compilation, program, device, method, technique, process, improvement, development or discovery, whether or not patentable or copyrightable or entitled to legal protection as a trade secret, trademark service mark, trade name or otherwise ("Invention"), that I may conceive, make, develop, reduce to practice or work on, in whole or in part, solely or jointly with others ("Invent"), during the term of my employment with the Company. The disclosure required by this Section 1 (a) applies to each and every Invention that I Invent (i) whether during my regular hours of employment or during my time away from work (ii) whether or not the Invention was made at the suggestion of the Company, and (iii) whether or not the Invention was reduced to or embodied in writing, electronic media or tangible form. The disclosure required by this Section 1 (a) also applies to any Invention which may relate at the time of conception or reduction to practice of the Invention to the Company's business or actual or demonstrably anticipated research or development of the Company, and to any Invention which results from any work performed by me for the Company. The disclosure required by this Section 1 (a) shall be received in confidence by the Company within the meaning of and to the extent required by California Labor Code Section 2871, the provisions of which are set forth on Exhibit "A" hereto.

b. Assignment. I hereby assign to the Company without royalty or any other further consideration my entire right, title and interest in and to each and every Invention I am required to disclose under Section 1 (a) other

than an Invention that (i) I have or shall have developed entirely on my own time without using the Company's equipment, supplies, facilities or trade secret information, (ii) does not relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company and (iii) does not result from any work performed by me for the Company. I acknowledge that the Company has notified me that the assignment provided for in this Section l(b) does not apply to any Invention to which the assignment may not lawfully apply under the provisions of Section Section 2870 of the California Labor Code, a copy of which is attached as Exhibit "A" hereto.

c. Additional Assistance and Documents. I will assist the Company in obtaining, maintaining and enforcing patents, copyrights, trade secrets, trademarks, service marks, trade names and

other proprietary rights in connection with any Invention I have assigned to the Company under Section l(b), and I further agree that my obligations under this Section l(c) shall continue beyond the termination of my employment with the Company. Among other things, for the foregoing purposes I will (i) testify at the request of the Company in any interference, litigation or other legal proceeding that may arise during or after my employment, and (ii) execute, verify, acknowledge and deliver any proper document (and, if, because of my mental or physical incapacity or for any other reason whatsoever, the Company is unable to obtain my signature to apply for or to pursue any application for any United States or foreign patent or copyright covering Inventions assigned to the Company by me, I hereby irrevocably designate and appoint each of the Company and its duly authorized officers and agents as my agent and attorney in fact to act for me and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of any United States or foreign patent or copyright thereon with the same legal force and effect as if executed by me). I shall be entitled to reimbursement of any out-of-pocket expenses incurred by me in rendering such assistance and, if I am required to render such assistance after the termination of my employment, the Company shall pay me a reasonable rate of compensation for time spent by me in rendering such assistance to the extent permitted by law (provided, I understand that no compensation shall be paid for my time in connection with preparing for or rendering any testimony or statement under oath in any judicial proceeding, arbitration or similar proceeding).

d. Prior Contracts and Inventions; Rights of Third Parties. I represent to the Company that, except as set forth on Exhibit "B" hereto, there are no other contracts to assign Inventions now in existence between me and any other person or entity (and if no Exhibit "B" is attached hereto or there is no such contract described thereon, then it means that by signing this Agreement, I represent to the Company that there is no such other contracts). In addition, I represent to the Company that I have no other employments or undertaking which do or would restrict or impair my performance of this Agreement. I further represent to the Company that Exhibit "C" hereto sets forth a brief description of all Inventions made or conceived by me prior to my employment with the Company which I desire to be excluded from this Agreement (and if no Exhibit "C" is attached hereto or there is no such description set forth thereon, then it means that by signing this Agreement I represent to the Company that there is no such Invention made or conceived by me prior to my employment with the Company). In connection with my employment with the Company, I promise not to use or disclose to the Company any patent, copyright, confidential trade secret or other proprietary information of any previous employer or other person that I am not lawfully entitled so to use or disclose. If in the course of my employment with the Company I incorporate into an Invention or any product process or service of the Company any Invention made or conceived by me prior to my employment with the Company, I hereby grant to the Company a royalty-free, irrevocable, worldwide nonexclusive license to make, have made, use and sell that Invention without restriction as to the extent of my ownership or interest.

