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

FORM 10-Q

QUARTERLY REPORT
pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

000-15701
(Commission file number)

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

Delaware	**84-1007839**
(State of incorporation)	(IRS Employer Identification No.)
1185 Linda Vista Drive **San Marcos, California 92078**	**(760) 744-7340**
(Address of principal executive offices)	(Registrant's telephone number)

Indicate by check mark whether Natural Alternatives International, Inc. (NAI) (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 NAI was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether NAI is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark whether NAI is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

As of November 1, 2006, 6,825,862 shares of NAI's common stock were outstanding, net of 70,000 treasury shares.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this report, including information incorporated by reference, are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect current views about future events and financial performance based on certain assumptions. They include opinions, forecasts, intentions, plans, goals, projections, guidance, expectations, beliefs or other statements that are not statements of historical fact. Words such as "may," "will," "should," "could," "would," "expects," "plans," "believes," "anticipates," "intends," "estimates," "approximates," "predicts," or "projects," or the negative or other variation of such words, and similar expressions may identify a statement as a forward-looking statement. Any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business, our goals, strategies, focus and plans, and other characterizations of future events or circumstances, including statements expressing general optimism about future operating results, are forward-looking statements. Forward-looking statements in this report may include statements about:

- future financial and operating results, including projections of net sales, revenue, income, net income per share, profit margins, expenditures, liquidity and other financial items;
- our ability to develop relationships with new customers and maintain or improve existing customer relationships;
- development of new products, brands and marketing strategies;
- inventories and the adequacy and intended use of our facilities;
- distribution channels, product sales and performance and timing of the product shipments;
- current or future customer orders;
- management's goals and plans for future operations;
- our ability to improve operational efficiencies, manage costs and business risks and improve or maintain profitability;
- growth, expansion, diversification and acquisition strategies, the success of such strategies, and the benefits we believe can be derived from such strategies;
- personnel;
- the outcome of regulatory, tax and litigation matters;
- sources and availability of raw materials;
- operations outside the United States;
- the adequacy of reserves and allowances;
- overall industry and market performance;
- competition;
- current and future economic and political conditions;
- the impact of accounting pronouncements; and
- other assumptions described in this report underlying or relating to any forward-looking statements.

The forward-looking statements in this report speak only as of the date of this report and caution should be taken not to place undue reliance on any such forward-looking statements. Forward-looking statements are subject to certain events, risks, and uncertainties that may be outside of our control. When considering forward-looking statements, you should carefully review the risks, uncertainties and other cautionary statements in this report as they identify certain important factors that could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. These factors include, among others, the risks described under Item 1A of Part II and elsewhere in this report, as well as in other reports and documents we file with the United States Securities and Exchange Commission ("SEC").

Unless the context requires otherwise, all references in this report to the "Company," "NAI," "we," "our," and "us" refer to Natural Alternatives International, Inc. and, as applicable, Natural Alternatives International Europe S.A. (NAIE), Real Health Laboratories, Inc. (RHL) and our other wholly owned subsidiaries.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATURAL ALTERNATIVES INTERNATIONAL, INC.
Condensed Consolidated Balance Sheets
(Dollars in thousands, except share and per share data)

	September 30, 2006 (Unaudited)	June 30, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 2,000	$ 2,157
Accounts receivable - less allowance for doubtful accounts of $217 at September 30, 2006 and June 30, 2006	6,408	12,839
Inventories, net	17,027	17,054
Deferred income taxes	1,059	1,059
Other current assets	2,021	1,916
Total current assets	28,515	35,025
Property and equipment, net	16,104	15,943
Goodwill and purchased intangibles, net	11,240	11,303
Other noncurrent assets, net	184	182
Total assets	$ 56,043	$ 62,453
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 6,073	$ 5,221
Accrued liabilities	2,278	2,265
Accrued compensation and employee benefits	1,471	1,964
Line of credit	2,264	9,574
Income taxes payable	659	1,063
Current portion of long-term debt	1,790	1,766
Total current liabilities	14,535	21,853
Long-term debt, less current portion	4,163	4,596
Deferred income taxes	1,260	1,260
Deferred rent	1,255	1,262
Long-term pension liability	216	191
Total liabilities	21,429	29,162
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; $0.01 par value; 500,000 shares authorized; none issued or outstanding	—	—
Common stock; $0.01 par value; 20,000,000 shares authorized; issued and outstanding 6,895,862 at September 30, 2006 and 6,685,546 at June 30, 2006	68	67
Additional paid-in capital	16,355	15,331
Accumulated other comprehensive loss	(283)	(276)
Retained earnings	18,849	18,462
Treasury stock, at cost, 61,000 shares at June 30, 2006 and 70,000 at September 30, 2006	(375)	(293)
Total stockholders' equity	34,614	33,291
Total liabilities and stockholders' equity	$ 56,043	$ 62,453

See accompanying notes to condensed consolidated financial statements.

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NATURAL ALTERNATIVES INTERNATIONAL, INC.
Condensed Consolidated Statements Of Income And Comprehensive Income
(Dollars in thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005
Net sales	$ 25,161	$ 21,900
Cost of goods sold	19,646	17,844
Gross profit	5,515	4,056
Selling, general & administrative expenses	4,683	3,378
Income from operations	832	678
Other income (expense):		
Interest income	1	10
Interest expense	(230)	(58)
Foreign exchange gain	8	21
Other, net	(9)	—
	(230)	(27)
Income before income taxes	602	651
Provision for income taxes	215	239
Net income	$ 387	$ 412
Unrealized loss resulting from change in fair value of derivative instruments, net of tax	(7)	(45)
Comprehensive income	$ 380	$ 367
Net income per common share:		
Basic	$ 0.06	$ 0.07
Diluted	$ 0.05	$ 0.06
Weighted average common shares outstanding:		
Basic	6,720,167	6,013,390
Diluted	7,200,944	6,469,104

See accompanying notes to condensed consolidated financial statements.

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NATURAL ALTERNATIVES INTERNATIONAL, INC.
Condensed Consolidated Statements Of Cash Flows
(Dollars in thousands)
(Unaudited)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005
Cash flows from operating activities		
Net income	$ 387	$ 412
Adjustments to reconcile net income to net cash provided by operating activities:		
Reduction for uncollectible accounts receivable	—	(36)
Depreciation and amortization	829	724
Amortization of purchased intangibles	63	—
Non-cash compensation	38	11
Tax benefit from exercise of stock options	(233)	—
Pension expense, net of contributions	24	15
Loss on disposal of assets	13	
Changes in operating assets and liabilities:		
Accounts receivable	6,431	4,941
Inventories, net	27	(1,092)
Other assets	(110)	(182)
Accounts payable and accrued liabilities	685	(589)
Accrued compensation and employee benefits	(493)	(355)
Net cash provided by operating activities	7,661	3,849
Cash flows from investing activities		
Capital expenditures	(1,003)	(130)
Net cash used in investing activities	(1,003)	(130)
Cash flows from financing activities		
Net payments on line of credit	(7,310)	—
Payments on long-term debt	(409)	(198)
Tax benefit from exercise of stock options	233	—
Repurchase of common stock	(82)	—
Proceeds from issuance of common stock	753	148
Net cash used in financing activities	(6,815)	(50)
Net increase (decrease) in cash and cash equivalents	(157)	3,669
Cash and cash equivalents at beginning of period	2,157	1,916
Cash and cash equivalents at end of period	$ 2,000	$5,585
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 206	$ 58
Taxes	$ 407	$ 185

See accompanying notes to condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

A. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and applicable rules and regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In management's opinion, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows have been included and are of a normal, recurring nature. The results of operations for the three months ended September 30, 2006 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

You should read the financial statements and these notes, which are an integral part of the financial statements, together with our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2006 ("2006 Annual Report"). The accounting policies used to prepare the financial statements included in this report are the same as those described in the notes to the consolidated financial statements in our 2006 Annual Report unless otherwise noted below.

Certain reclassications to prior period information have been made to conform to current presentation. In the first quarter of fiscal 2007, we reclassified $146,000 of shipping costs for our private label contract manufacturing sales from net sales to cost of goods sold on the Statements Of Income And Comprehensive Income in accordance with the Financial Accounting Standards Board (FASB) Emerging Issue Task Force (EITF) No. 00-10, "Accounting for Shipping and Handling Fees and Costs." Shipping costs of $167,000 for the three months ended September 30, 2005, were reclassified to conform to this presentation change.

Net Income per Common Share

We compute net income per common share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share." This statement requires the presentation of basic income per common share, using the weighted average number of common shares outstanding during the period, and diluted net income per common share, using the additional dilutive effect of all dilutive securities. The dilutive impact of stock options account for the additional weighted average shares of common stock outstanding for our diluted net income per common share computation. We calculated basic and diluted net income per common share as follows (amounts in thousands, except per share data):

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005
Numerator		
Net income	$ 387	$ 412
Denominator		
Basic weighted average common shares outstanding	6,720	6,013
Dilutive effect of stock options	481	456
Diluted weighted average common shares outstanding	7,201	6,469
Basic net income per common share	$ 0.06	$ 0.07
Diluted net income per common share	$ 0.05	$ 0.06

Shares related to stock options of 25,000 for the three months ended September 30, 2006, and 202,000 for the three months ended September 30, 2005, were excluded from the calculation of diluted net income per common share, as the effect of their inclusion would have been anti-dilutive.

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Stock-Based Compensation

We have an equity incentive plan under which we have granted nonqualified and incentive stock options to employees, non-employee directors and consultants. We also have an employee stock purchase plan. Effective July 1, 2005, we adopted the fair value recognition provisions of SFAS No. 123R, “Share Based Payment” (SFAS 123R), using the modified-prospective-transition method. Under that transition method, compensation cost is recognized (a) for all stock-based awards granted before, but not yet vested as of, July 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, “Accounting for Stock Based Compensation,” and (b) for all stock-based awards granted after July 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. Results for prior periods have not been restated.

We estimated the fair value of the stock option awards at the date of grant and employee stock purchase plan shares at the beginning of the offering period using the Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions. Black-Scholes utilizes assumptions related to volatility, the risk-free interest rate, the dividend yield (which is assumed to be zero, as we have not paid any cash dividends) and employee exercise behavior. Expected volatilities utilized in the model are based mainly on the historical volatility of our stock price and other factors. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect in the period of grant. The expected life of stock option grants is derived from historical and other factors. Our net income for the three months ended September 30, 2006 has been reduced by compensation expense of approximately $38,000 and $11,000 for the three months ended September 30, 2005.

B. Goodwill and purchased intangibles

Goodwill and other acquisition-related intangibles as of September 30, 2006 were as follows (dollars in thousands):

	Amortization Life in Years	Gross Amount	Accumulated Amortization	Net Amount
Goodwill	N/A	$ 7,241	$ —	$ 7,241
Distributor relationships	13	500	(32)	468
Direct consumer relationships	9	400	(37)	363
Tradenames	20	3,300	(138)	3,162
Non-compete agreements	2	10	(4)	6
		$11,451	$ (211)	$11,240

The estimated future amortization expense of purchased intangible assets as of September 30, 2006 was as follows (in thousands):

Nine months ending June 30, 2007	$ 189
Fiscal year 2008	249
Fiscal year 2009	247
Fiscal year 2010	247
Fiscal year 2011	247
Thereafter	2,820
	$3,999

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C. Inventories

Inventories, net consisted of the following (in thousands):

	September 30, 2006	June 30, 2006
Raw materials	$ 7,861	$ 8,461
Work in progress	5,781	5,339
Finished goods	3,385	3,254
	$ 17,027	$17,054

D. Property and Equipment

Property and equipment consisted of the following (dollars in thousands):

	Depreciable Life In Years	September 30, 2006	June 30, 2006
Land	N/A	$ 393	$ 393
Building and building improvements	7 – 39	2,726	2,721
Machinery and equipment	3 – 12	20,376	20,208
Office equipment and furniture	3 – 5	4,123	3,843
Vehicles	3	204	204
Leasehold improvements	1 – 15	9,522	9,434
Total property and equipment		37,344	36,803
Less: accumulated depreciation and amortization		(21,240)	(20,860)
Property and equipment, net		$ 16,104	$ 15,943

E. Debt

We amended our credit facility on December 1, 2005 and again on March 29, 2006 to increase our working capital line of credit from $8.0 million to $12.0 million, extend the maturity date from November 2006 to November 2007 and modify certain financial covenants. We also obtained an additional $3.8 million term loan on December 5, 2005, to fund, in part, the cash purchase price of the RHL acquisition.

As a result of the amendments and additional term loan, our bank credit facility increased to a total of $20.9 million, comprised of a $12.0 million working capital line of credit and $8.9 million in term loans. The working capital line of credit is secured by our accounts receivable and other rights to payment, general intangibles, inventory and equipment, has an interest rate of Prime Rate or LIBOR plus 1.75%, as elected by NAI from time to time, and borrowings are subject to eligibility requirements for current accounts receivable and inventory balances. The term loans consist of a $1.1 million fifteen year term loan due June 2011, secured by our San Marcos building, at an interest rate of 8.25%; a $700,000 ten year term loan with a twenty year amortization, secured by our San Marcos building, at an interest rate of LIBOR plus 2.25%; a $1.8 million four year term loan, secured by our accounts receivable and other rights to payment, general intangibles, inventory and equipment, at an interest rate of LIBOR plus 2.10%; a $1.5 million five year term loan, secured by equipment, at an interest rate of LIBOR plus 2.10%; and the $3.8 million four year term loan, secured by equipment, at an interest rate of LIBOR plus 2.10%. Monthly payments on the term loans are approximately $138,000 plus interest.

As of September 30, 2006, the amount outstanding on the working capital line of credit was $2.3 million and the amount outstanding on the term loans was $6.0 million. As of September 30, 2006, we had $5.4 million available under the line of credit, net of a $134,000 outstanding letter of credit issued to our landlord.

On September 22, 2006, NAIE, our wholly owned subsidiary, entered into a credit facility to provide it with a credit line of up to CHF 1,300,000, or approximately $1.0 million, which is the initial maximum aggregate amount that can be outstanding at any one time under the credit facility. This maximum amount will be reduced by CHF 160,000, or approximately $128,000, at the end of each year beginning on December 31, 2007. As of September 30, 2006, there was no outstanding balance under the credit facility.

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The composite interest rate on all of our outstanding debt was 7.77% at September 30, 2006, and 6.11% at September 30, 2005.

F. Defined Benefit Pension Plan

We sponsor a defined benefit pension plan that provides retirement benefits to employees based generally on years of service and compensation during the last five years before retirement. Effective June 20, 1999, our Board of Directors amended the plan to freeze the accrued benefit of each plan member at its then current amount and to no longer allow inactive plan members or other employees to become active members of the plan. We contribute an amount not less than the minimum funding requirements of the Employee Retirement Income Security Act of 1974 nor more than the maximum tax-deductible amount.

The components included in the net periodic benefit for the periods ended September 30 were as follows (in thousands):

	Three Months Ended September 30,	
	2006	2005
Interest cost	$ 21	$ 20
Expected return on plan assets	(27)	(23)
Net periodic benefit	$ (6)	$ (3)

G. Economic Dependency

We had substantial net sales to certain customers during the periods shown in the following table. The loss of any of these customers, or a significant decline in net sales or the growth rate of net sales to these customers could have a material adverse impact on our net sales and net income. Net sales to any one customer representing 10% or more of the respective period's total net sales were as follows (dollars in thousands):

	Three Months Ended September 30,			
	2006		2005	
	Net Sales by Customer	% of Total Net Sales	Net Sales by Customer	% of Total Net Sales
Customer 1	$ 9,956	40%	$ 10,332	47%
Customer 2	7,529	30	7,595	35
	$17,485	70%	$17,927	82%

We buy certain products from a limited number of raw material suppliers. The loss of any of these suppliers could have a material adverse impact on our net sales and net income. Raw material purchases from any one supplier representing 10% or more of the respective period's total raw material purchases were as follows (dollars in thousands):

	Three Months Ended September 30,			
	2006		2005	
	Raw Material Purchases by Supplier	% of Total Raw Material Purchases	Raw Material Purchases by Supplier	% of Total Raw Material Purchases
Supplier 1	$ 1,881	18%	$ 2,219	21%
Supplier 2	1,065	10	1,030	10
Supplier 3	(a)	(a)	1,320	13
	$ 2,946	28%	$ 4,569	44%

(a) Purchases were less than 10% of the respective period's total raw material purchases.

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H. Segment Information

Prior to the first quarter of fiscal 2007, our business consisted of two reportable segments, as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," identified as NAI and RHL, which was acquired on December 5, 2005.

Effective July 1, 2006, we changed our reporting segments to reflect the structure of our internal organization after the integration of previously outsourced fulfillment and call center activities for our Dr. Cherry Pathway to Healing ® product line into RHL's existing operations. The new reportable segments are as follows:

- Private label contract manufacturing, in which we primarily provide manufacturing services to companies that market and distribute nutritional supplements and other health care products; and
- Branded products, in which we market and distribute branded nutritional supplements and other lifestyle products in the following distribution channels:
  - Director-to-consumer marketing programs, under which we develop, manufacture and market our own products and work with nationally recognized physicians to develop brand name products that reflect their individual approaches to restoring, maintaining or improving health. These products are sold through a variety of distribution channels, including television programs, print media and the internet. The Dr. Cherry Pathway to Healing® product line is sold under a direct-to-consumer marketing program;
  - Food, Drug and Mass Market (FDM) retail channel in which we sell the Real Health ® Laboratories nutritional supplement product line; and
  - As We Change ("AWC") catalog, a lifestyle catalog geared towards women between the ages of 45 and 65, in which we sell our own branded products as well as third party products. The quarterly print catalog offers a variety of high quality nutritional, beauty, skin care, exercise, lifestyle and other personal care products.