2. CONFIDENTIAL INFORMATION

a. Company Confidential Information. I will not use or disclose Confidential Information, whether before, during or after the term of my employment except to perform my duties as an employee of the Company in accordance with instruction or authorization of the Company based on my

reasonable judgment as an Officer of the Company, or without prior written consent of the Company or pursuant to process or requirements of law after I have disclosed such process or requirements to the Company so as to afford it the opportunity to seek appropriate relief therefrom. "Confidential Information" means any Invention of any person in which the Company has an interest and in addition means any financial, client, customer, supplier, marketing, distribution and other

information of a confidential or private nature connected with the business of the Company or any person with whom it deals, provided by the Company to me or to which I have access during or in the course of any employment.

b. Third Party Information. I acknowledge that during my employment with the Company I may have access to patent, copyright, confidential, trade secret or other proprietary information of third parties subject to restrictions on the use or disclosure thereof by the Company. During the term of my employment and thereafter I will not use or disclose any such information other than consistent with the restrictions and my duties as an employee of the Company.

3. PROPERTY OF THE COMPANY. All documents, instruments, notes, memoranda, reports, drawings, blueprints, manuals, materials, data and other papers and records of every kind which come into my possession during or in the course of my employment, relating to any Inventions or Confidential Information, are and shall remain the property of the Company and shall be surrendered by me to the Company upon termination of my employment with the Company, or upon the request of the Company, at any time during or after termination of my employment with the Company.

4. NO SOLICITATION OF COMPANY EMPLOYEES. While employed by the Company and for a period of one year after termination of my employment with the Company, I agree not to induce or attempt to influence directly or indirectly any employee of the Company to terminate employment with the Company or to work for me or any other person or entity.

5. COVENANT OF EXCLUSIVITY AND NOT TO COMPETE. During the term of my employment with the Company, I will not engage in any other professional employment or consulting or directly or indirectly participate in or assist any business which is a current or potential supplier, customer or competitor of the Company without prior written approval from the Chief Executive Officer of the Company.

6. GENERAL.

a. Assignments, Successors and Assignees. All representations, warranties, covenants and agreements of the parties shall bind their respective heirs, executors, personal representatives, successors and assignees ("transferees") and shall inure to the benefit of their respective permitted transferees. The Company shall have the right to assign any or all of its rights and to delegate any or all of its obligations hereunder. The undersigned employee shall not have the right to assign any rights or delegate any obligations hereunder without the prior written consent of the Company or its transferee.

b. Number of Gender Headings. Each number and gender shall be deemed to include each other number and gender as the context may require. The headings and captions contained in this agreement shall not constitute a part thereof and shall not be used in its construction or interpretation.

c. Severability. If any provision of this agreement is found by any court or arbitral tribunal of competent jurisdiction to be invalid or unenforceable, the invalidity of such provision shall not affect the other provisions of this agreement and all provisions not affected by the invalidity shall remain in full force and effect.

d. Amendment and Modification. This agreement may be amended or modified only by a writing executed by each party.

e. Government Law. The construction, interpretation and performance of this agreement and all transactions under it shall be governed by the internal laws of California.

f. Remedies. I acknowledge that breach by me of any of the provisions of this agreement will cause irreparable injury that cannot adequately be compensated by money damages. The Company shall be entitled to specific performance, temporary restraining orders, preliminary injunctions and permanent injunctive relief to enforce my obligations under this agreement. No remedy conferred by any of the specific provisions of this agreement is intended to be exclusive of any other remedy. I agree to arbitrate on a final and binding basis all disputes under this Agreement in accordance with and before the Judicial Arbitration and Mediation Service ("JAMS").

g. Attorneys' Fees. In the event of any litigation or other action in connection with this agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and disbursements from the other party as costs of suit and not as damages.

h. No Effect on Other Terms or Conditions of Employment. I acknowledge that this agreement does not affect any term or condition of my employment except as expressly provided in this agreement, and that this agreement does not give rise to any right or entitlement on my part to employment or continued employment with the Company. I further acknowledge that this agreement does not affect in any way the right of the Company to terminate my employment.

IN WITNESS WHEREOF, I have executed this agreement as of the date set forth next to my signature below.