We evaluate performance based on a number of factors, the primary performance measures for each segment being net sales and income or loss from operations (prior to corporate allocations). Operating income or loss for each segment does not include corporate general and administrative expenses, interest expense and other miscellaneous income and expense items. Corporate general and administrative expenses include, but are not limited to: human resources, legal, finance, information technology, and various other corporate level related expenses, which remain at the corporate level. The accounting policies of our segments are the same as those described in the summary of significant accounting policies in Note A to the consolidated financial statements included in our 2006 Annual Report.

Our operating results by business segment shown below for the three months ended September 30, 2005 have been restated to reflect our new reporting segments, with the exception of the information on total assets as we believe it would be impractical to restate such information. Accordingly, the total asset information is provided only for our new reporting segments for the three months ended September 30, 2006. Our operating results by business segment were as follows (in thousands):

	Three Months Ended September 30,	
	2006	2005
Private label contract manufacturing	$ 20,971	$ 19,874
Branded products	4,190	2,026
Total Net Sales	$ 25,161	$ 21,900

	Three Months Ended September 30,	
	2006	2005
Private label contract manufacturing	$ 2,718	$ 2,137
Branded products	145	267
Income from operations of reportable segments	2,863	2,404
Corporate expenses not allocated to segments	(2,031)	(1,726)
Total Income from Operations	$ 832	$ 678

	September 30, 2006
Private label contract manufacturing	$ 41,807
Branded products	14,236
Total Assets	$ 56,043

Our private label contract manufacturing products are sold both in the United States and in markets outside the United States, including Europe, Australia and Japan. Our primary market outside the United States is Europe. Our branded products are sold only in the United States.

Net sales by geographic region, based on the customers' location, were as follows (in thousands):

	Three Months Ended September 30,	
	2006	2005
United States	$ 20,442	$ 17,130
Markets Outside the United States	4,719	4,770
Total Net Sales	$25,161	$21,900

Products manufactured by NAIE accounted for 50% of net sales in markets outside the United States for each of the three month periods ended September 30, 2006 and 2005. No products manufactured by NAIE were sold in the United States during the three months ended September 30, 2006 and 2005.

Assets and capital expenditures by geographic region, based on the location of the company or subsidiary at which they were located or made, were as follow (in thousands):

	Long-Lived Assets		Total Assets		Capital Expenditures Three Months Ended	
	September 30, 2006	June 30, 2006	September 30, 2006	June 30, 2006	September 30, 2006	September 30, 2005
United States	$ 27,345	$27,735	$ 51,146	$57,661	$ 447	$ 66
Europe	1,690	1,202	4,897	4,792	556	64
	$ 29,035	$28,937	$ 56,043	$ 62,453	$ 1,003	$ 130

I. Contingencies

From time to time, we become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to product liability, employment, intellectual property, tax, regulation, contract or other matters. The resolution of these matters as they arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources. While unfavorable outcomes are possible, based on available information, we generally do not believe the resolution of these matters will result in a material adverse effect on our business, consolidated financial condition, or results of operation. However, a settlement payment or unfavorable outcome could adversely impact our results of operation. Our evaluation of the likely impact of these actions could change in the future and we could have unfavorable outcomes that we do not expect.

As of November 1, 2006, neither NAI nor its subsidiaries were a party to any material pending legal proceeding nor was any of their property the subject of any material pending legal proceeding.

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

The following discussion and analysis is intended to help you understand our financial condition and results of operations for the three months ended September 30, 2006. You should read the following discussion and analysis together with our unaudited condensed consolidated financial statements and the notes to the condensed consolidated financial statements included under Item 1 in this report, as well as the risk factors and other information included in our 2006 Annual Report and other reports and documents we file with the SEC. Our future financial condition and results of operations will vary from our historical financial condition and results of operations described below.

Executive Overview

The following overview does not address all of the matters covered in the other sections of this Item 2 or other items in this report or contain all of the information that may be important to our stockholders or the investing public. This overview should be read in conjunction with the other sections of this Item 2 and this report.

Our primary business activity has been to provide private label contract manufacturing services to companies that market and distribute vitamins, minerals, herbs and other nutritional supplements, as well as other health care products, to consumers both within and outside the United States. Historically, our revenue has been largely dependent on sales to one or two private label contract manufacturing customers and subject to variations in the timing of such customers' orders, which in turn is impacted by such customers' internal marketing programs, supply chain management, entry into new markets and new product introductions.

A cornerstone of our business strategy is to achieve long-term growth and diversify our sales. We have sought and expect to continue to seek to diversify our sales both by developing relationships with additional, quality-oriented, private label contract manufacturing customers and developing and growing our own line of branded products. To that end, during fiscal 2006, we established relationships with two new private label contract manufacturing customers, and completed our acquisition of RHL, an integrated direct marketer of its own and third party branded nutritional supplements and other lifestyle products.

During the first quarter of fiscal 2007, we achieved a 15% increase in our net sales over the comparable quarter last year. While we are pleased with our revenue growth, we also believe the source of the growth is important in the context of our overall business strategy. We saw sales from our branded products contribute approximately two-thirds of the 15% growth we achieved, primarily as a result of our acquisition of RHL, and saw sales to Arbonne International, one of the new private label contract manufacturing relationships we established in fiscal 2006, contribute to an increase in our overall private label contract manufacturing sales. As a result, net sales to our two largest private label contract manufacturing customers as a percentage of our total net sales decreased to 70% from 82% in the comparable quarter last year.

We completed our integration of previously outsourced call center activities for our Dr. Cherry Pathway to Healing ® product line into RHL's existing operation during the first quarter of fiscal 2007. While we expect to realize cost savings from the integration of previously outsourced activities, we anticipate any future savings will be invested in further expanding and marketing our branded products.

Income from operations increased 23% over the comparable quarter last year primarily due to incremental sales in our private label contract manufacturing business. However, net income decreased 6% over the comparable quarter last year due to additional interest expense relating to the acquisition of RHL and carrying costs of accounts receivable and inventory for one of the new private label contract manufacturing customers.

We believe our acquisition of RHL marked a significant advance towards our goal of developing and growing our own branded products and expanding our distribution channels. In addition to the cost savings we hope to achieve through our integration efforts and the elimination of duplicative costs, we also hope to achieve benefits related to the leading branded products in the FDM retail channel, the additional expertise in the direct marketing and retail channels, and the access to additional direct marketing and mass-market channels for our products and concepts that we acquired in the acquisition.

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During the remainder of fiscal 2007, we plan to continue to focus on:

- Leveraging our state of the art, certified facilities to increase the value of the goods and services we provide to our highly valued private label contract manufacturing customers, and assist us in developing relationships with additional quality oriented customers;
- Implementing focused initiatives to market our own branded products through RHL's distribution channels;
- Improving operational efficiencies and managing costs and business risks to improve profitability; and
- Identifying and evaluating additional acquisition opportunities that could increase product lines, expand distribution channels, enhance manufacturing capabilities or reduce risk associated with a variety of factors.

Looking forward, while there can be no assurance we will be able to continue to diversify our sales, that our new customer relationships will generate future sales or that we will realize all of the benefits we hope to realize from our RHL acquisition, we remain optimistic and expect to continue our long-term trend of annual revenue growth. However, we anticipate quarterly revenue fluctuations due to, among other things, the timing of customer orders and other factors.

Critical Accounting Policies and Estimates

The preparation of our financial statements requires that we make estimates and assumptions that affect the amounts reported in our financial statements and their accompanying notes. We have identified certain policies that we believe are important to the portrayal of our financial condition and results of operations. These policies require the application of significant judgment by our management. We base our estimates on our historical experience, industry standards, and various other assumptions that we believe are reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions. An adverse effect on our financial condition, changes in financial condition, and results of operations could occur if circumstances change that alter the various assumptions or conditions used in such estimates or assumptions.

Our critical accounting policies are discussed under Item 7 of our 2006 Annual Report. There have been no significant changes to these policies during the three months ended September 30, 2006.