/s/ Douglas E. Flaker

Signature of Employee

Douglas E. Flaker

Printed Name of Employee

ACCEPTED:
NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. Le Doux, Chief Executive Officer

EXHIBIT "A"

CALIFORNIA LABOR CODE

SECTION 2870. INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT.

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information expect for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the

employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

SECTION 2871. RESTRICTIONS ON EMPLOYER FOR CONDITION OF EMPLOYMENT.

No employer shall require a provision made void or unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

EXHIBIT "B"

Except as set forth below, Employee represents to the Company that there are no other contracts to assign Inventions now in existence between Employee and any other person or entity (see Section 1(d) of the Agreement):

EXHIBIT "C"

Set forth below is a brief description of all Inventions made or conceived by Employee prior to Employee's employment with the Company which Employee desires to be excluded from this agreement (see Section 1(d) of the Agreement):

EXHIBIT 10.14

EXECUTIVE EMPLOYMENT AGREEMENT

David K. Shunick ("Employee") hereby accepts the offer of Natural Alternatives International, Inc. ("NAI") for employment as Vice President - Operations beginning October 1, 1999. Collectively, NAI and Employee will be referred to herein as the "Parties."

1. The Parties anticipate that Employee will be employed for a period of twelve (12) months (the "Term"). During the Term, Employee's employment will be at-will and may be terminated by either Employee or NAI at any time for any reason or no reason, with or without cause and with or without notice. The at-will status of the employment relationship may not be modified except in writing signed by the Chief Executive Officer of NAI and Employee.

2. Employee and NAI further understand and agree that nothing in the NAI Employee Handbook is intended to be, and nothing in it should be construed to be, a limitation of NAI's right to terminate, transfer, demote, suspend and administer discipline at any time for any reason. Employee and NAI understand and agree nothing in the Handbook is intended to, and nothing in the Handbook should be construed to, create an implied or express contract of employment contrary to this agreement.

3. A. Salary. Employee's compensation will be $125,000 per year, payable no less frequently than monthly. The compensation set forth in this Section 3 will be Employee's only compensation except standard employee benefits or any other written compensation arrangement approved by the Board of Directors and the Company.

B. Expenses. Employee shall receive during the Term a monthly amount equal to $750.00 to reimburse Employee for actual expenses incurred in ownership and operation of one (1) automobile that Employee shall make and maintain available for Employee's use on any matter require by or for the benefit of the Company.

4. If Employee continues working for NAI past the end of the Term, and if NAI still desires Employee's services, then the following terms and conditions will apply:

(a) Employee shall be an at-will employee and either Employee or NAI will be entitled to terminate the employment relationship for any reason or for no reason, with or without cause and with or without notice. Employee understands and agrees that transfers, demotions and suspensions may occur and that employee discipline may be administered at the will of NAI at any time for any reason, with or without cause and with or without notice;

(b) Employee will be compensated at the rate set forth in section 3.A hereinabove unless another rate is mutually agreed upon; and

(c) As to benefits and other terms of employment, Employee shall be subject to the same policies and procedures as other employees of NAI in similar positions.

5. During the Term, and any extension thereof, Employee shall have such responsibilities, duties and authority as NAI may from time to time assign to Employee. Employee's initial title shall be Vice President - Operations.

6. In the event this Agreement is terminated by NAI without cause, or NAI does not allow Employee to continue as such following the completion of the Term, Employee shall be entitled to severance pay, including standard employee benefits, in an amount equivalent to his then current compensation rate for the

period set forth below opposite the number of complete calendar months which have elapsed from the beginning date set forth in the first paragraph hereof at the time of termination. One half of such amount shall be paid upon termination and the balance shall be paid on a bi-weekly basis during said severance period:

MONTHS OF EMPLOYMENT	SEVERANCE PERIOD
1 through 6 months	2 months
7 through 12 months	6 months
13 through 24 months	9 months
more than 24 months	12 months

For purposes of this Section 6, Employee shall be deemed terminated without cause if such termination is for any reason other than a willful breach or habitual neglect of Employee's duties under the terms of this Agreement.

7. In the event of any Change in Control, the following provisions will apply.

A. Any of the following shall constitute a "Change in Control" for purposes of this Section 7:

(1) Merger or consolidation where shareholders of NAI immediately prior to such transaction own less than 50% of the voting securities of the surviving entity immediately following such transaction;

(2) Transfer of all or substantially all of the assets of NAI; or

(3) Voluntary or involuntary dissolution of NAI.