Results of Operations

The results of our operations for the three months ended September 30 were as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		
	2006	2005	% Change
Private label contract manufacturing	$ 20,971	$19,874	6
Branded products	4,190	2,026	107
Total net sales	25,161	21,900	15
Cost of goods sold	19,646	17,844	10
Gross profit	5,515	4,056	36
Gross profit %	21.9%	18.5%	
Selling, general & administrative expenses	4,683	3,378	39
% of net sales	18.6%	15.4%	
Income from operations	832	678	23
% of net sales	3.3%	3.1%	
Other expense, net	230	27	752
Income before taxes	602	651	(8)
% of net sales	2.4%	3.0%	
Net income	$ 387	$ 412	(6)
% of net sales	1.5%	1.9%	
Diluted net income per common share	$ 0.05	$ 0.06	(17)

The percentage increase in private label contract manufacturing net sales was attributed to the following:

Arbonne International [1]	8%
NSA International, Inc. [2]	(2)
Mannatech, Incorporated [3]	—
Total	6%

1 During fiscal 2006, we established a relationship with Arbonne International for initial shipments of a single new product. During the first quarter of fiscal 2007, we had residual sales from the initial order of approximately $1.5 million.

2 A reduction in net sales to NSA International, Inc. over the comparable quarter last year resulted primarily from lower volumes of established products in existing markets, which reduced our net sales growth by four percentage points, partially offset by higher average prices per unit, which contributed two percentage points of net sales growth.

3 Net sales to Mannatech, Incorporated remained consistent primarily from higher volumes of established products in existing markets contributing two percentage points of net sales growth, offset by a shift in sales mix to lower priced products, which reduced net sales growth by two percentage points.

The percentage increase in net sales of our branded products was attributed to the acquisition of RHL on December 5, 2005.

Gross profit margin increased 3.4 percentage points to 21.9% for the three months ended September 30, 2006 from 18.5% for the three months ended September 30, 2005. The increase in gross profit margin was primarily due to the following:

	% Change
RHL operations	4.4%
Shift in sales mix	(0.5)
Lower inventory reserves	1.1
Incremental direct and indirect labor	(0.1)
Incremental overhead expenses	(1.5)
Total	3.4%

Selling, general and administrative expenses increased $1.3 million, or 39%, from the comparable quarter last year primarily due to incremental selling, general and administrative expenses for our branded products of $1.6 million as a result of the RHL acquisition.

Other expense, net increased $203,000 primarily due to an increase in interest expense of $172,000 resulting from the additional $3.8 million term loan obtained in December 2005 to partially fund the RHL acquisition, an increase in our weighted average interest rate on our variable rate debt, and the incremental utilization of our line of credit to fund the carrying costs of accounts receivable and inventory purchases for one of our new private label contract manufacturing customers.

Liquidity and Capital Resources

Our primary sources of liquidity and capital resources are cash flows provided by operating activities and the availability of borrowings under our credit facility. Net cash provided by operating activities was $7.7 million for the three months ended September 30, 2006 compared to $3.8 million in the comparable quarter in the prior year.

At September 30, 2006, changes in accounts receivable, consisting primarily of amounts due from our private label contract manufacturing customers, provided $6.4 million in cash during the three months ended September 30, 2006 compared to $4.9 million in the comparable quarter in the prior year. Cash provided by accounts receivable in the three months ended September 30, 2006 and 2005 was due to the collection of receivables from fourth quarter sales, which for each such period represented then record quarterly sales. Days sales outstanding was 69 days during the three months ended September 30, 2006 compared to 60 days in the comparable quarter in the prior year.

Approximately $794,000 of our operating cash flow was generated by NAIE in the three months ended September 30, 2006. As of September 30, 2006, NAIE’s undistributed retained earnings were considered indefinitely reinvested.

Capital expenditures were $1.0 million during the three months ended September 30, 2006 compared to $130,000 in the comparable quarter in the prior year. Capital expenditures during the three months ended September 30, 2006 were primarily for manufacturing equipment in our Vista, California and Manno, Switzerland facilities and call center computer software and hardware for our RHL facility.

Our consolidated debt decreased to $8.2 million at September 30, 2006 from $15.9 million at June 30, 2006 primarily due to payments made on our outstanding working capital line of credit.

We have a bank credit facility of $20.9 million, comprised of a $12.0 million working capital line of credit and $8.9 million in term loans. The working capital line of credit is secured by our accounts receivable and other rights to payment, general intangibles, inventory and equipment, has an interest rate of Prime Rate or LIBOR plus 1.75%, as elected by NAI from time to time, and borrowings are subject to eligibility requirements for current accounts receivable and inventory balances. The term loans consist of a $1.1 million fifteen year term loan due June 2011, secured by our San Marcos building, at an interest rate of 8.25%; a $700,000 ten year term loan with a twenty year amortization, secured by our San Marcos building, at an interest rate of LIBOR plus 2.25%; a $1.8 million four year term loan, secured by our accounts receivable and other rights to payment, general intangibles, inventory and equipment, at an interest rate of LIBOR plus 2.10%; a $1.5 million five year term loan, secured by equipment, at an interest rate of LIBOR plus 2.10%; and the $3.8 million four year term loan, secured by equipment, at an interest rate of LIBOR plus 2.10%. Monthly payments on the term loans are approximately $138,000 plus interest.

We amended our credit facility on December 1, 2005 and again on March 29, 2006 to increase our working capital line of credit from $8.0 million to $12.0 million, extend the maturity date and modify certain financial covenants. The amendments included (i) an increase in our ratio of total liabilities/tangible net worth covenant from 1.25/1.0 to 1.75/1.0 through June 30, 2006 (the ratio returns to 1.25/1.0 from July 1, 2006 through June 30, 2007 and to 1.0/1.0 thereafter); (ii) a limit on capital expenditures of $5,500,000 for fiscal years 2006 and 2007; (iii) an extension of the maturity date for the working capital line of credit from November 2006 to November 2007; (iv) an increase in our ability to incur additional aggregate annual operating lease expenses from $100,000 to $500,000 without prior approval from the lender; (v) an increase in our ability to create specific indebtedness other than with our current lender from $0 to $1,000,000; (vi) replacement of the EBITDA coverage ratio with a fixed charge coverage ratio (aggregate of net profit after taxes, depreciation and amortization expenses and net contributions/aggregate current maturity of long-term debt and capitalized lease payments) not less than 1.25/1.0 as of each fiscal quarter end; (vii) an increase in borrowings against eligible inventory from $3.0 million to $6.0 million, provided the outstanding borrowings shall not at any time exceed eligible accounts receivable; (viii) a change in permissible accounts receivable concentration to allow up to 35% for a new customer acceptable to the lender; and (ix) a change in the calculation of the fixed charge coverage ratio (aggregate of net profit after taxes, depreciation and amortization expenses and net contributions/aggregate current maturity of long-term debt and capitalized lease payments) to a rolling 4-quarter basis from each fiscal quarter end.

As of September 30, 2006 the amount outstanding on the working capital line of credit was $2.3 million and the amount outstanding on the term loans was $6.0 million.

On September 22, 2006, NAIE, our wholly owned subsidiary, entered into a credit facility to provide it with a credit line of up to CHF 1,300,000, or approximately $1.0 million, which is the initial maximum aggregate amount that can be outstanding at any one time under the credit facility. This maximum amount will be reduced by CHF 160,000, or approximately $128,000, at the end of each year beginning on December 31, 2007. As of September 30, 2006, there was no outstanding balance under the credit facility.

Under the credit facility, NAIE may draw amounts either as current account loan credits to its current or future bank accounts or as fixed loans with a maximum term of 24 months. Current account loans will bear interest at the rate of 5% per annum. Fixed loans will bear interest at a rate determined by the parties based on current market conditions and must be repaid pursuant to a repayment schedule established by the parties at the time of the loan. In the event that a fixed loan is repaid early at NAIE's election or in connection with the termination of the credit facility, NAIE will be charged a pre-payment penalty equal to 0.1% of the principal amount of the fixed loan or CHF 1,000 (approximately $800), whichever is greater. The bank reserves the right to refuse individual requests for an advance under the credit facility, although its exercise of such right will not have the effect of terminating the credit facility as a whole.

On July 7, 2005, we purchased 12 option contracts designated and effective as cash flow hedges to protect against the foreign currency exchange risk inherent in a portion of our forecasted transactions denominated in Euros. The 12 options expire monthly beginning January 2006 and ending December 2006. The option contracts had a notional amount of $7.0 million, a weighted average strike price of $1.16, and a purchase price of $152,000. The risk of loss associated with the options is limited to the purchase price paid for the option contracts.

On April 6, 2006, we purchased seven option contracts designated and effective as cash flow hedges to protect against the foreign currency exchange risk inherent in a portion of our forecasted transactions denominated in Euros. The seven options expire monthly beginning January 2007 and ending July 2007. The option contracts had a notional amount of $4.9 million, a weighted average strike price of $1.16, and a purchase price of $62,000. The risk of loss associated with the options is limited to the purchase price paid for the option contracts.

On July 6, 2006, we sold the remaining options purchased on July 7, 2005 and April 6, 2006 for $13,000. The proceeds were used to purchase 12 option contracts designated and effective as cash flow hedges to protect against the foreign currency exchange risk inherent in a portion of our forecasted transactions denominated in Euros. The 12 options expire monthly beginning August 2006 and ending July 2007. The option contracts had a notional amount of $8.9 million, a weighted average strike price of $1.24, and a purchase price of $103,000. The risk of loss associated with the options is limited to the purchase price paid for the option contracts. As of September 30, 2006, two of the options had expired. The unrealized losses associated with the options sold were $136,000 and will be recognized in cost of goods sold under the original monthly option contract expiration dates.

There were no other derivative financial instruments at September 30, 2006.

As of September 30, 2006, we had $2.0 million in cash and cash equivalents and $5.4 million available under our line of credit, net of $134,000 outstanding letter of credit issued to our landlord. We believe our available cash, cash equivalents and potential cash flows from operations will be sufficient to fund our current working capital needs, capital expenditures and debt payments through at least the next 12 months.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet debt nor do we have any transactions, arrangements, obligations (including contingent obligations) or other relationships with any unconsolidated entities or other persons that may have a material current or future effect on our financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenue or expenses.

Recent Accounting Pronouncements

Recent accounting pronouncements are discussed under Item 7 of our 2006 Annual Report. As of September 30, 2006, other than the pronouncements discussed in our 2006 Annual Report, we are not aware of any other pronouncements that materially affect our financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, which is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange and interest rates. We generally do not enter into derivatives or other financial instruments for trading or speculative purposes. We may, however, enter into financial instruments to try to manage and reduce the impact of changes in foreign currency exchange rates. We cannot predict with any certainty our future exposure to fluctuations in foreign currency exchange and interest rates or other market risks or the impact, if any, such fluctuations may have on our future business, product pricing, consolidated financial condition, results of operations or cash flows. The actual impact of any fluctuations in foreign currency exchange or interest rates may differ significantly from those discussed below.

Interest Rates

At September 30, 2006, we had fixed rate debt of $497,000 and variable rate debt of approximately $7.7 million. The interest rates on our variable rate debt range from LIBOR plus 1.75% to LIBOR plus 2.25%. As of September 30, 2006, the weighted average effective interest rate on our variable rate debt was 7.90%. An immediate one hundred basis point (1.0%) increase in the interest rate on our variable rate debt, holding other variables constant, would have increased our interest expense by $29,000 for the three months ended September 30, 2006. Interest rates have been at or near historic lows in recent years but have been increasing during the past year. There can be no guarantee that interest rates will not rise further. Any increase in interest rates may adversely affect our results of operations and financial condition.

Foreign Currencies

To the extent our business continues to expand outside the United States, an increasing share of our net sales and cost of sales may be transacted in currencies other than the United States dollar. Accounting practices require that our non-United States dollar-denominated transactions be converted to United States dollars for reporting purposes. Consequently, our reported net earnings may be significantly affected by fluctuations in currency exchange rates. When the United States dollar strengthens against currencies in which products are sold or weakens against currencies in which we incur costs, net sales and costs could be adversely affected.

Our main exchange rate exposures are with the Swiss Franc and the Euro against the United States dollar. This is due to NAIE’s operations in Switzerland and the payment in Euros by our largest customer for finished goods. Additionally, we pay our NAIE employees and certain operating expenses in Swiss Francs. We may enter into forward exchange contracts, foreign currency borrowings and option contracts to hedge our foreign currency risk. Our goal in seeking to manage foreign currency risk is to provide reasonable certainty to the functional currency value of foreign currency cash flows and to help stabilize the value of non-United States dollar-denominated earnings.

On July 7, 2005, we purchased 12 option contracts designated and effective as cash flow hedges to protect against the foreign currency exchange risk inherent in a portion of our forecasted transactions denominated in Euros. The 12 options expire monthly beginning January 2006 and ending December 2006. The option contracts had a notional amount of $7.0 million, a weighted average strike price of $1.16, and a purchase price of $152,000. The risk of loss associated with the options is limited to the purchase price paid for the option contracts.

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On September 30, 2006, the Swiss Franc closed at 1.25 to 1.00 United States dollar and the Euro closed at 0.79 to 1.00 United States dollar. A 10% adverse change to the exchange rates between the Swiss Franc and the Euro against the United States dollar, holding other variables constant, would have decreased our net income for the three months ended September 30, 2006 by $93,000.

ITEM 4. CONTROLS AND PROCEDURES

We maintain certain disclosure controls and procedures. They are designed to help ensure that material information is: (1) gathered and communicated to our management, including our principal executive and financial officers, on a timely basis; and (2) recorded, processed, summarized, reported and filed with the SEC as required under the Securities Exchange Act of 1934.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2006. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective for their intended purpose described above. There were no changes to our internal controls during the quarterly period ended September 30, 2006 that have materially affected, or that are reasonably likely to materially affect, our internal controls.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to product liability, employment, intellectual property, tax, regulation, contract or other matters. The resolution of these matters as they arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources. While unfavorable outcomes are possible, based on available information, we generally do not believe the resolution of these matters will result in a material adverse effect on our business, consolidated financial condition, or results of operation. However, a settlement payment or unfavorable outcome could adversely impact our results of operation. Our evaluation of the likely impact of these actions could change in the future and we could have unfavorable outcomes that we do not expect.

As of November 1, 2006, neither NAI nor its subsidiaries were a party to any material pending legal proceeding nor was any of their property the subject of any material pending legal proceeding.

ITEM 1A. RISK FACTORS

You should carefully consider the other risks described under Item 1A of our 2006 Annual Report, as well as the other information in our 2006 Annual Report, this report and other reports and documents we file with the SEC, when evaluating our business and future prospects. If any of the identified risks actually occur, our business, financial condition and results of operations could be seriously harmed. In that event, the market price of our common stock could decline and you could lose all or a portion of the value of your investment in our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

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ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibit index shows those exhibits filed with this report and those incorporated by reference:

EXHIBIT INDEX

Exhibit Number	Description	Incorporated By Reference To
3(i)	Amended and Restated Certificate of Incorporation of Natural Alternatives International, Inc. filed with the Delaware Secretary of State on January 14, 2005	Exhibit 3(i) of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2004, filed with the commission on February 14, 2005
3(ii)	By-laws of Natural Alternatives International, Inc. dated as of December 21, 1990	NAI's Registration Statement on Form S-1 (File No. 33-44292) filed with the commission on December 21, 1992
4(i)	Form of NAI's Common Stock Certificate	Exhibit 4(i) of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the commission on September 8, 2005
10.1	1999 Omnibus Equity Incentive Plan as adopted effective May 10, 1999, amended effective January 30, 2004, and further amended effective December 3, 2004*	Exhibit 10.1 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2004, filed with the commission on February 14, 2005
10.2	1999 Employee Stock Purchase Plan as adopted effective October 18, 1999	Exhibit B of NAI's definitive Proxy Statement filed with the commission on October 21, 1999
10.3	Management Incentive Plan*	Exhibit 10.3 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003, filed with the commission on November 5, 2003
10.4	Amended and Restated Employment Agreement dated as of January 30, 2004, by and between NAI and Randell Weaver*	Exhibit 10.5 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, filed with the commission on September 14, 2004
10.5	Amended and Restated Employment Agreement dated as of January 30, 2004, by and between NAI and Mark A. LeDoux*	Exhibit 10.6 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, filed with the commission on September 14, 2004
10.6	Amended and Restated Employment Agreement dated as of January 30, 2004, by and between NAI and John Wise*	Exhibit 10.7 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, filed with the commission on September 14, 2004
10.7	Amended and Restated Employment Agreement dated as of January 30, 2004, by and between NAI and John Reaves*	Exhibit 10.8 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, filed with the commission on September 14, 2004
10.8	Amended and Restated Exclusive License Agreement effective as of September 1, 2004 by and among NAI and Dr. Reginald B. Cherry	Exhibit 10.11 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, filed with the commission on September 14, 2004