B. In the event of any such Change in Control, Employee at his sole option, and at any time may elect one of the following provisions:

(a) Continued employment by NAI, and/or the surviving or resulting corporation, said successor to be bound by all the provisions of this Agreement;

(b) Voluntary termination of this Agreement and payment to Employee as severance pay or liquidated damages, or both, a lump sum payment ("Severance Payment") equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3.B. above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

C. In the event this Agreement is terminated following a Change in Control by NAI, and/or the surviving or resulting corporation, without cause, Employee shall be entitled to a Severance Payment equal to one hundred fifty percent (150%) of the Employee's annual salary specified in Section 3.B. above or such greater amount as the Board of Directors determines from time to time pursuant to terms which may not be revoked or reduced thereafter.

D. Any Severance Payment shall be made not later than the fifteenth (15th) day following the effective date of the voluntary or involuntary termination of this Agreement in connection with a Change in Control; provided, however, that if the amount of such payments cannot be finally determined on or before such date, NAI shall pay to Employee on such date a good faith estimate of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate provided in Internal Revenue Code Section 1274(b)(2)(B) of the Code), as soon as the amount thereof can be determined, but in no event later than the thirtieth (30th) day after the applicable termination date. In the event the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by NAI payable on the fifteenth (15th) day after receipt by Employee of a written demand for payment from NAI (together with

interest calculated as above). The total of any payment pursuant to this Section 7 shall be limited to the extent necessary, in the opinion of legal counsel acceptable to Employee and NAI, to avoid the payment of an "excess parachute" payment within the meaning of Internal Revenue Code Section 280 G or any similar successor provision.

8. Employee and NAI hereby agree to the Mutual Agreement to Arbitrate attached hereto and made a part hereof as Attachment #1.

9. Employee and NAI hereby agree to the Assignment of Inventions, Patents and Copyrights Agreement Regarding Confidential Information Covenant of Exclusivity and Not to Compete attached hereto and made a part hereof as Attachment #2.

10. This Agreement contains the entire agreement between the parties. It supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to Employee's employment by NAI. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein and acknowledges that no other agreement, statement of promise not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended by oral agreement or course of conduct, but only by an agreement in writing signed by the Chief Executive Officer of NAI and Employee.

11. This Executive Employment Agreement shall be construed and enforced in accordance with the laws of the State of California.

12. Should any part or provision of this Executive Employment Agreement be held unenforceable or in conflict with the law of any jurisdiction, the validity of the remaining parts shall not be affected by such holding.

"EMPLOYEE"

/s/ David K. Shunick

David K. Shunick

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. Le Doux, Chief Executive Officer

ATTACHMENT #1

MUTUAL AGREEMENT TO ARBITRATE CLAIMS

This Mutual Agreement to Arbitrate Claims is entered into between David K. Shunick ("Employee") and Natural Alternatives International, Inc. ("NAI").

1. Binding Arbitration of Disagreement and Claims

We each voluntarily promise and agree to arbitrate any claims covered by this Agreement. We further agree that such binding arbitration pursuant tot his Agreement shall be the sole and exclusive remedy for resolving any such claims or disputes.

2. Claims Covered by this Agreement

A. Claims and disputes covered by this Agreement include all claims against NAI (as defined below) and all claims that NAI may have against the Employee, including, without limitation, those arising under:

(1) Any federal, state or local laws, regulations or statutes prohibiting employment discrimination (such as, without limitation: race, sex, national origin, age, disability, religion, sexual orientation) and harassment.

(2) Any alleged or actual agreement or covenant (oral, written or implied) between Employee and NAI.

(3) Any company policy or compensation or benefit plan, unless the decision in question was made by an entity other than NAI.

(4) Any public policy.

(5) Any other claim for personal, emotional, physical or economic injury.

B. The only disputes between Employee and NAI which are not included within this Mutual Agreement to Arbitrate Claims are:

(1) Any claim by Employee for workers' compensation benefits.

(2) Any claim by Employee for benefits under a company plan which provides for its own arbitration procedure.