10.9	Exclusive License Agreement effective as of September 1, 2004 by and among NAI and Reginald B. Cherry Ministries, Inc.	Exhibit 10.12 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, filed with the commission on September 14, 2004
10.10	First Amendment to Exclusive License Agreement effective as of December 10, 2004 by and among NAI and Reginald B. Cherry Ministries, Inc.	Exhibit 10.3 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2004, filed with the commission on February 14, 2005
10.11	Lease of Facilities in Vista, California between NAI and Calwest Industrial Properties, LLC, a California limited liability company (lease reference date June 12, 2003)	Exhibit 10.10 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003, filed with the commission on November 5, 2003
10.12	Credit Agreement dated as of May 1, 2004 by and between NAI and Wells Fargo Bank, National Association	Exhibit 10.11 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004, filed with the commission on May 17, 2004
10.13	First Amendment to Credit Agreement dated as of February 1, 2005 by and between NAI and Wells Fargo Bank, National Association	Exhibit 10.1 of NAI's Current Report on Form 8-K dated February 1, 2005, filed with the commission on February 7, 2005
10.14	Form of Indemnification Agreement entered into between NAI and each of its directors	Exhibit 10.15 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, filed with the commission on September 14, 2004
10.15	Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated May 9, 2005 (English translation)	Exhibit 10.19 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, filed with the commission on May 13, 2005
10.16	Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated July 25, 2003 (English translation)	Exhibit 10.19 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the commission on September 8, 2005
10.17	Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated June 8, 2004 (English translation)	Exhibit 10.20 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the commission on September 8, 2005
10.18	Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated February 7, 2005 (English translation)	Exhibit 10.21 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the commission on September 8, 2005
10.19	License Agreement effective as of April 28, 1997 by and among Roger Harris, Mark Dunnett and NAI	Exhibit 10.22 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the commission on September 8, 2005
10.20	Amendment to License Agreement effective as of March 17, 2001 by and among Roger Harris, Mark Dunnett and NAI	Exhibit 10.23 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the commission on September 8, 2005
10.21	Amendment effective as of September 15, 2005 to Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated May 9, 2005 (English translation)	Exhibit 10.24 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005, filed with the commission on November 4, 2005

10.22	Stock Purchase Agreement effective as of December 5, 2005, by and among NAI and William H. Bunten II and/or Elizabeth W. Bunten, as the trustees of The Bunten Family Trust dated April 14, 2001, John F. Dullea and Carolyn A. Dullea, as the trustees of The John F. and Carolyn A. Dullea Trust dated June 20, 2001, Lincoln Fish, and Michael L. Irwin, as trustee of The Michael L. Irwin Trust u/t/a June 25, 1991	Exhibit 10.1 of NAI's Current Report on Form 8-K dated December 5, 2005, filed with the commission on December 9, 2005
10.23	Form of Lock-Up Agreement effective as of December 5, 2005 entered into between NAI and each Selling Stockholder	Exhibit 10.2 of NAI's Current Report on Form 8-K dated December 5, 2005, filed with the commission on December 9, 2005
10.24	Employment Agreement effective as of December 5, 2005, by and between RHL and John F. Dullea*	Exhibit 10.3 of NAI's Current Report on Form 8-K dated December 5, 2005, filed with the commission on December 9, 2005
10.25	Lease of RHL Facilities in San Diego, California between RHL and Lessor dated February 5, 2003	Exhibit 10.4 of NAI's Current Report on Form 8-K dated December 5, 2005, filed with the commission on December 9, 2005
10.26	Promissory Note made by NAI for the benefit of Wells Fargo Equipment Finance, Inc. in the amount of $3,800,000	Exhibit 10.5 of NAI's Current Report on Form 8-K dated December 5, 2005, filed with the commission on December 9, 2005
10.27	Patent License Agreement by and between Unither Pharma, Inc. and RHL dated May 1, 2002	Exhibit 10.6 of NAI's Current Report on Form 8-K dated December 5, 2005, filed with the commission on December 9, 2005
10.28	Second Amendment to Credit Agreement dated as of December 1, 2005 by and between NAI and Wells Fargo Bank, National Association	Exhibit 10.30 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2005, filed with the commission on February 14, 2006
10.29	Exclusive License Agreement by and between NAI and Richard Linchitz, M.D. effective as of August 23, 2005	Exhibit 10.32 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2005, filed with the commission on February 14, 2006
10.30	Letter amendment to Lease of RHL Facilities in San Diego, California between RHL and Lessor dated January 10, 2006	Exhibit 10.33 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2005, filed with the commission on February 14, 2006
10.31	First Amendment to Lease of Facilities in Vista, California between NAI and Calwest Industrial Properties, LLC, a California limited liability company, effective December 21, 2004	Exhibit 10.34 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2005, filed with the commission on February 14, 2006
10.32	Second Amendment to Lease of Facilities in Vista, California between NAI and Calwest Industrial Properties, LLC, a California limited liability company, effective January 13, 2006	Exhibit 10.35 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2005, filed with the commission on February 14, 2006
10.33	Third Amendment to Credit Agreement dated as of March 15, 2006 by and between NAI and Wells Fargo Bank, National Association	Exhibit 10.35 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006, filed with the commission on May 9, 2006
10.34	Revolving Line of Credit Note (as revised) made by NAI for the benefit of Wells Fargo Bank, National Association in the amount of $12,000,000	Exhibit 10.35 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006, filed with the commission on May 9, 2006

10.35	Standard Sublease Multi-Tenant by and between J. Gelt Corporation dba Casa Pacifica and RHL (lease reference date March 6, 2006)	Exhibit 10.37 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, filed with the commission on September 18, 2006
10.36	Loan Agreement between NAIE and Credit Suisse dated as of September 22, 2006, including general conditions (portions of the Loan Agreement have been omitted pursuant to a request for confidential treatment)	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed herewith
32	Section 1350 Certification	Filed herewith

* Indicates management contract or compensatory plan or arrangement.

SIGNATURES

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

Date: November 1, 2006

NATURAL ALTERNATIVES INTERNATIONAL, INC.

By: /s/ John R. Reaves
John R. Reaves, Chief Financial Officer

Mr. Reaves is the principal financial officer of Natural Alternatives International, Inc. and has been duly authorized to sign on its behalf.

CREDIT SUISSE

LOAN AGREEMENT
between

NAIE Natural Alternatives International Europe SA, Centro Galleria 1, 6928 Manno
(hereinafter referred to as “the Borrower”)

and

CREDIT SUISSE
Delivery address: Casella postale 5900, 6901 Lugano
Contact address: Via G. Vegezzi 1, 6901 Lugano
(Lender, hereinafter referred to as “the Bank”)

Amount of loan	**Credit line of CHF 1’300’000.00**
Utilization	as a current account credit in CHF account no. [Material omitted pursuant to a request for confidential treatment. The omitted material has been filed separately with the commission.] and/or in existing and/or future accounts and/or in freely convertible foreign currencies. Current account credits can be terminated with immediate effect at any time by either party.

In the form of fixed advances with a maximum term of 24 months. Fixed advances basically fall due for repayment at the end of the term, subject to any early repayment in accordance with the provisions of this agreement. If the fixed advance is not extended, the repayment amount is automatically debited from the current account.

Any request for an extension of a fixed advance must be submitted by no later than two banking days prior to the expiration date. Any agreement on a fixed advance will be confirmed by the Bank in a separate document (unsigned).

- in the form of margin coverage for OTC (Over-The-Counter)-transactions concluded at the Bank
- in the form of a guarantee limit
- in the form of a documentary credit limit
- in the form of a discount limit
- in the form of an acceptance limit
- as Export recourse limite

The Bank reserves the right to refuse individual transactions without stating the reason as an exceptional measure.

CREDIT SUISSE

Limit reduction CHF 160’000.00 per annum shall be repaid until further notice, the first time on the 31.12.2007.

Instalments, the method of payment and any changes in respect of capital repayments shall be mutually agreed and confirmed in writing by the Bank (“Product Agreement”).

Interest rate Current account loan
5 % per annum when utilized in CHF
The Bank may at any time adjust the interest rates in line with the prevailing money and capital market rates either with immediate effect or as from a future date specified by the Bank (without notification in the case of foreign currency accounts). Interest rates applicable to foreign currencies are shown on the corresponding account statements.

Fixed advances
Interest rates will be determined according to prevailing market conditions at the time of draw down.

In the event that coverage requirements for equity capital are increased as a result of measures imposed by the authorities or by legislation, the Bank reserves the right to pass on the additional credit costs to the Borrower.

Credit commission No credit commission.

Termination This framework agreement can be terminated by either party at any time with immediate effect. Loans currently outstanding under the agreement will remain unaffected by such a termination. Furthermore, the termination of a loan granted under this framework agreement will not automatically result in the termination of the agreement as a whole.

Furthermore, the Bank is entitled to call in all loans of fixed duration granted under the framework agreement, including accrued interest, at any time and with immediate effect should one of the following events occur:

- The Bank deems significant changes to the direct and/or indirect participation/control situation to have been made at the Borrower’s company, or
- The Borrower concludes a merger or split agreement, regardless of whether the Borrower is the acquired or the acquiring company, or
- Transfer of material assets to a third party (including within the Borrower’s group of companies).

Settlement upon early termination or repayment

If any term loans granted under the framework agreement are repaid prematurely, the Borrower is obliged to pay the Bank, in addition to the principal amount and current and accrued interest, a pre-payment penalty of 0.1 % of the principal amount of the term loan, minimum CHF 1'000.00.