3. Arbitration Procedure

A. The arbitration will be conducted in accordance with the rules of the current Judicial Arbitration and Mediation Services ("JAMS"), except that the arbitrator shall be mutually acceptable to both parties. The arbitration will be held in the state and county of the Employee's primary employment at the time of the act giving rise to the dispute. The fees and expenses of the Arbitrator, and the arbitration, will be borne by the Company. Each party will pay for the fees and expenses of its

own attorneys, experts, witnesses, transcripts and preparation and presentation of proofs and post-hearing briefs, unless the party prevails on a claim for which attorneys' fees and costs are recoverable by statute or contract.

B. Before such arbitration, each party shall have the right to conduct discovery on the same basis and to the same extent as a civil action brought in the Federal District Court for the Southern District of California.

C. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable, and otherwise by applicable state law.

4. Miscellaneous Provisions

A. The term "company" means NAI, and all related entities, all officers, employees, directors, agents, shareholders, partners, benefit plan sponsors, fiduciaries, administrators or affiliates of any of the above, and all successors and assignees of any of the above.

B. If either party pursues a covered claim against the other by any action, method or legal proceeding other than the arbitration provided herein, the responding party shall be entitled to dismissal or injunctive relief regarding such action and recovery of all costs, losses and attorneys' fees related to such other action or proceeding.

C. The parties of this arbitration agreement acknowledge and agree that they are wavering their right to a jury trial on the issues covered by this Agreement.

D. This is the complete Agreement of the parties on the subject of

arbitration of disputes and claims. This Agreement supersedes any prior or contemporaneous oral, written or implied understanding on the subject, shall survive the termination of Employee's employment and can only be revoked or modified by a written agreement signed by the parties which specifically states an intent to revoke or modify this agreement. If any provision of this Agreement is adjusted to be void or otherwise unenforceable in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement.

E. If any provision of this Agreement is held to be unenforceable by a final court decision, the remainder of the Agreement shall continue in full force and effect.

My signature below signifies that I have read, understand and agree to the Arbitration Agreement.

"EMPLOYEE"

/s/ David K. Shunick
David K. Shunick

NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. Le Doux,
Chief Executive Officer

ATTACHMENT #2

ASSIGNMENT OF INVENTIONS, PATENTS AND COPYRIGHTS AGREEMENT REGARDING CONFIDENTIAL INFORMATION COVENANT OF EXCLUSIVITY AND NOT TO COMPETE

In consideration of and as a condition of my prospective and continued employment and the compensation afforded to me under the terms and conditions thereof by Natural Alternatives International, Inc. (the "Company"), I agree to the following, and I agree the following shall be in addition to the terms and conditions of any Confidential Information and Invention Assignment Agreement executed by employees of the Company generally, and which I may execute in addition hereto:

1. INVENTIONS

a. Disclosure. I will disclose promptly in writing to the appropriate officer or other representative of the Company, any idea, invention, work of authorship, design, formula, pattern, compilation, program, device, method, technique, process, improvement, development or discovery, whether or not patentable or copyrightable or entitled to legal protection as a trade secret, trademark service mark, trade name or otherwise ("Invention"), that I may conceive, make, develop, reduce to practice or work on, in whole or in part, solely or jointly with others ("Invent"), during the term of my employment with the Company. The disclosure required by this Section 1 (a) applies to each and every Invention that I Invent (i) whether during my regular hours of employment or during my time away from work (ii) whether or not the Invention was made at the suggestion of the Company, and (iii) whether or not the Invention was reduced to or embodied in writing, electronic media or tangible form. The disclosure required by this Section 1 (a) also applies to any Invention which may relate at the time of conception or reduction to practice of the Invention to the Company's business or actual or demonstrably anticipated research or development of the Company, and to any Invention which results from any work performed by me for the Company. The disclosure required by this Section 1 (a) shall be received in confidence by the Company within the meaning of and to the extent required by California Labor Code Section 2871, the provisions of which are set forth on Exhibit "A" hereto.

b. Assignment. I hereby assign to the Company without royalty or any other further consideration my entire right, title and interest in and to each and every Invention I am required to disclose under Section 1 (a) other

than an Invention that (i) I have or shall have developed entirely on my own time without using the Company's equipment, supplies, facilities or trade secret information, (ii) does not relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company and (iii) does not result from any work performed by me for the Company. I acknowledge that the Company has notified me that the assignment provided for in this Section l(b) does not apply to any Invention to which the assignment may not lawfully apply under the provisions of Section Section 2870 of the California Labor Code, a copy of which is attached as Exhibit "A" hereto.