Additionally, the Bank will credit or charge the Borrower for the interest gain or interest shortfall. The interest gain or shortfall are determined by the prevailing conditions on the money and capital markets with reference to the remaining term of the fixed-term loan.

Arrears

The Bank is entitled to give one month's notice of termination of all fixed advances with a term of more than 12 months granted under the framework agreement if the Borrower is more than 30 days in arrears with the interest payment. In this case the same procedure as in the case of premature repayment shall apply.

Account statements

Current accounts will be settled quarterly.

Fixed advances with a term of over 6 months are settled on a quarterly basis and those with a term of less than 6 months on the due date.

Fees

The Bank may charge fees for the verification, modification, monitoring, and administration of the loan as well as for extraordinary expenses. The fees are indicated in writing.
A list of the currently applicable fees may be visible at the Bank at any time. The Bank reserves the right to introduce and modify fees at any time. These will be notified to the relevant clients in appropriate fashion.

Transferability

The Bank is authorised to transfer or assign all or part of the loan relationship, with all attendant collateral and ancillary rights, to a third party in Switzerland or abroad for the purposes of securitisation or outsourcing, for example. The right to further transfer the relationship or to transfer it back to the Bank is reserved.

The Bank may make information relating to the loan relationship available to such third parties and any other interested parties, such as rating agencies or trust companies, at any time; these parties shall be bound by the duty of confidentiality. The Borrower expressly declares his/her agreement with the above.

CREDIT SUISSE

Place of performance	The place of performance is the Swiss office of the Bank with which the contractual relationship exists. In the case of Borrowers who, now or in the future, have their place of residence or domicile abroad, such place of performance shall also be the place of enforcement (special domicile within the meaning of Article 50 paragraph 2 of the Swiss Federal Law on Debt Enforcement and Bankruptcy).
Applicable law and place of jurisdiction	This legal relationship is subject to Swiss law. The Borrower recognises the exclusive jurisdiction of the courts of Zurich or of the place where the branch of the Bank with which the contractual relationship exists is located. The Bank is also entitled to take legal action against the Borrower before any other competent court.
Other conditions	The Borrower undertakes to ensure that shareholders' equity (equity capital, reserves, balance carried forward) does not fall below CHF 3'500'000.00 during the entire term of the credit relationship. For important reasons beyond the influence of the Bank, in particular if the Bank considers that the Borrower's financial status and/or earnings situation has deteriorated considerably, or if the Borrower's assets have become exposed to a major threat, the Bank shall be entitled at anytime to declare the entire outstanding loan (including interest accrued up to the date of payment) due for repayment. The Borrower confirms that the loan granted under this loan agreement is at least of the same ranking as all other existing or future direct or indirect obligations of a similar nature. The Borrower undertakes not to make any loans or other credits to one of its subsidiaries and/or shareholders and/or associated persons during the entire term of the credit relationship without the prior consent of the Bank. The Borrower undertakes to send the Bank for inspection a signed copy of his balance sheet, the profit and loss account and the appendix together with the complete Auditor's Report and a budget, and, if available, the (internal) closing business statement each year within 4 months of the date of the statement, which the Bank will treat in the strictest confidence. The Borrower undertakes to inform the Bank immediately of significant changes made to the direct and/or indirect participation/control situation at his company. The Bank's "General Conditions including Safe Custody Regulations" form an integral part of this agreement.

CREDIT SUISSE

This agreement shall be drawn up in duplicate. The Borrower and the Bank shall each receive one specimen.

CREDIT SUISSE		**NAIE Natural Alternatives International Europe SA**
/s/ Sura Fini Di Pietro	/s/ PPA Augello	/s/ Mark A. LeDoux /s/ Randy Weaver
Sura Fini Di Pietro	**Alina Augello**	**Borrower's signature**
Lugano 14 September 2006		MANNO, 22 September 2006
		Place and date

"General Conditions including Safe Custody Regulations"

CREDIT SUISSE

General Conditions

These General Conditions govern the relationship between Credit Suisse (hereinafter referred to as Bank) and its clients subject to any special agreement and the established rules of banking practice.

For the sake of clarity, the Bank uses only masculine pronouns in its forms. These are to be understood as including both sexes.

Art. 1 Identity check

The Bank undertakes to check carefully the identity of its clients and their authorised agents. The client is liable for any damage resulting from failure to recognise falsifications or incorrect identification provided that the Bank has exercised the degree of due care usual in banking transactions.

Art. 2 Legal incapacity

The client is liable for any damage resulting from his incapacity to act provided that such incapacity to act was not apparent to the Bank on exercising the degree of due care usual in banking transactions. The client is liable in all cases for any damage or loss resulting from incapacity on the part of his authorised agent or other third party.

Art. 3 Communications from the Bank

Communications from the Bank are deemed to have been duly transmitted if sent to the last address supplied to the Bank by the client.

Art. 4 Errors in transmission

Damage resulting from the use of postal services, fax, telephone, telex, e-mail and other means of communication or transport, such as from loss, delay, misunderstandings, mutilation or duplicate dispatch is to be borne by the client provided that the Bank has exercised the degree of due care usual in banking transactions.

Art. 5 Defective execution of instructions

In the event of damage resulting from the defective execution, late execution or non-execution of instructions (with the exception of instructions relating to stock exchange transactions), the Bank's liability is limited to an amount equal to the loss of Interest, unless its attention has been expressly directed to the risk of more extensive damage at the time of and in respect of such instructions.

Art. 6 Saturday an official holiday

In business transactions with the Bank, Saturday shall be treated as an official Bank holiday.

Art. 7 Complaints

Complaints by a client relating to the execution of instructions as well as to other communications must be lodged immediately upon receipt of the communication concerned and at the latest within the particular period specified by the Bank. If the Bank fails to send a communication which the client expects, the client must nevertheless lodge his complaint as if he had received the communication by ordinary mail. Any damage arising from delay in making a complaint is to be borne by the client.

Objections concerning account or safekeeping account statements must be submitted within one month of receipt. Upon expiry of this period the statement is deemed to have been approved.

Art. 8 Right of lien and set-off

The Bank has a right of lien on all assets it holds for the account of a client whether in its own custody or placed elsewhere and a right of set-off as regards all funds credited to a client's account in respect of all claims which the Bank may have against the client, irrespective of the due dates of such claims or currencies in which they are expressed. Immediately upon default by the client the Bank shall be entitled to dispose, either by forced sale or in the open market, of any assets over which it has a right of lien.

Art. 9 Accounts

The Bank reserves the right to alter its interest and commission rates at any time, e.g. in the event of changes in market conditions and to advise the client of such change in writing or by other suitable means. No deductions are allowed from interest and commissions due to the Bank. Any expenses, taxes or other charges are to be borne by the client.

If the client gives several instructions, the total amount of which exceeds his available balance, the Bank will decide at its discretion which of the instructions to carry out, in whole or in part, irrespective of the date they bear or the date of their receipt by the Bank.

Art. 10 Accounts in foreign currencies

The Bank's assets corresponding to the client's credit balances in foreign currency are held in the same currency in or outside of the country whose currency is involved. The client bears proportionately to his share all the economic and legal consequences which, as a result of measures taken by the country in question, affect all the Bank’s assets in the country of the currency or in the country where the funds are invested.

The obligations of the Bank arising from accounts in foreign currencies will be discharged exclusively at the place of business of the branches or offices at which the accounts in question are held solely through the establishment of a credit entry at a Bank branch, a correspondent bank or a bank nominated by the client in the country of the currency.

Art. 11 Drafts, cheques and other instruments

The Bank reserves the right to debit the client’s account with unpaid drafts, cheques or other instruments, previously credited or discounted. Pending the settlement of any outstanding debit balance, the Bank retains a claim to payment of the total amount of the draft, cheque or similar instrument, plus related claims against any party liable under the instrument, whether such claims emanate from the instrument or exist for any other legal reason.

Art. 12 Termination of business relationship

The Bank or the client may terminate the business relationship at any time and at either’s own discretion.

The Bank may in particular cancel credit facilities at any time and demand repayment of debts without notice.

Art. 13 Outsourcing of operations

The Bank reserves the right to outsource, in whole or in part, certain areas of business (e.g. funds transfer and securities operations).

Art. 14 Applicable law and venue for legal proceedings

All legal relations between the client and the Bank are governed by Swiss law. The exclusive venue for any kind of legal proceedings is Zurich or the place of business of the Swiss branch of the Bank with which the contractual relationship exists. The Bank also reserves the right to take legal action against the client before any other competent court.