c. Additional Assistance and Documents. I will assist the Company in obtaining, maintaining and enforcing patents, copyrights, trade secrets, trademarks, service marks, trade names and

other proprietary rights in connection with any Invention I have assigned to the Company under Section l(b), and I further agree that my obligations under this Section l(c) shall continue beyond the termination of my employment with the Company. Among other things, for the foregoing purposes I will (i) testify at the request of the Company in any interference, litigation or other legal proceeding that may arise during or after my employment, and (ii) execute, verify, acknowledge and deliver any proper document (and, if, because of my mental or physical incapacity or for any other reason whatsoever, the Company is unable to obtain my signature to apply for or to pursue any application for any United States or foreign patent or copyright covering Inventions assigned to the Company by me, I hereby irrevocably designate and appoint each of the Company and its duly authorized officers and agents as my agent and attorney in fact to act for me and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of any United States or foreign patent or copyright thereon with the same legal force and effect as if executed by me). I shall be entitled to reimbursement of any out-of-pocket expenses incurred by me in rendering such assistance and, if I am required to render such assistance after the termination of my employment, the Company shall pay me a reasonable rate of compensation for time spent by me in rendering such assistance to the extent permitted by law (provided, I understand that no compensation shall be paid for my time in connection with preparing for or rendering any testimony or statement under oath in any judicial proceeding, arbitration or similar proceeding).

d. Prior Contracts and Inventions; Rights of Third Parties. I represent to the Company that, except as set forth on Exhibit "B" hereto, there are no other contracts to assign Inventions now in existence between me and any other person or entity (and if no Exhibit "B" is attached hereto or there is no such contract described thereon, then it means that by signing this Agreement, I represent to the Company that there is no such other contracts). In addition, I represent to the Company that I have no other employments or undertaking which do or would restrict or impair my performance of this Agreement. I further represent to the Company that Exhibit "C" hereto sets forth a brief description of all Inventions made or conceived by me prior to my employment with the Company which I desire to be excluded from this Agreement (and if no Exhibit "C" is attached hereto or there is no such description set forth thereon, then it means that by signing this Agreement I represent to the Company that there is no such Invention made or conceived by me prior to my employment with the Company). In connection with my employment with the Company, I promise not to use or disclose to the Company any patent, copyright, confidential trade secret or other proprietary information of any previous employer or other person that I am not lawfully entitled so to use or disclose. If in the course of my employment with the Company I incorporate into an Invention or any product process or service of the Company any Invention made or conceived by me prior to my employment with the Company, I hereby grant to the Company a royalty-free, irrevocable, worldwide nonexclusive license to make, have made, use and sell that Invention without restriction as to the extent of my ownership or interest.

2. CONFIDENTIAL INFORMATION

a. Company Confidential Information. I will not use or disclose Confidential Information, whether before, during or after the term of my employment except to perform my duties as an employee of the Company based on my reasonable judgment as an Officer of the Company, or in accordance with

instruction or authorization of the Company, without prior written consent of the Company or pursuant to process or requirements of law after I have disclosed such process or requirements to the Company so as to afford it the opportunity to seek appropriate relief therefrom. "Confidential Information" means any Invention of any person in which the Company has an interest and in addition means any financial, client, customer, supplier, marketing, distribution and other

information of a confidential or private nature connected with the business of the Company or any person with whom it deals, provided by the Company to me or to which I have access during or in the course of any employment.

b. Third Party Information. I acknowledge that during my employment with the Company I may have access to patent, copyright, confidential, trade secret or other proprietary information of third parties subject to restrictions on the use or disclosure thereof by the Company. During the term of my employment and thereafter I will not use or disclose any such information other than consistent with the restrictions and my duties as an employee of the Company.

3. PROPERTY OF THE COMPANY. All documents, instruments, notes, memoranda, reports, drawings, blueprints, manuals, materials, data and other papers and records of every kind which come into my possession during or in the course of my employment, relating to any Inventions or Confidential Information, are and shall remain the property of the Company and shall be surrendered by me to the Company upon termination of my employment with the Company, or upon the request of the Company, at any time during or after termination of my employment with the Company.

4. NO SOLICITATION OF COMPANY EMPLOYEES. While employed by the Company and for a period of one year after termination of my employment with the Company, I agree not to induce or attempt to influence directly or indirectly any employee of the Company to terminate employment with the Company or to work for me or any other person or entity.

5. COVENANT OF EXCLUSIVITY AND NOT TO COMPETE. During the term of my employment with the Company, I will not engage in any other professional employment or consulting or directly or indirectly participate in or assist any business which is a current or potential supplier, customer or competitor of the Company without prior written approval from the Chief Executive Officer of the Company.

6. GENERAL.

a. Assignments, Successors and Assignees. All representations, warranties, covenants and agreements of the parties shall bind their respective heirs, executors, personal representatives, successors and assignees ("transferees") and shall inure to the benefit of their respective permitted transferees. The Company shall have the right to assign any or all of its rights and to delegate any or all of its obligations hereunder. The undersigned employee shall not have the right to assign any rights or delegate any obligations hereunder without the prior written consent of the Company or its transferee.

b. Number of Gender Headings. Each number and gender shall be deemed to include each other number and gender as the context may require. The headings and captions contained in this agreement shall not constitute a part thereof and shall not be used in its construction or interpretation.

c. Severability. If any provision of this agreement is found by any court or arbitral tribunal of competent jurisdiction to be invalid or unenforceable, the invalidity of such provision shall not affect the other provisions of this agreement and all provisions not affected by the invalidity shall remain in full force and effect.

d. Amendment and Modification. This agreement may be amended or modified only by a writing executed by each party.

e. Government Law. The construction, interpretation and performance of this agreement and all transactions under it shall be governed by the internal laws of California.

f. Remedies. I acknowledge that breach by me of any of the provisions of this agreement will cause irreparable injury that cannot adequately be compensated by money damages. The Company shall be entitled to specific performance, temporary restraining orders, preliminary injunctions and permanent injunctive relief to enforce my obligations under this agreement. No remedy conferred by any of the specific provisions of this agreement is intended to be exclusive of any other remedy. I agree to arbitrate on a final and binding basis all disputes under this Agreement in accordance with and before the Judicial Arbitration and Mediation Service ("JAMS").

g. Attorneys' Fees. In the event of any litigation or other action in connection with this agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and disbursements from the other party as costs of suit and not as damages.

h. No Effect on Other Terms or Conditions of Employment. I acknowledge that this agreement does not affect any term or condition of my employment except as expressly provided in this agreement, and that this agreement does not give rise to any right or entitlement on my part to employment or continued employment with the Company. I further acknowledge that this agreement does not affect in any way the right of the Company to terminate my employment.

IN WITNESS WHEREOF, I have executed this agreement as of the date set forth next to my signature below.

/s/ David K. Shunick

Signature of Employee

David K. Shunick

Printed Name of Employee

ACCEPTED:
NATURAL ALTERNATIVES INTERNATIONAL, INC.
a Delaware corporation

By: /s/ Mark A. LeDoux

Mark A. Le Doux, Chief Executive Officer

EXHIBIT "A"

CALIFORNIA LABOR CODE

SECTION 2870. INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT.

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information expect for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

(2) Result from any work performed by the employee for the

employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

SECTION 2871. RESTRICTIONS ON EMPLOYER FOR CONDITION OF EMPLOYMENT.

No employer shall require a provision made void or unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

EXHIBIT "B"

Except as set forth below, Employee represents to the Company that there are no other contracts to assign Inventions now in existence between Employee and any other person or entity (see Section 1(d) of the Agreement):

EXHIBIT "C"

Set forth below is a brief description of all Inventions made or conceived by Employee prior to Employee's employment with the Company which Employee desires to be excluded from this agreement (see Section 1(d) of the Agreement):

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM SEC FORM 10-0 OF THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF OPERATIONS OF NATURAL ALTERNATIVES INTERNATIONAL, INC. FOR THE QUARTER ENDED DECEMBER 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY AS REFERENCE TO SUCH FINANCIAL STATEMENTS (IN THOUSANDS EXCEPT EARNINGS PER SHARE).
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<FN>
<F1>INCLUDES INCOME TAX REFUND RECEIVABLE, NOTES RECEIVABLE - CURRENT PORTION, PREPAID EXPENSES, DEPOSITS AND OTHER CURRENT ASSETS.
</FN>