Art. 15 Bank customer secrecy

All agents, employees and representatives of the Bank are obliged by law to treat the business transactions of the client with confidentiality. The client releases the Bank from its obligation to secrecy in so far as this is necessary to safeguard the legitimate interests of the Bank:

- in the case of legal proceedings against the Bank initiated by the client
- to secure claims of the Bank and enable it to make use of securities of the client or third parties
- to collect claims by the Bank against the client
- in the case of client accusations against the Bank in public or to the authorities in Switzerland or abroad
- to the extent the terms applying to transactions in foreign securities or rights demand disclosure.

All legal obligations imposed upon the Bank to disclose information are expressly reserved.

Art. 16 Amendments to the General Conditions

The Bank reserves the right to amend the General Conditions at any time. The client will be notified in writing or by other suitable means.

CREDIT SUISSE

Safe Custody Regulations

General Provisions

Art. 1 Validity

These Safe Custody Regulations shall apply, in addition to the General Conditions of the Bank, to all assets and other objects of value (hereinafter called 'Safe Custody Assets') accepted by the Bank far safe custody.

These Regulations shall be supplementary to any special contractual agreements or special regulations for special safe custody accounts.

Art. 2 Acceptance of Safe Custody Assets

The Bank will accept

a) securities for safe custody and administration, as a rule in open safekeeping accounts

b) precious metals for safe custody, as a rule in open safe keeping accounts

c) money market and capital market investments not issued in the form of securities for entry and administration in open safekeeping accounts

d) documents of title or documents evidencing entitlements for safe custody, as a rule in open safekeeping accounts

e) valuables and other appropriate objects for safe custody, as a rule in sealed safe deposit arrangements.

Separate regulations shall apply to sealed safe deposit arrangements.

The Bank may refuse to accept Safe Custody Assets without stating any reasons.

Art. 3 Verification of Safe Custody Assets

The Bank may verify Safe Custody Assets delivered to the Bank by the depositor or by third parties for the account of the depositor for authenticity and blocking or freezing notifications, without thereby assuming any liability for such verification. In particular, the Bank shall be obliged to undertake administrative acts only after such verification is completed. Accordingly, the Bank shall not be obliged during the verification period to execute any sales orders or other transactions in which the assets must be released to a third party against payment.

The Bank shall undertake the verification of the Safe Custody Assets in accordance with the resources and documents at its disposal. Foreign Safe Custody Assets may be given to the depository or another suitable agent in the relevant country for verification.

Art. 4 Book-entry securities with a similar function as securities

Certificated Securities and book-entry securities with a similar function for which no physical certificates are issued shall be treated the same. The rules on commission (art. 425 et seq. Swiss Code of Obligations) shall apply to the relationship between the depositor and the Bank.

Art. 5 Duty of due Care of the Bank

The Bank shall exercise the same degree of due care in safeguarding the Safe Custody Assets as if such assets were the property of the Bank.

Art. 6 Delivery and disposal of the Safe Custody Assets

The depositor may at any time, subject to notice periods and provisions of the law as well as pledges, charges, liens, rights of retention or set-off and other similar entitlements of the Bank, demand that the Safe Custody Assets be delivered to him or put at his disposal. The usual time to effect delivery in the market concerned must be observed.

The Safe Custody Assets shall be transported or dispatched for the account and at the risk of the depositor. If no instructions are received from the depositor, the Bank may insure and declare the value of the Safe Custody Assets at its own discretion.

Art. 7 Remuneration of the Bank

The remuneration of the Bank shall be calculated according to the fee tariff in force at the time. The Bank reserves the right to change the fee tariff at any time. Changes shall be notified to the depositor in an appropriate manner.

Art. 8 Duration of the Agreement

The Agreement shall generally be for an indefinite period. The legal relationships established by these Regulations shall not lapse upon the death, incapacity or bankruptcy of the depositor.

Art. 9 Amendments to the Safe Custody Regulations

The Bank may amend the Safe Custody Regulations at any time. Amendments shall be notified to the depositor in writing or another appropriate manner.

Special Provisions for Open Safekeeping Accounts

Art. 10 Form of safekeeping

The Bank is explicitly authorised to deposit Safe Custody Assets with third parties in its own name but for the account and at the risk of the depositor. Unless instructed to the contrary, the Bank is also authorised to hold the Safe Custody Assets in collective deposit according to their type or to deposit them with a central collective depository. Depositors shall have a right of co-ownership based on the ratio of Safe Custody Assets deposited by them to all Safe Custody Assets in the collective depository, provided that the collective depository is in Switzerland. This does not include Safe Custody Assets which, because of their form or for other reasons, have to be kept separately in safe custody.

Safe Custody Assets held abroad shall be subject to the laws and customs of the place of deposit. If the applicable law of the foreign country renders it difficult or impossible for the Bank to return assets deposited abroad or to transfer the proceeds from the sale of such assets, then the Bank shall only be obliged to procure for the depositor a claim for the return of property or payment of the sums involved, provided that such a claim exists and is assignable.

Safe Custody Assets in registered form may be registered in the name of the depositor. The depositor hereby accepts the disclosure of its name to the third party depository. Alternatively the Bank may register the assets in its own name or in the name of a third party, in either case for the account and at the risk of the depositor, especially if it is not customary or possible to register the assets in the name of the depositor.

Safe Custody Assets redeemable by drawings may also be held according to their type in collective safe custody; drawn lots shall be allocated amongst the depositors by the Bank, using a method which guarantees all depositors the same chance of inclusion in the sub-drawing as under the main drawing.

Art. 11 Administration

The Bank shall, without specific instructions from the depositor, attend to the usual administrative matters such as the collection of dividends and interest, repayments of principal, monitoring of drawings, redemptions and maturities, conversions and subscription rights, etc. and shall also normally require depositors to take the measures incumbent on them pursuant to par. 2 of this article, in this regard the Bank shall rely on the customary information media available to it but does not assume any responsibility therefore. The Bank shall notify the depositor on the deposit statement or by other means if it is unable to administer individual assets in the usual manner. The administrative actions in respect of registered shares without coupons shall be carried out only if the address for delivery of dividends and subscription rights is that of the Bank.

Unless otherwise agreed, it shall be the responsibility of the depositor to take ail other measures to obtain and preserve the rights accruing on the Safe Custody Assets, in particular to issue instructions for the handling of conversions, the exercise, purchase or sale of subscription rights and the exercise of conversion rights. If instructions from the depositor are not received in time, the Bank shall be authorised, but not obliged, to act at its discretion (including to debit the customer’s account, for example when exercising subscription rights).

Art. 12 Postponed printing of certificates

If it is intended to postpone the issuance of certificates for the duration of the deposit for safe custody with the Bank, the Bank shall be explicitly authorised to

a) cause the respective certificates to be cancelled upon their delivery into the safekeeping account

b) carry out the usual administrative actions for the account of the depositor during the safe custody and give the issuer the necessary instructions and obtain the necessary information, and

c) demand the physical issuance of the certificates on behalf of the deposit or upon their delivery out of the safekeeping account.

Art. 13 Fiduciary Acceptance of Safe Custody Assets

If it is not customary or possible for title to the Safe Custody Assets to be vested in the depositor, the Bank may purchase the Safe Custody Assets or cause them to be purchased in its own name or in the name of a third party and to exercise the rights arising thereunder or cause them to be exercised, at all times for the account and at the risk of the depositor.

Art. 14 Credits and debits

Amounts (principal, income, fees, expenses, etc.) shall be credited or debited to the account pursuant to the booking instructions as agreed, unless instructed otherwise by the depositor. Such amounts shall be converted into the currency of the relevant account if necessary.

Changes to the account instructions must be received by the Bank at least 5 bank business days before the transaction falls due.

Art. 15 Statements

The Bank shall provide the depositor with a statement of the Safe Custody Assets in the safekeeping account, as a rule at the end of the year. The statement may also include other assets which are not subject to the Safe Custody Regulations. Safekeeping account valuations shall be based on non-binding prices and market values taken from the usual bank sources of information. The Bank shall not assume any liability for the accuracy of these valuations or for further information relating to the posted assets.

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to
Rule 13a-14(a)/15d-14(a)

I, Mark A. LeDoux, Chief Executive Officer of Natural Alternatives International, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Natural Alternatives International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2006

/s/ Mark A. LeDoux
Mark A. LeDoux, Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to
Rule 13a-14(a)/15d-14(a)

I, John R. Reaves, Chief Financial Officer of Natural Alternatives International, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Natural Alternatives International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2006

/s/ John R. Reaves
John R. Reaves, Chief Financial Officer

Exhibit 32

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Natural Alternatives International, Inc., a Delaware corporation, does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 of Natural Alternatives International, Inc. fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Natural Alternatives International, Inc.

Date: November 1, 2006	/s/ Mark A. LeDoux
	Mark A. LeDoux, Chief Executive Officer
Date: November 1, 2006	/s/ John R. Reaves
	John R. Reaves, Chief Financial Officer

The foregoing certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.